



**Banco Bilbao Vizcaya Argentaria, S.A.**

*(incorporated with limited liability under the laws of Spain)*

**Series 11 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible  
Perpetual Preferred Tier 1 Securities**

**Issue price: 100 per cent.**

The Series 11 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities of €200,000 liquidation preference each (the **Preferred Securities**) are being issued by Banco Bilbao Vizcaya Argentaria, S.A. (the **Bank** or **BBVA**) on 21st June, 2023 (the **Closing Date**). The Bank and its consolidated subsidiaries are referred to herein as the **Group**.

The Preferred Securities will accrue non-cumulative cash distributions (**Distributions**) (i) in respect of the period from (and including) the Closing Date to (but excluding) 21st December, 2028 (the **First Reset Date**) at the rate of 8.375 per cent. per annum, and (ii) in respect of each period from (and including) the First Reset Date and every fifth anniversary thereof (each a **Reset Date**) to (but excluding) the next succeeding Reset Date (each such period, a **Reset Period**), at the rate per annum equal to the aggregate of 5.544 per cent. per annum and the 5-year Mid-Swap Rate (as defined in the terms and conditions of the Preferred Securities (the **Conditions**)), converted to a quarterly rate in accordance with market convention, for the relevant Reset Period. Subject as provided in the Conditions, such Distributions will be payable quarterly in arrear on 21st March, 21st June, 21st September and 21st December in each year (each a **Distribution Payment Date**).

All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank on any day falling in the period commencing on (and including) 21st June, 2028 (the **First Call Date**) and ending on (and including) the First Reset Date, and on any Distribution Payment Date thereafter, at the liquidation preference of €200,000 per Preferred Security plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4, an amount equal to accrued and unpaid Distributions for the then current Distribution Period (as defined in the Conditions) to (but excluding) the date fixed for redemption (the **Redemption Price**), subject to the prior consent of the Regulator (as defined in the Conditions) (if required, and otherwise in accordance with Applicable Banking Regulations (as defined in the Conditions) then in force). The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price, subject to the prior consent of the Regulator (if required, and otherwise in accordance with Articles 77 and 78 of the CRR and/or any other Applicable Banking Regulations in force at the relevant time) if there is a Capital Event or a Tax Event (each as defined in the Conditions) or if 75 per cent. or any higher percentage of the aggregate Liquidation Preference of the Preferred Securities has been purchased by, or on behalf of, the Bank or any other member of the Group.

The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time and for any (or no) reason, including as further provided in Condition 4. Distributions on the Preferred Securities will be non-cumulative. Accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities then the right of the Holders (as defined in Condition 1.1) to receive the relevant Distribution (or part thereof) will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) or otherwise to pay any interest in respect of the Preferred Securities, whether or not any future Distributions on the Preferred Securities are paid. For further information, see Condition 4.

If, at any time, the CET1 ratio (as defined in the Conditions) of the Bank or the Group is less than 5.125 per cent. as determined by the Bank (a **Trigger Event**), the Preferred Securities are mandatorily and irrevocably convertible into newly issued ordinary shares in the capital of the Bank (**Common Shares**) at the Conversion Price (meaning, if the Common Shares are (a) then admitted to trading on a Relevant Stock Exchange, the higher of (i) the arithmetic mean of the closing price per Common Share for the 5 consecutive Dealing Days immediately preceding the date on which notice of the Trigger Event is given, (ii) the floor price of €3.75, subject to adjustment for certain anti-dilution events (the trading price of BBVA's shares as of the date of this Offering Circular is currently above €3.75, with the closing price of BBVA's shares on 12th June, 2023 being €6.554) and (iii) the nominal value of a Common Share (being €0.49 on the Closing Date) or (b) not then admitted to trading on a Relevant Stock Exchange, the higher of (ii) and (iii) above). In the event of the liquidation or winding-up of the Bank, Holders will be entitled to receive (subject as provided in the Conditions including the status and ranking of the Preferred Securities described in this Offering Circular), in respect of each Preferred Security, their respective liquidation preference of €200,000 plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in the Conditions any accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment of the liquidation distribution.

In addition, in the event of a Capital Reduction (as defined in the Conditions), the Preferred Securities are mandatorily and irrevocably convertible into Common Shares unless a Holder elects that the Preferred Securities held by it shall not be so converted by delivery of a duly completed and signed Election Notice on or before the 10th Business Day immediately following the Capital Reduction Notice Date (each as defined in the Conditions).

The Preferred Securities are expected, upon issue, to be rated Ba2 by Moody's Investors Services España, S.A. (**Moody's**) and BB by Fitch Ratings Ireland Limited (**Fitch**). The Bank has been rated A3 by Moody's, A by S&P Global Ratings Europe Limited (**S&P**) and BBB+ by Fitch. Each of Moody's, S&P and Fitch is established in the European Economic Area (the **EEA**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Moody's, Fitch and S&P is included in the list of credit rating agencies published by the European Securities and Markets Authority (**ESMA**) on its website (at <http://www.esma.europa.eu/page/List-registered-and-certified-CRAs>) in accordance with the CRA Regulation. Ratings issued by S&P have been endorsed by S&P Global Ratings UK Limited, ratings issued by Moody's have been endorsed by Moody's Investors Service Ltd and ratings issued by Fitch have been endorsed by Fitch Ratings Limited, each of which is a credit rating agency established in the United Kingdom (**UK**) and registered under the CRA Regulation as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 (the **EUWA**) (the **UK CRA Regulation**), each in accordance with the UK CRA Regulation and have not been withdrawn. As such, the ratings issued by S&P, Moody's and Fitch may be used for regulatory purposes in the UK in accordance with the UK CRA Regulation. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

This Offering Circular does not comprise a prospectus for the purposes of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU (the **Prospectus Regulation**). Application has been made to the Irish Stock Exchange plc trading as Euronext Dublin (**Euronext Dublin**) for the Preferred Securities to be admitted to the Official List and to trading on the Global Exchange Market of Euronext Dublin (**GEM**). GEM is not a regulated market for the purposes of Directive 2014/65/EU (as amended, **MiFID II**). This Offering Circular constitutes "listing particulars" for the purposes of such application and has been approved by Euronext Dublin. The Preferred Securities may also be admitted to listing and trading on any other secondary market as may be agreed by the Bank.

Amounts payable under the Preferred Securities from and including the First Reset Date are calculated by reference to the 5-year Mid-Swap Rate (as defined in the Conditions) which appears on the "ICESWAP2" page, which is provided by ICE Benchmark Administration Limited. As at the date of this Offering Circular, ICE Benchmark Administration Limited is not included in the register of administrators and benchmarks established and maintained by ESMA pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**). As far as BBVA is aware, the transitional provisions in Article 51 of the Benchmarks Regulation apply, such that ICE Benchmark Administration Limited is not currently required to obtain authorisation/registration (or, if located outside the European Union (the **EU**), recognition, endorsement or equivalence).

The Preferred Securities will be issued in bearer form and will be represented by a global Preferred Security deposited on or about the Closing Date with a common depositary for Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg**).

**An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "Risk Factors" beginning on page 9.**

The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. The Preferred Securities shall not be offered, sold or otherwise made available to EEA Retail Clients in any jurisdiction of the EEA or UK Retail Clients (each as defined herein). Prospective investors are referred to the section headed "**Prohibition on marketing and sales to retail investors**" on pages 4 to 7 of this Offering Circular for further information.

MiFID II Product Governance/UK MiFIR Product Governance/Professional investors and eligible counterparties only/No PRIIPs KID/No UK PRIIPs KID/FCA PI RESTRICTION – Manufacturer target market (MiFID II product governance and UK MiFIR product governance) is eligible counterparties and professional clients only (all distribution channels). The target market assessment indicates that the Preferred Securities are incompatible with the knowledge, experience, needs, characteristics and objectives of retail clients and accordingly the Preferred Securities shall not be

offered or sold to any retail clients. No packaged retail and insurance-based investment products (PRIIPs) key information document (KID) has been prepared as the Preferred Securities are not available to retail investors in the EEA or in the UK.

The Preferred Securities have not been and any Common Shares to be issued and delivered in the event of any Conversion (as defined in the Conditions) may not be, registered under the United States Securities Act of 1933, as amended (the **Securities Act**) and are subject to United States tax law requirements. Any offering of the Preferred Securities has been and is being made outside the United States (the **US**) in accordance with Regulation S under the Securities Act (**Regulation S**), and the Preferred Securities may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act.

***Joint Bookrunners***

**BBVA**  
(no underwriting commitment)  
**Citigroup**

**Barclays**  
**Goldman Sachs Bank Europe SE**

**BofA Securities**  
**NATIXIS**

*The Bank accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Bank (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.*

*This Offering Circular is to be read in conjunction with all documents which are incorporated herein by reference (see “Documents Incorporated by Reference”). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.*

*Other than in relation to the documents which are deemed to be incorporated by reference (see “Documents Incorporated by Reference”), the information on the websites to which this Offering Circular refers does not form part of this Offering Circular.*

*Banco Bilbao Vizcaya Argentaria, S.A. (in its capacity as a joint bookrunner, the **Joint Lead Manager**), Barclays Bank Ireland PLC, BofA Securities Europe SA, Citigroup Global Markets Europe AG, Goldman Sachs Bank Europe SE and NATIXIS (the **Joint Bookrunners** and together with the Joint Lead Manager, the **Managers**) have not separately verified the information contained herein. Accordingly, no representation, warranty or undertaking, express or implied, is made and no responsibility or liability is accepted by the Managers or any of them as to the accuracy or completeness of the information contained in this Offering Circular or any other information provided by the Bank in connection with the Preferred Securities or their distribution.*

*The Bank has not authorised the making or provision of any representation or information regarding the Bank or the Preferred Securities other than as contained in this Offering Circular or as approved for such purpose by the Bank. Any such representation or information should not be relied upon as having been authorised by the Bank or the Managers.*

*Neither the delivery of this Offering Circular nor the offering or delivery of any Preferred Security shall in any circumstances create any implication that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the condition (financial or otherwise) of the Bank since the date of this Offering Circular.*

*None of the Managers or any of their respective affiliates, or any of their respective directors, officers, employees or agents, to the extent permitted by applicable law, accepts any responsibility whatsoever for the contents of this Offering Circular or for any statement made or purported to be made by it, or on its behalf, in connection with the Bank or any offering of the Preferred Securities. The Managers and any of their respective affiliates accordingly disclaim to the extent permitted by applicable law, all and any liability whether arising in tort, contract, or otherwise which they might otherwise have in respect of any such contents or statement. No representation or warranty express or implied, is made by any of the Managers (other than the Bank, to the extent to which, as issuer of the Preferred Securities, it accepts responsibility for the information contained in this Offering Circular) or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Offering Circular.*

*The Managers are acting exclusively for the Bank and no one else in connection with any offering of the Preferred Securities. The Managers will not regard any other person (whether a recipient of this Offering Circular or otherwise) as their client in relation to any such offering and will not be responsible to anyone other than the Bank for providing the protections afforded to their clients or for giving advice in relation to such offering or any transaction or arrangement referred to herein.*

*This Offering Circular does not constitute an offer of, or an invitation to subscribe for or purchase by or on behalf of, the Bank or the Managers any Preferred Securities.*

*The distribution of this Offering Circular and the offering and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Bank and the Managers to inform themselves about and to observe any such restrictions.*

*The Preferred Securities have not been and will not be registered under the Securities Act and are subject to United States tax law requirements. Subject to certain exceptions, the Preferred Securities may not be offered, sold or delivered in the US or to U.S. persons.*

*In this Offering Circular, unless otherwise specified, references to **€**, **EUR** or **euro** are to the single currency introduced at the start of the third stage of European Economic and Monetary Union pursuant to the Treaty establishing the European Community, as amended; references to **USD** or **U.S. dollars** are to the currency of the United States; references to **Mexican peso** refer to the lawful currency for the time being of the United Mexican States; and references to **Turkish lira** or **TL** refer to the lawful currency for the time being of the Republic of Turkey, unless the context otherwise requires.*

*Words and expressions defined in the Conditions (see "Conditions of the Preferred Securities") shall have the same meanings when used elsewhere in this Offering Circular unless otherwise specified.*

*In this Offering Circular, unless the contrary intention appears, a reference to a law or a provision of a law is a reference to that law or provision as extended, amended or re-enacted.*

*This Offering Circular may only be used for the purposes for which it has been published. No person is authorised to give information other than that contained herein and in the documents incorporated by reference herein and which are made available for inspection by the public at the registered office of the Bank.*

*Prior to making an investment decision, potential investors should consider carefully, in light of their own financial circumstances and investment objectives, all the information contained in this Offering Circular or incorporated by reference herein. A potential investor should not invest in the Preferred Securities unless it has the expertise (either alone or with its financial and other professional advisers) to evaluate how the Preferred Securities will perform under changing conditions, the resulting effects on the value of the Preferred Securities and the impact this investment will have on the potential investor's overall investment portfolio. See further "Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Preferred Securities – The Preferred Securities may not be a suitable investment for all investors". If a potential investor is in any doubt about any of the contents of this Offering Circular, it should obtain independent professional advice.*

#### ***Prohibition on marketing and sales to retail investors***

*The Preferred Securities are complex financial instruments with high risk. They are not a suitable or appropriate investment for all investors, especially retail investors. See "Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Preferred Securities". In some jurisdictions, regulatory authorities have adopted or published laws, regulations or guidance with respect to the offer or sale of securities such as the Preferred Securities. Each of the Managers has represented and agreed that offers of the Preferred Securities in the EEA and in the UK shall only be directed specifically at or made to professional clients (clientes profesionales) as defined in point (10) of Article 4(1) of MiFID II or as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of UK domestic law by virtue of the EUWA (**UK MiFIR**).*

*In the UK, the Financial Conduct Authority (the **FCA**) Conduct of Business Sourcebook (**COBS**) requires, in summary, that the Preferred Securities should not be offered or sold to retail clients (as defined in COBS 3.4) in the UK. In addition, (i) on 1st January, 2018, Regulation (EU) No. 1286/2014 on key information documents for packaged and retail and insurance-based investment products (the **PRIIPs Regulation**) became directly applicable in all EEA member states, including in the case of the UK, as it forms part of UK domestic law by virtue of the EUWA (the **UK PRIIPs Regulation**) from 1st January, 2021 and (ii) MiFID II was required to be implemented in EEA member states, including the UK, by 3rd January, 2018 and was implemented in Spain through Royal Decree-Law 14/2018 of 28th September and Royal Decree 1464/2018 of 21st December. Together COBS, the PRIIPs Regulation, the UK PRIIPs Regulation and MiFID II (including as implemented in*

Spain and the UK, and as the relevant implementing regulations form part of UK domestic law by virtue of the EUWA) are referred to as the **European Regulations**.

The European Regulations set out various obligations in relation to (i) the manufacture and distribution of financial instruments and (ii) the offering, sale and distribution of packaged retail and insurance-based investment products and certain contingent write-down or convertible securities such as the Preferred Securities.

In addition, in October 2018, the Hong Kong Monetary Authority (the **HKMA**) issued guidance on enhanced investor protection measures on the sale and distribution of debt instruments with loss absorption features and related products (the **HKMA Circular**). Under the HKMA Circular, debt instruments with loss absorption features, being subject to the risk of being written-down or converted to ordinary shares, and investment products that invest mainly in, or whose returns are closely linked to the performance of such instruments, are to be targeted in Hong Kong at professional investors (as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO, a **Hong Kong professional investor**) only and are generally not suitable for retail investors in either the primary or secondary markets.

Further, in Singapore, the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore (as amended, the **SFA**), the Financial Advisers Act (Chapter 110 of Singapore) (the **FAA**), the Guidelines on Fair Dealing - Board and Senior Management Responsibilities for Delivering Fair Dealing Outcomes to Customers (the **Guidelines on Fair Dealing**) and the Code of Conduct for Private Banking in Singapore (the **PB Code**) contain additional obligations and/or guidance in relation to the marketing, offer and sale of the Preferred Securities to investors in Singapore. Together, the SFA, the FAA, the Guidelines on Fair Dealing and the PB Code are referred to as the **Singapore Regulations**, and together with the European Regulations and the HKMA Circular, as the **Regulations**.

In addition to the above obligations and Regulations, there is the need to comply at all times with all other applicable laws, regulations, and regulatory guidance (whether inside or outside the EEA, the UK, Hong Kong or Singapore) relating to the promotion, offering, distribution and/or sale of the Preferred Securities (or any beneficial interests therein), including (without limitation) MiFID II (including as implemented in Spain and the UK, and as the relevant implementing regulations form part of UK domestic law by virtue of the EUWA), the UK FCA Handbook and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Preferred Securities (or any beneficial interests therein) for investors in any relevant jurisdiction.

Each of the Bank and the Managers are required to comply with some or all of the Regulations. By purchasing, or making or accepting an offer to purchase, any Preferred Securities (or a beneficial interest in such Preferred Securities) from the Bank and/or any Managers, each prospective investor will be deemed to represent, warrant, acknowledge, consent, accept, agree with and undertake to the Bank and each of the Managers that:

- (a) it is not a retail client (as defined in point (11) of Article 4(1) of MiFID II (an **EEA Retail Client**) or in COBS 3.4 (a **UK Retail Client** and together with an EEA Retail Client, a **retail client**));
- (b) whether or not it is subject to the Regulations, it will not:
  - (I) sell or offer the Preferred Securities (or any beneficial interests therein) to any retail clients or any person in Hong Kong that is not a Hong Kong professional investor or any person in Singapore that is not an “accredited investor” or an “institutional investor” (each as defined in Section 4A of the SFA, a **Singapore professional investor**); or

- (II) *communicate (including the distribution of this Offering Circular) or approve an invitation or inducement to participate in, acquire or underwrite the Preferred Securities (or any beneficial interests therein) where that invitation or inducement is addressed to or disseminated in such a way that it is likely to be received by a retail or any person in Hong Kong or Singapore that is not a Hong Kong professional investor or a Singapore professional investor, respectively.*

*In selling or offering the Preferred Securities or making or approving communications relating to the Preferred Securities, it may not rely on the limited exemptions set out in COBS;*

- (c) *if it is person in Hong Kong, it is a Hong Kong professional investor;*
- (d) *if it is a person in Singapore, it is a Singapore professional investor; and*
- (e) *it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA, the UK, Hong Kong or Singapore relating to the promotion, offering, distribution and/or sale of the Preferred Securities (or any beneficial interests therein), including (without limitation) MiFID II (including as implemented in Spain and the UK, and as the relevant implementing regulations form part of UK domestic law by virtue of the EUWA), the UK FCA Handbook and any other such laws, regulations and regulatory guidance relating to determining the appropriateness and/or suitability of an investment in the Preferred Securities (or any beneficial interests therein) by investors in any relevant jurisdiction.*

*Each prospective investor further acknowledges that:*

- (i) *the identified target market for the Preferred Securities (for the purposes of the product governance obligations in MiFID II and the UK MiFIR Product Governance Rules (as defined below)) is eligible counterparties and professional clients only;*
- (ii) *the target market assessment indicates that the Preferred Securities are incompatible with the knowledge, experience, needs, characteristics and objectives of clients which are retail clients and accordingly the Preferred Securities shall not be offered or sold to any retail clients; and*
- (iii) *no key information document (KID) under the PRIIPs Regulation and the UK PRIIPs Regulation, respectively has been prepared and therefore offering or selling the Preferred Securities or otherwise making them available to any retail investor in the EEA or in the UK may be unlawful under the PRIIPs Regulation and the UK PRIIPs Regulation, respectively.*

*Each potential investor in the Preferred Securities should inform itself of, and comply with, any applicable laws, regulations or regulatory guidance with respect to any resale of the Preferred Securities (or any beneficial interests therein), including the Regulations.*

*Where acting as agent on behalf of a disclosed or undisclosed client when purchasing, or making or accepting an offer to purchase, any Preferred Securities (or any beneficial interests therein) from the Bank and/or the Managers the foregoing representations, warranties, agreements and undertakings will be given by and be binding upon both the agent and its underlying client.*

**PRIIPs Regulation / Prohibition of sales to EEA retail investors** – *The Preferred Securities shall not be offered, sold or otherwise made available to any retail investor in the EEA. For these purposes, a **retail investor** means a person who is one (or more) of: (i) an EEA Retail Client; or (ii) a customer within the meaning of Directive (EU) 2016/97, as amended (the **Insurance Distribution Directive**), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document (**KID**) required by the PRIIPs Regulation for offering or selling the Preferred Securities or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Preferred Securities or otherwise*

making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

**UK PRIIPs Regulation / Prohibition of sales to UK retail investors** – The Preferred Securities shall not be offered, sold or otherwise made available to any retail investor in the UK. For these purposes, a **retail investor** means a person who is one (or more) of: (i) a UK Retail Client; or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the **FSMA**) and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR. Consequently, no KID is required by the UK PRIIPs Regulation for offering or selling the Preferred Securities or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Preferred Securities or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

**MiFID II product governance/Professional clients and ECPs as the only target market / negative target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Preferred Securities has led to the conclusion that: (i) the target market for the Preferred Securities is eligible counterparties and professional clients only (each as defined in MiFID II); and (ii) all channels for distribution of the Preferred Securities to eligible counterparties and professional clients are appropriate. The target market assessment indicates that the Preferred Securities are incompatible with the knowledge, experience, needs, characteristics and objectives of clients which are EEA Retail Clients and accordingly the Preferred Securities shall not be offered or sold to any EEA Retail Clients. Any person subsequently offering, selling or recommending the Preferred Securities (a **distributor**) should take into consideration the manufacturers' target market assessment. However, a distributor subject to MiFID II is responsible, among other things, for undertaking its own target market assessment in respect of the Preferred Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

**UK MiFIR product governance / Professional clients and eligible counterparties as the only target market / negative target market** – Solely for the purposes of each manufacturer's product approval process, the target market assessment in respect of the Preferred Securities has led to the conclusion that (i) the target market for the Preferred Securities is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook (COBS), and professional clients, as defined in UK MiFIR; and (ii) all channels for distribution of the Preferred Securities to eligible counterparties and professional clients are appropriate. The target market assessment indicates that the Preferred Securities are incompatible with the knowledge, experience, needs, characteristics and objectives of clients which are UK Retail Clients and accordingly the Preferred Securities shall not be offered or sold to any UK Retail Clients. Any distributor should take into consideration the manufacturers' target market assessment. However, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the **UK MiFIR Product Governance Rules**) is responsible, among other things, for undertaking its own target market assessment in respect of the Preferred Securities (by either adopting or refining the manufacturers' target market assessment) and determining appropriate distribution channels.

#### **Product Classification Pursuant to Section 309B of the Securities and Futures Act 2001 (2020 Revised Edition) of Singapore**

In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the **CMP Regulations 2018**), the Bank has determined the classification of the Preferred Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the Monetary Authority of Singapore (the **MAS**) Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

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## **RISK FACTORS**

*The Bank believes that the following factors may affect its ability to fulfil its obligations under the Preferred Securities. Most of these factors are contingencies which may or may not occur and the Bank is not in a position to express a view on the likelihood of any such contingency occurring.*

*In addition, factors which are material for the purpose of assessing the risks associated with the Preferred Securities are also described below.*

*In purchasing the Preferred Securities, investors assume the risk that the Bank may become insolvent, subject to early intervention or resolution measures or otherwise be unable to make all payments in respect of the Preferred Securities, including that the Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time and for any (or no) reason. If at any time, a Trigger Event occurs, the Preferred Securities will further be mandatorily and irrevocably convertible into Common Shares.*

*The Bank believes that the factors described below represent the principal risks that might be considered specific to the Group and the Preferred Securities and important when making an informed investment decision in the Preferred Securities, but the non-payment by the Bank of any distributions, liquidation preferences or other amounts on or in connection with the Preferred Securities may occur for other reasons and the Bank does not represent that the statements below regarding the risks of holding the Preferred Securities are exhaustive.*

*In addition, in the future, risks that are currently unknown or not considered relevant as at the date hereof by the Bank might also have a material adverse effect on the Group's business, results of operations and/or financial position and the ability of the Bank to make payments due under the Preferred Securities. Prospective investors should also read the detailed information set out elsewhere in, or incorporated by reference into, this Offering Circular and reach their own views prior to making any investment decision.*

### **FACTORS THAT MAY AFFECT THE BANK'S ABILITY TO FULFIL ITS OBLIGATIONS UNDER THE PREFERRED SECURITIES**

#### **Macroeconomic and Geopolitical Risks**

***A deterioration in economic conditions, including inflationary pressures, or the institutional environment in the countries where the Group operates could have a material adverse effect on the Group's business, financial condition and results of operations***

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey, which respectively represented 59.7 per cent., 20.5 per cent. and 9.6 per cent. of the Group's assets as of 31st March, 2023 (60.0 per cent., 20.0 per cent. and 9.3 per cent. as of 31st December, 2022, respectively, and 62.4 per cent., 17.8 per cent. and 8.5 per cent. as of 31st December, 2021, respectively). For the periods ended 31st December, 2022 and 2021, the Group's attributable profit amounted to €6,358 million and €4,653 million, respectively (€1,846 million and €1,325 million, respectively, for the periods ended 31st March, 2023 and 2022) and the adjusted attributable profit was €6,559 million and €5,069 million, respectively (€1,846 million and €1,325 million, respectively, for the periods ended 31st March, 2023 and 2022). The share of the adjusted attributable profit of Spain, Mexico, Turkey and South America was 28.4 per cent., 63.2 per cent., 7.7 per cent. and 11.1 per cent., respectively, for the period ended 31st December, 2022, and 30.5 per cent., 50.3 per cent., 14.6 per cent. and 9.4 per cent., respectively, for the period ended 31st December, 2021 (29.3 per cent., 69.6 per cent., 15.0 per cent. and 9.9 per cent., respectively, for the period ended 31st March, 2023 and 45.1 per cent., 58.6 per cent., 5.7 per cent. and 12.1 per cent., respectively, for the period ended 31st March, 2022). The share of the Group's gross margin of Spain, Mexico, Turkey and South America was 24.7 per cent.,

43.5 per cent., 12.8 per cent. and 17.1 per cent., respectively, for the period ended 31st December, 2022 and 28.0 per cent., 36.1 per cent., 16.2 per cent. and 15.0 per cent., respectively, for the period ended 31st December, 2021 (24.8 per cent., 47.5 per cent., 11.5 per cent. and 16.9 per cent., respectively, for the period ended 31st March, 2023 and 30.7 per cent., 41.4 per cent., 9.3 per cent. and 16.4 per cent., respectively, for the period ended 31st March, 2022). Additionally, the Group is exposed to sovereign debt, especially sovereign debt related to these countries. Furthermore, the Group increased in May 2022 its shareholding stake in Türkiye Garanti Bankası A.Ş. (**Garanti BBVA**) by an additional 36.12 per cent. (reaching 85.97 per cent.) as a result of the voluntary takeover offer (**VTO**) for the shares of Garanti BBVA not already owned by BBVA announced in November 2021.

The global economy is currently facing a number of extraordinary challenges. The war in Ukraine and the related sanctions imposed against Russia have led to significant disruption, instability and volatility in global markets, as well as higher inflation and lower economic growth.

The economic effects are being felt mainly through higher commodity prices, mainly of energy commodities, despite the moderation observed in the last months. While the Group's direct exposure to Ukraine and Russia is limited, the war could adversely affect the Group's business, financial condition and results of operations.

Geopolitical and economic risks have also increased lately as a result of trade tensions between the United States and China, Brexit and the rise of populism, among other factors. Growing tensions may lead, among other things, to a deglobalisation of the world economy, an increase in protectionism, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could materially and adversely affect the Group's business, financial condition and results of operations.

Moreover, the world economy could be vulnerable to other factors such as the aggressive interest rate increases by central banks due to growing and widespread inflationary pressures, which could cause a significant growth slowdown and, even, a sharp economic recession - as well as episodes of financial stress, such as that recently observed in the banking sector.

The central banks of many developed and emerging economies have significantly augmented policy rates over the last year and monetary conditions are likely to remain restrictive for a relatively long period of time. The United States Federal Reserve (the **Federal Reserve**) and the European Central Bank (the **ECB**) have raised policy interest rates respectively by 500 and 375 basis points since 2022. The Federal Reserve is now expected to keep interest rates unchanged at the current level (5.25 per cent.) for some time, while the ECB is expected to announce at least one more 25 bps increase in the next few months in a way that the interest rates for refinancing operations in the Eurozone would reach 4.00 per cent. or slightly more. Likewise, uncertainty about the future evolution of monetary policy is high due to, among other factors, the volatile dynamics of inflation, the unexpected resilience of demand and the recent turbulence in the banking sector during the last few months.

The Group's results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in funding costs. Further, increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of its counterparties.

The Group bears, among others, the following general risks with respect to the economic and institutional environment in which it operates: a deterioration in economic activity in the countries in which it operates, including recession scenarios; more persistent inflationary pressures, which could trigger a more severe tightening of monetary conditions; stagflation due to more intense or prolonged supply crises; changes in exchange rates; an unfavourable evolution of the real estate market; very high oil and gas prices, which could have a negative impact on disposable income levels in areas that are net energy importers, such as Spain or Turkey, to which the Group is particularly exposed;

changes in the institutional environment of the countries in which the Group operates, which could give rise to sudden and sharp drops in GDP and/or changes in regulatory or government policy, including in terms of exchange controls and restrictions on the distribution of dividends or the imposition of new taxes or charges; a growth in the public debt or in the external deficit, which could lead to a downward revision of the credit ratings of the sovereign debt and even a possible default or restructuring of such debt; and episodes of volatility in the markets, which could cause significant losses for the Group.

Any of these factors may have a material adverse effect on the Group's business, financial condition and results of operations.

***Risks relating to the political, economic and social conditions in Turkey***

In May 2022, the Group increased its shareholding stake in Garanti BBVA from 49.85 per cent. to 85.97 per cent. following the completion of its voluntary takeover bid (see Note 3 of the 2022 Consolidated Financial Statements (as defined in “*Documents Incorporated by Reference*” below).

Turkey has, from time to time, experienced volatile political, economic and social conditions. As of the date of this Offering Circular, Turkey is facing an economic crisis characterised by strong depreciation of the Turkish lira, high inflation (according to the Turkish Statistical Institute (TUIK), the inflation rate in Turkey was 12.5 per cent. for the three months ended 31st March, 2023; see Note 2.2.19 to the 2022 Consolidated Financial Statements for information on the impact of the application of IAS 29 on the 2022 Consolidated Financial Statements), a significant trade deficit, depletion of the central bank's foreign reserves and rising external financing costs. The earthquakes of February 2023 have also deepened Turkey's economic struggles. In addition to the vast human losses, the earthquakes and the government's response thereto have added to mounting pressures on inflation as well as on external and tax balances. Continuing unfavourable economic conditions in Turkey, such as the elevated inflation and devaluation of the Turkish lira, may result in a potential deterioration in the purchasing power and creditworthiness of the Group's clients (both individual and corporate). In addition, the very low interest rates set by the Turkish central bank in a context of high inflation and currency depreciation have affected and may continue to affect the Group's results.

Additionally, certain geopolitical factors, such as the war in Ukraine and regional conflicts (such as in Syria, Armenia/Azerbaijan), and internal political developments, such as the result of the general elections that took place in May 2023, create uncertainty about the future evolution of the economy and could trigger scenarios of greater instability.

There can be no assurance that these and other factors will not have an impact on Turkey and will not cause further deterioration of the Turkish economy, which may have a material adverse effect on the Turkish banking sector and the Group's business, financial condition and results of operations in Turkey.

***Risks associated with pandemics like the COVID-19 pandemic could have a material adverse effect on the Group's business, financial condition and results of operations***

The COVID-19 (coronavirus) pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates. Among other challenges, these countries have had to deal with supply disruptions and increasing inflationary pressures, while public debt has increased significantly due to the support and spending measures implemented by government authorities. Furthermore, there has been an increase in loan losses from both companies and individuals, which has been slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures.

With the outbreak of COVID-19, the Group experienced a decline in its activity. For example, the granting of new loans to individuals decreased during lockdowns. In addition, in several countries, including Spain, the Group closed a significant number of its branches and reduced the opening hours of working with the public, with central services teams having to work remotely. Furthermore, the

Group has been affected by the measures or recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the modification of prudential requirements, the temporary suspension of dividend payments, changes to the terms of payment deferrals and the granting of guarantees or public guarantees for credit granted to companies and self-employed persons, the adoption of further similar measures or the modification or termination of those already approved, as well as changes in the financial assets purchase programmes implemented by the ECB. As of 31st December, 2022 and 2021, the outstanding balance of loans for which payment deferrals and/or financing with a public guarantee were granted at the Group level amounted to €32,059 million and €38,025 million, respectively (granted to 2.04 million and 2.45 million customers, respectively), equivalent to 8.2 per cent. and 10.9 per cent. of the lending portfolio of which 56.5 per cent. and 57.7 per cent. are payment deferrals and 43.5 per cent. and 42.3 per cent. financing with public guarantee, with an average Instituto de Crédito Oficial guarantee coverage of 76 per cent as of 31st December, 2022.

Moreover, pandemics like the COVID-19 pandemic could adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the higher demand for and/or the lower availability of certain resources, compounded by ongoing supply bottlenecks could, in some cases, make it more difficult for the Group to maintain the required service levels.

Further, pandemics such as the COVID-19 pandemic may exacerbate other risks disclosed in this “*Risk Factors*” section, including but not limited to risks associated with the credit quality of the Group’s borrowers and counterparties or collateral, the availability of ECB funding, the Group’s exposure to sovereign debt and rating downgrades, the Group’s ability to comply with its regulatory requirements, including MREL (as defined below) and other capital requirements, and the deterioration of economic conditions or changes in the institutional environment (see “*A deterioration in economic conditions, including inflationary pressures, or the institutional environment in the countries where the Group operates could have a material adverse effect on the Group’s business, financial condition and results of operations*” and “*Increasingly onerous capital and liquidity requirements may have a material adverse effect on the Group’s business, financial condition and results of operations*”).

As a result of the above, a pandemic could have a significant adverse impact on the Group’s business, financial condition and results of operations.

## **Business Risks**

***The Group’s businesses are subject to inherent risks concerning borrowers and counterparties’ credit quality and the value of collateral that strengthens its lending portfolio, particularly in Spain***

The total maximum credit risk exposure of the Group (calculated as set forth in Note 7.2.2 to the 2022 Consolidated Financial Statements) as of 31st March, 2023 and 31st December, 2022 was €854,011 million and €815,533 million, respectively (€753,730 million as of 31st December, 2021). The maximum exposure of loans and advances to customers at amortised cost at 31st March, 2023 and 31st December, 2022 was €373,481 million and €368,588 million, respectively (€330,055 million as of 31st December, 2021). The accumulated loss allowances of loans and advances to customers at amortised cost at 31st March 2023 and 31st December, 2022 amounts to €11,164 million and €11,237 million, respectively (€11,116 million as of 31st December, 2021).

As of 31st March, 2023 and 31st December, 2022, the impairment on financial assets not measured at fair value through profit or loss (impairment of financial assets) was a negative balance of €968 million and €3,379 million, respectively (which as of 31st December, 2022 was 11 per cent. higher than the negative balance for the previous year of €3,034 million as of 31st December, 2021). This was due to the deterioration of the macroeconomic environment with the downward revision of growth expectations in an inflationary environment and general increase in the prices of energy raw materials and interest rates. The Group has exposures to many different products and counterparties, and the credit quality of its exposures can have a significant effect on the Group’s earnings. Adverse

changes in the credit quality of the Group's counterparties (including borrowers) or in their behaviour or businesses, or any adverse changes in the collateral they may have provided, may reduce the value of the Group's assets, and materially increase the Group's write-downs and loss allowances. Credit risk can be affected by a range of factors, including an adverse economic environment, a decrease in consumption or corporate or government spending, changes in the rating of individual contractual counterparties, their debt levels and the environment in which they operate, increased unemployment, higher commodity prices (especially energy commodities), reduced asset values, increased retail or corporate insolvency levels, changes in interest rates (as well as the timing, magnitude and pace of these changes), litigation and legal and regulatory developments.

In recent years, the Group's non-performing loans (**NPL**) ratio (as defined in the Alternative Performance Measures section of the Consolidated Management Report 2022 (as defined in "*Documents Incorporated by Reference*" below), which was 3.3 per cent., 3.4 per cent. and 4.1 per cent. as of 31st March, 2023, 31st December, 2022 and 31st December, 2021, respectively) has benefited from the low interest rate environment, which has led to increased recoveries and repayments. The recent increases in interest rates and possible further successive rate increases may cause a deterioration in the Group's default rate and an increase in the Group's risk-weighted assets (**RWAs**). The Group's coverage ratio (as defined in the Alternative Performance Measures section of the Consolidated Management Report 2022) stood at 82 per cent., 81 per cent. and 75 per cent. as of 31st March, 2023, 31st December, 2022 and 31st December, 2021, respectively.

Furthermore, economic deterioration typically results in a decrease in the price of real estate assets. The Group remains significantly exposed to the real estate market, mainly in Spain and, to a lesser extent, Mexico and Turkey, due to the fact that many of its loans are secured by real estate assets and due to the significant volume of real estate assets that it maintains on its balance sheet. As of 31st December, 2022 and 31st December, 2021, the Group's exposure to the construction and real estate sectors (excluding the mortgage portfolio) in Spain was equivalent to €9,549 and €9,504 million, respectively, of which €1,861 and €2,123 million, respectively, corresponded to loans for construction, real estate development and house purchases in Spain (representing 1.1 per cent. and 1.3 per cent., respectively, of the Group's loans and advances to customers in Spain (excluding the public sector) and 0.3 per cent. of the Group's consolidated assets as of each of 31st December, 2022 and 2021). The total real estate exposure (excluding the mortgage portfolio), including developer credit and foreclosed assets without other assets, reflected a coverage ratio of 34 per cent. and 22 per cent. in Spain as of 31st December, 2022 and 2021, respectively. A fall in the price of real estate assets in Spain (or, to a lesser extent, Mexico or Turkey) would reduce the value of any real estate securing loans granted by the Group and, therefore, in the event of default, the amount of the expected losses related to such loans would increase. In addition, it could also have a significant adverse effect on the default rates of the Group's residential mortgage portfolio, the balance of which, as of 31st March, 2023, 31st December, 2022 and 31st, December 2021, was €91,999 million, €91,569 million and €91,324 million, respectively, at a global level.

The impact of an increase in default rates on the Group will depend on its magnitude, timing and pace, and could be significant. Furthermore, it is possible that the Group has incorrectly assessed the creditworthiness or willingness to pay of its counterparties, that it has underestimated the credit risks and potential losses inherent in its credit exposure and that it has made insufficient provisions for such risks in a timely manner. The processes involved in making such assessments, which have a crucial impact on the Group's results and financial condition, require difficult, subjective and complex calculations, including forecasts of the impact that macroeconomic conditions could have on these counterparties. In particular, the Group's estimates of losses derived from its exposure to credit risk may prove to be inadequate or insufficient in the current environment of economic uncertainty, which could affect the adequacy of the provisions for insolvencies provided by the Group. An increase in non-performing or low-quality loans could significantly and adversely affect the Group's business, financial condition and results of operations.

As of 31st December, 2022 and 31st December, 2021, the gross amount of loans of the Group subject to refinancing and restructuring of the Group was €15,120 million and €17,949 million, respectively

(which represents a 16 per cent. decrease between 2021 and 2022), mainly concentrated in Spain and Turkey, which represents 4.2 per cent. and 5.6 per cent., respectively, of total loans and advances to customers. These loans subject to refinancing and restructuring have an associated collateral value of €5,192 million and €6,668 million, respectively, and 54 per cent. and 51 per cent., respectively, of those loans were classified as impaired as of these respective dates.

As of 31st December, 2022 and 31st December, 2021, assets from foreclosures and recoveries, net of impairment losses amounted to €714 million and €837 million, respectively.

***The Group's business is particularly vulnerable to interest rates and is exposed to risks associated with the continuity of certain reference rates and the transition to alternative reference rates***

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. It is possible that changes in market interest rates affect the Group's interest-earning assets differently from the Group's interest-bearing liabilities. This, in turn, may lead to a reduction in the Group's net interest margin, which could have a significant adverse effect on its results. Moreover, changes in interest rates may affect the Group's credit risk exposure. In Spain the net interest margin for the periods ended 31st March, 2023, increased by 38.2 per cent., as compared to the corresponding period for the previous year; in Mexico it has increased by 48.2 per cent. (29.2 per cent. at constant exchange rates); in Turkey it has increased by 27.4 per cent. (63.0 per cent. at constant exchange rates) and in South America it has increased by 47.0 per cent. (81.7 per cent. at constant exchange rates).

Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks, regulation of the financial sector, domestic and international economic and political conditions and other factors. The COVID-19 pandemic triggered a process of cuts in reference interest rates, which were then progressively reversed by central banks in order to combat inflation, with four interest rate increases implemented by the ECB since July 2022 through 31st December 2022, one more in February 2023 and another one in March 2023. However, interest rate increases are being implemented at a different pace across regions and it is possible that such increases could be reversed in case concerns about economic growth or financial stability arise among other considerations. The Group's results of operations have been affected by the increases in the interest rates adopted by central banks in an attempt to tame inflation, contributing both to a rise in net interest income and a rise in funding costs. Further increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and/or increasing the default rate of its borrowers and counterparties. In particular, the repayment capacity of loans tied to variable interest rates is more sensitive to changes in rates. As of 31st December, 2022 and 31st December, 2021, 49.2 per cent. and 50.2 per cent., respectively, of the total transactions with a maturity greater than one year included in "Loans and advances to customers" had floating interest rates. See Note 7.3.1 of the 2022 Consolidated Financial Statements where the interest rate sensitivity analysis is detailed.

With regard to the risk of variation in the market value of assets and liabilities, as of 31st December, 2022, the average value at risk (**VaR**) was €27 million. By type of market risk assumed by the Group's trading portfolio, the main such risk for the Group continues to be linked to interest rates, representing 54 per cent. of the total at the end of 2022 (including spread risk) and decreasing the relative weight compared to the end of 2021 (when this was 57 per cent.). Exchange risk represents 22 per cent. of the total, an increase compared to the end of the year 2021 (when exchange risk was 16 per cent.), while variable income risk and volatility and correlation risk also increased, representing 11 per cent. at the end of the year 2022 (as compared to 9 per cent. at the end of the year 2021). As of 31st December, 2022, the VaR balance was €29 million (€32 million corresponding to interest and spread risk, €13 million to exchange rate risk, €7 million to equity risk, €5 million to volatility risk and €-28 million of diversification effects).

Moreover, the transition away from and discontinuation of interbank offer rates (**IBORs**) could have an adverse effect on the Group. In recent years, international regulators have been driving a transition from the use of IBORs, including the London interbank offered rate (**LIBOR**), the euro interbank offered rate (**EURIBOR**) and the euro overnight index average (**EONIA**), to alternative risk free rates (**RFRs**). This has resulted in regulatory reform and changes to existing IBORs, with further changes anticipated. These reforms and changes may cause an IBOR to perform differently than it has done in the past or to be discontinued. The Group is particularly exposed to EURIBOR-based financial instruments. However, as of 31st March, 2023, the Group considers that there are limited transition risks relating to EURIBOR as it has been replaced by the hybrid EURIBOR which uses a methodology that meets the requirements of the European Regulation of Reference Indices.

Although the transition from LIBOR EUR, CHF, JPY and GBP has been carried out without relevant impacts, the Group continues to maintain financial assets and liabilities whose contracts are referenced to USD LIBOR, when used, among others, for loans, deposits and debt issuances, as well as underlying derivative financial instruments, and the Group continues to work to adapt or modify the related documentation. The uncertainty about the nature and extent of USD LIBOR reforms and changes, and how they might affect financial instruments, could negatively impact the valuation and/or trading of a wide range of financial instruments that use USD LIBOR, including securities, loans, deposits and derivative instruments based on USD LIBOR issued by the Group or otherwise included in the financial assets and liabilities of the Group. Such uncertainty may also affect the availability and cost of hedging instruments and debt. The implementation of any alternative RFRs may be impossible or impracticable under the existing terms of certain financial instruments. Such transition could also result in pricing risks arising from how changes to reference rates could impact pricing mechanisms in some instruments, and could have an adverse effect on the value of, return on and trading market for such financial instruments and on the Group's profitability. In addition, the transition to RFRs will require important operational changes to the Group's systems and infrastructure, as all systems will need to account for the changes in the reference rates.

Any of these factors could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group faces increasing competition and is exposed to a changing business model***

The markets in which the Group operates are highly competitive and it is expected that this trend will continue in the coming years with the increasing entry of non-bank competitors (some of which have large client portfolios and strong brand recognition) and the emergence of new business models. In recent years, the financial services sector has undergone a significant transformation driven by the development of mobile technologies and the entry of new players into activities previously controlled by financial institutions. Although the Group is making efforts to adapt to these changes, through its digital transformation, its competitive position is affected by the regulatory asymmetry that benefits non-bank operators. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank operators (such as FinTech or BigTech) that are only subject to regulations specific to the activity they develop or that benefit from loopholes in the regulatory environment. Furthermore, when banking groups carry out financial activities through the use of new technologies, they are generally subject to additional internal governance rules that place such groups at a competitive disadvantage.

Moreover, the widespread adoption of new technologies, including crypto currencies and alternative payment systems that do not use the banking system, could erode the Group's business or require the Group to make substantial investment to modify or adapt existing products and services including its mobile and internet banking capabilities. Likewise, the increasing use of these new technologies and mobile banking platforms could have an adverse impact on the Group's investments in facilities, equipment and employees of the branch network. A faster pace of transformation towards mobile and online banking models could require changes in the Group's commercial banking strategy, including the closure or sale of some branches and the restructuring of others, and the significant reduction in employees. These changes could result in significant expenses as the Group reconfigures and

transforms its commercial network. In addition, the trend towards the consolidation in the banking industry has created larger banks with which the Group must compete. According to the Bank of Spain, as a result of consolidation in the banking industry, the ten largest banking entities managed 87 per cent. of customer deposits in Spain as of March 2022. Failure to implement such changes efficiently and on a timely basis could have a material adverse impact on the Group's competitive position or otherwise have a material adverse effect on the Group's business, financial condition or results of operations (see Note 24 of the 2022 Consolidated Financial Statements).

The future success of the Group depends, in part, on its ability to use technology to provide suitable products and services for customers. While the Group has focused on developing its technological capabilities in recent years and is committed to digitisation, its ability to compete successfully is likely to be adversely affected by, on the one hand, the existing uneven playing field between banks and non-bank players, and on the other hand, the increasing relevance of access to digital data and interactions for customer relationship management, which places digital platforms at an advantage. Digital platforms (such as those maintained by large technology or social media companies and FinTechs) increasingly dominate access to data and control over digital interactions, and are already eroding the Group's results in highly relevant markets such as payments. These platforms can leverage their advantage in access to data to compete with the Group in other markets and could reduce the Group's operations and margins in its core businesses such as lending or wealth management. Some of the Group's competitors have created alliances with BigTech that may affect the Group's ability to compete successfully and could adversely affect the Group. In the event that the Group is not successful in addressing increasing competition, its business, financial condition and results of operations could be materially and adversely affected.

### ***The Group faces risks related to its acquisitions and divestitures***

The Group has acquired and sold several companies and businesses over the past few years. On 15th November, 2021, BBVA announced its decision to launch a VTO for the entire share capital of Garanti BBVA not already owned by BBVA. On 18th May, 2022, BBVA announced the end of the offer acceptance period and the acquisition of an additional 36.12 per cent. (taking its total shareholding following the VTO to 85.97 per cent.). Other recent operations are the sale of BBVA USA Bancshares Inc. and other Group companies in the United States and the sale of BBVA Paraguay (see Note 3 of the 2022 Consolidated Financial Statements).

The Group may not complete any ongoing or future transactions in a timely manner, on a cost-effective basis or at all and, if completed, they may not have the expected results. In addition, if completed, the Group's results of operations could be adversely affected by divestiture or acquisition-related charges and contingencies. The Group may be subject to litigation in connection with, or as a result of, divestitures or acquisitions, including claims from terminated employees, customers or third parties. In the case of an acquisition, the Group may be liable for potential or existing litigation and claims related to an acquired business, including because either the Group is not indemnified for such claims or the indemnification is insufficient. Further, in the case of a divestiture, the Group may be required to indemnify the buyer in respect of similar or other matters, including claims against the divested entity or business.

In the case of an acquisition, even though the Group reviews the companies it plans to acquire, it is often not possible for these reviews to be complete in all respects and there may be risks associated with unforeseen events or liabilities relating to the acquired assets or businesses that may not have been revealed or properly assessed during the due diligence processes, resulting in the Group assuming unforeseen liabilities or an acquisition not performing as expected. In addition, acquisitions are inherently risky because of the difficulties that may arise in integrating people, operations and technologies. There can be no assurance that any of the businesses the Group acquires can be successfully integrated or that they will perform well once integrated.

Acquisitions may also lead to potential write-downs that adversely affect the Group's results of operations. Any of the foregoing may cause the Group to incur significant unexpected expenses, may



divert significant resources and management attention from the Group's other business concerns, or may otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group faces risks derived from its international geographic diversification and its significant presence in emerging countries. The Group's ability to distribute dividends depends, in part, on the receipt of dividends from its subsidiaries***

The Group is made up of commercial banks, insurance companies and other financial services companies in various countries and its performance as a global business depends on its ability to manage its different businesses under various economic, social and political conditions, facing different legal and regulatory requirements in many of the jurisdictions in which it operates (including, among others, different supervisory regimes and different tax and legal regimes related to the repatriation of funds or the nationalisation or expropriation of assets).

In addition, the Group's international operations may expose it to risks and challenges to which its local competitors may not be exposed, such as currency risk (as of 31st December, 2022 and 31st December, 2021, 44.7 per cent. and 41.5 per cent. of the assets, respectively, and 42.1 per cent. and 37.8 per cent. of the Group's liabilities, respectively, were denominated in currencies other than euro), the difficulty of managing or supervising a local entity from abroad, political risks (which could affect only foreign investors) or limitations on the distribution or repatriation of dividends (for example, the repatriation of dividends from each of BBVA's Venezuelan and Argentinean subsidiaries (whose book values were €109 million and €1,396 million as of 31st December, 2022, and €78 million and €1,130 million as of 31st December, 2021) is subject to certain restrictions and there is no assurance that further restrictions will not be imposed), thus worsening its position compared to that of local competitors.

In 2022, dividend income from its subsidiaries represented €3,347 million, which was approximately 35.2 per cent. of the gross margin of the Bank. This represented an increase of 97.0 per cent. compared to 2021. This was due in part to the Group's decision to follow a 'Multiple Point of Entry' strategy, in accordance with the framework for the resolution of financial entities designed by the Financial Stability Board (FSB), by which each of the Group's subsidiaries are self-sufficient and each subsidiary is responsible for managing its own capital and liquidity. This means that the payment of dividends, distributions and advances by the Group's subsidiaries to BBVA depends not only on the results of those subsidiaries, but also on the context of their operations and liquidity needs, and may be further limited by legal, regulatory and contractual restrictions. Furthermore, the Bank's right, as a shareholder, to participate in the distribution of assets resulting from the eventual liquidation or any reorganisation of its subsidiaries will be effectively subordinated to the rights of the creditors of those subsidiaries, including their commercial creditors.

There can be no guarantee that the Group will be successful in developing and implementing policies and strategies in all of the countries in which it operates, some of which have experienced significant economic, political and social volatility in recent decades. In particular, the Group has a significant presence in several emerging countries, such as Mexico and Turkey, and is therefore vulnerable to any deterioration in economic, social or political conditions in these countries. Emerging markets are generally affected by the conditions of other commercially or financially related markets and by the evolution of global financial markets in general (they may be affected, for example, by the evolution of GDP and interest rates in the United States and the exchange rate of the U.S. dollar), as well as by fluctuations in the prices of commodities. The perception that the risks associated with investing in emerging economies have increased, in general, or in emerging markets where the Group operates, in particular, could reduce capital flows to those economies and negatively affect such economies and therefore the Group. Moreover, emerging countries are more prone to experience significant changes in inflation and foreign exchange rates, which may have a material impact on the Group's results of operations, assets (including RWAs) and liabilities. For example, in Turkey, accumulated inflation for the year 2022 estimated by the Turkish Statistical Institute (Turkstat) was 64.3 per cent. (in 2021

inflation amounted to 36.1 per cent.) and the exchange rate in December 2022 was 19.96 Turkish liras per euro (in December 2021 the exchange rate was 15.23 Turkish liras per euro).

As of 31st December, 2022, the estimated sensitivities of the Group's result attributable to the owners of the parent company, taking into account the coverage against depreciations and appreciations of 1 per cent. of the average foreign exchange rate for the Mexican peso and Turkish lira was €19 million and €4 million, respectively. To the extent that hedging positions are periodically moderated, the sensitivity estimate attempts to reflect an average (or effective) sensitivity in the year against depreciations and appreciations.

The Group's operations in emerging countries are also exposed to heightened political risks, such as changes in governmental policies, expropriation, nationalisation, interest rate limits, exchange controls, capital controls, government restrictions on dividends or bank fees and adverse tax policies. For example, the repatriation of dividends from BBVA's Venezuelan, Argentinian and Turkish subsidiaries is subject to certain restrictions and there is no assurance that further restrictions will not be imposed. Since BBVA's ability to pay dividends depends, in part, on the receipt of dividends from its subsidiaries, such restrictions may, in turn, affect BBVA's ability to pay dividends.

If the Group failed to adopt effective and timely policies and strategies in response to the risks and challenges it faces in each of the regions where it operates, particularly in emerging countries, the Group's business, financial condition and results of operations could be materially and negatively affected.

### ***The Group is exposed to various risks in connection with climate change***

Climate change presents short, medium and long-term risks to the Group and its customers, and these risks are expected to increase over time. The Group's activities or those of its customers and/or counterparties could be negatively affected by, among others, the following risks:

- ***Transition Risks:*** Risks linked to the transition to a low-carbon economy as a response to climate change, and that arise from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change. Transition risks include:
  - ***Legal and regulatory risks:*** Legislative or regulatory changes regarding how banks manage climate risk or that otherwise affect banking practices or the disclosure of climate-related information may result in higher compliance, operational and credit risks and costs. The Group's customers and counterparties may also face similar challenges.
  - ***Technological risks:*** Among others, those risks derived from the transition costs to low-emission technologies or from non-adaptation to them, which could eventually reduce the credit capacity of the Group's customers.
  - ***Market risks:*** BBVA is exposed to risks of a considerable increase in the cost of financing for customers with greater exposure to climate change risk, in such a way that their solvency or credit rating is affected. BBVA is also exposed to risks derived from changes in demand, and changes in energy supply and prices, among others.
  - ***Reputational risks:*** The perception of climate change as a risk by society, shareholders, customers, governments and other stakeholders continues to increase, including in relation to the financial sector's operations and strategy. This may result in increased scrutiny of the Group's activities, policies, objectives and the way in which matters related to climate change are disclosed. The Group's reputation may be harmed if its efforts to reduce environmental and social risks are deemed to be insufficient.

- *Physical risks:* Risks that come from climate change and can be caused by greater frequency and severity of extreme weather events or long-term weather changes, and that can lead to physical damage to the assets of the Group or its customers, the interruption of their operations, disruptions in the supply chain or increased expenses necessary to deal with them, thus impacting the value of assets or the solvency of customers.

Any of these factors may have a material adverse effect on the Group's business, financial condition and results of operations.

## **Financial Risks**

***The Group has a continuous demand for liquidity to finance its activities and the withdrawal of deposits or other sources of liquidity could significantly affect it***

Traditionally, one of the Group's main sources of financing has been savings accounts and demand deposits. As of 31st March, 2023, 31st December, 2022 and 31st December, 2021, the balance of customer deposits represented 73 per cent., 75 per cent. and 72 per cent., respectively, of the Group's total financial liabilities at amortised cost. However, the volume of wholesale and retail deposits can fluctuate significantly, including as a result of factors beyond the Group's control, such as general economic conditions, changes in economic policy or administrative decisions that diminish their attractiveness as savings instruments (for example, as a consequence of changes in taxation, coverage by guarantee funds for deposits or expropriations) or competition from other savings or investment instruments (including deposits from other banks).

Likewise, changes in interest rates and credit spreads may significantly affect the cost of the Group's short and long-term wholesale financing. Changes in credit spreads are driven by market factors and are also influenced by the market's perception of the Group's solvency. As of 31st March, 2023, 31st December, 2022 and 31st December, 2021, debt securities issued by the Group represented 10.1 per cent., 10.5 per cent. and 11.4 per cent., respectively, of the total financial liabilities at amortised cost of the Group.

In addition, the Group has made and continues to make significant use of public sources of liquidity, such as the ECB's extraordinary measures taken in response to the financial crisis since 2008 or those taken in connection with the crisis caused by the COVID-19 pandemic. In its monetary policy decision of 27th October, 2022, the ECB decided to adjust the interest rates applicable to its Targeted Longer-Term Refinancing Operations III (**TLTRO III**) from 23rd November, 2022 and offer credit institutions additional voluntary early repayment dates for these operations. In December 2022, BBVA began the repayment of the TLTRO III program in an amount of €24 billion, corresponding to approximately two thirds of the total drawn amount. The amount recorded in "Deposits from central banks - Time deposits" includes the drawdowns of the TLTRO III facilities of the ECB, mainly by BBVA, amounting to €14,711 million as of 31st March, 2023 (€26,711 million as of 31st December, 2022, and €38,692 million as of 31st December, 2021).

As of 31st December, 2022, the Loan-to-Stable Customer Deposits ratio (LtSCD) in the Group is 96 per cent. This ratio measures the relationship between net lending (which includes loans and advances to customers included in the following line items in the consolidated balance sheet: "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets at amortized cost", net of loss allowances) and stable customer funds (comprising the financing obtained and managed by the Liquidity Management Units (LMUs) among their target customers – see Note 7.5.1 to the 2022 Consolidated Financial Statements).

In the event of a withdrawal of deposits or other sources of liquidity, especially if it is sudden or unexpected, the Group may not be able to finance its financial obligations or meet the minimum liquidity requirements that apply to it, and may be forced to incur higher financial costs, liquidate assets and take additional measures to reduce leverage. Furthermore, the Group could be subject to the

adoption of early intervention measures or, ultimately, to the adoption of a resolution measure by the Relevant Spanish Resolution Authority (as defined below) (see “*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution*”). Any of the above could have a material adverse effect on the Group’s business, financial condition and results of operations.

***The Group depends on its credit ratings and sovereign credit ratings, especially Spain’s credit ratings***

Rating agencies periodically review the Group’s debt credit ratings. Any reduction, effective or anticipated, in any such ratings of the Group, whether below investment grade or otherwise, could limit or impair the Group’s access to capital markets and other possible sources of liquidity and increase the Group’s financing cost, and entail the breach or early termination of certain contracts or give rise to additional obligations under those contracts, such as the need to grant additional guarantees. The Group estimates that if, at 31st December, 2022, rating agencies had downgraded BBVA’s long-term senior debt rating by one notch, it would have had to provide additional guarantees/ collateral amounting to €57.9 million under its derivative and other financial contracts. A hypothetical two-notch downgrade would have involved an outlay of €82.3 million in additional guarantees/collateral. Furthermore, if the Group were required to cancel its derivative contracts with some of its counterparties and were unable to replace them, its market risk would worsen. Likewise, a reduction in the credit rating could affect the Group’s ability to sell or market some of its products or to participate in certain transactions, and could lead to the loss of customer deposits and make third parties less willing to carry out commercial transactions with the Group (especially those that require a minimum credit rating), having a significant adverse impact on the Group’s business, financial condition and results of operations.

Furthermore, the Group’s credit ratings could be affected by variations in sovereign credit ratings, particularly the rating of Spanish sovereign debt. The Group holds a significant portfolio of debt issued by the Kingdom of Spain, by the Spanish autonomous communities and by other Spanish issuers. As of 31st December, 2022 and 31st December, 2021, the Group’s exposure (EBA criteria) to the Kingdom of Spain’s public debt portfolio was €39,485 million and €38,626 million, respectively, representing 5.5 per cent. and 5.8 per cent. of the consolidated total assets of the Group, respectively. Any decrease in the credit rating of the Kingdom of Spain could adversely affect the valuation of the respective debt portfolios held by the Group and lead to a reduction in the Group’s credit ratings. Additionally, counterparties to many of the credit agreements signed with the Group could also be affected by a decrease in the credit rating of the Kingdom of Spain, which could limit their ability to attract additional resources or otherwise affect their ability to pay their outstanding obligations to the Group. The Group’s exposure to the public debt portfolio of the rest of Europe, Mexico and Turkey as of 31st December, 2022 was €6,227 million, €33,726 million and €9,871 million respectively (as of 31st December, 2021 it was €8,336 million, €32,445 million and €5,827 million, respectively), representing and 0.9 per cent., 4.7 per cent. and 1.4 per cent., respectively, of the consolidated total assets of the Group (as of 31st December, 2021 it represented 1.3 per cent., 4.9 per cent. and 0.9 per cent., respectively). Downgrades and rating revisions for these countries would therefore also have an impact on the Group’s financial position.

In the future, new reviews or changes in BBVA’s credit ratings could occur as a result of the current or future economic situation and geopolitical conditions, which could have a significant adverse effect on the Group’s business, financial condition and results of operations.

**Legal, Regulatory, Tax and Compliance Risks**

The financial services sector is one of the most regulated in the world (see “*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework*”).

## ***Legal Risks***

### ***The Group is party to a number of legal and regulatory actions and proceedings***

The financial sector faces an environment of increasing regulatory and litigation pressure. The Group is party to government procedures and investigations, such as those carried out by the antitrust authorities which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others.

The various Group entities are also frequently party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. More generally, in recent years, regulators have increased their supervisory focus on consumer protection and corporate behaviour, which has resulted in a larger number of regulatory actions.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain recent national and supranational rulings in favour of consumers (with regards to matters such as credit cards and mortgage loans), have increased significantly in recent years and this trend could continue in the future. Legal and regulatory actions and proceedings faced by other financial institutions, in relation to these and other matters, especially if such actions or proceedings result in favourable resolutions for the consumer, could also adversely affect the Group.

All of the above may result in a significant increase in operating and compliance costs and/ or a reduction in revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the resulting procedural or management costs for the Group) could materially and adversely affect the Group, including by damaging its reputation.

It is difficult to predict the outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and those that may arise in the future, including actions and proceedings relating to former Group subsidiaries or in respect of which the Group may have indemnification obligations. Any of such outcomes could be adverse to the Group. In addition, a decision in any matter, whether against the Group or against another credit entity facing similar claims as those faced by the Group, could give rise to other claims against the Group. In addition, these actions and proceedings draw resources away from the Group and may require significant attention on the part of the Group's management and employees.

As of 31st March, 2023 and 31st December, 2022, the Group had €667 and €685 million (€623 million as of 31st December, 2021), respectively, in provisions for the proceedings it is facing (which are included in the line item "Provisions for taxes and other legal contingencies" in the consolidated balance sheet) of which €524 million as of 31st December, 2022 (€533 million as of 31st December, 2021) corresponded to legal contingencies and €161 million as of 31st December, 2022 (€91 million as of 31st December, 2021) corresponded to tax related contingencies. Most of these provisions for legal contingencies correspond to the Bank and its subsidiaries registered in Spain, which account for approximately 78 per cent. of these provisions. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate any such provisions or for other reasons) makes it impossible to guarantee that the possible losses arising from such proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results.

As a result of the above, legal and regulatory actions and proceedings currently faced by the Group or to which it may become subject in the future or which may otherwise affect the Group, whether individually or in the aggregate, if resolved in whole or in part adversely to the Group's interests, could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Spanish judicial authorities are carrying out a criminal investigation relating to possible bribery, revelation of secrets and corruption by the Bank***

Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (**Cenyt**). Such investigation includes the provision of services by Cenyt to the Bank. On 29th July, 2019, the Bank was named as an investigated party (*investigado*) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. On 3rd February, 2020, the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings. Certain current and former officers and employees of the Group, as well as former directors, have also been named as investigated parties in connection with this investigation. The Bank has been and continues to be proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the Bank in 2019 to contribute to the clarification of the facts. As at the date of this Offering Circular, no formal accusation against the Bank has been made.

This criminal judicial proceeding is in the pre-trial phase. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

***Regulatory, Tax and Compliance Risks***

The financial services sector is one of the most regulated sectors in the world. The Group is subject to a broad regulatory and supervisory framework, which has increased significantly in the last decade. Regulatory activity in recent years has affected multiple areas, including changes in accounting standards; strict regulation of capital, liquidity and remuneration; bank charges and taxes on financial transactions; regulations affecting mortgages, banking products and consumers and users; recovery and resolution measures; stress tests; prevention of money laundering and terrorist financing; market abuse; conduct in the financial markets; anti-corruption; and requirements as to the periodic publication of information. Governments, regulatory authorities and other institutions continually make proposals to strengthen the resistance of financial institutions to future crises. Further, there is an increasing focus on the climate-related financial risk management capabilities of banks.

Furthermore, the international nature of the Group's operations means that the Group is subject to a wide and complex range of local and international regulations in these matters, sometimes with overlapping scopes and areas regulated. This complexity, which can be exacerbated by differences and changes in the interpretation or application of these standards by local authorities, makes compliance risk management difficult and costly, requiring highly sophisticated monitoring, qualified personnel and general training of employees.

Any change in the Group's business that is necessary to comply with any particular regulations at any given time, especially in Spain, Mexico or Turkey, could lead to a considerable loss of income, limit the Group's ability to identify business opportunities, affect the valuation of its assets, force the Group to increase its prices and, therefore, reduce the demand for its products, impose additional costs on the Group or otherwise adversely affect its business, financial condition and results of operations. See "*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework*".

***The Group is subject to a comprehensive regulatory and supervisory framework, including resolution regulations, which could have a significant adverse effect on its business, financial condition and results of operations***

The Group is subject to a comprehensive regulatory and supervisory framework, the complexity and scope of which has increased significantly since the previous 2008 financial crisis and the crisis

caused by the COVID-19 pandemic. In particular, the banking sector is subject to continuous scrutiny at the political level and by the supervisory bodies, and it is foreseeable that in the future there will continue to be political intervention in regulatory and supervisory processes, as well as in the governance of the main financial entities. For these reasons, the laws, regulations and policies to which the Group is subject, as well as their interpretation and application, may change at any time. In addition, supervisors and regulators have significant discretion in carrying out their duties, which gives rise to uncertainty regarding the interpretation and implementation of the regulatory framework. Moreover, regulatory fragmentation and the implementation by some countries of more flexible or stricter rules or regulations could also negatively affect the Group's ability to compete with financial institutions that may or may not have to comply with any such rules or regulations, as applicable.

Regulatory changes over the last decade, as well as those currently being proposed (including changes in the interpretation or application of existing regulations), have increased and may continue to substantially increase the Group's operating expenses and adversely affect its business model. For example, the imposition of prudential capital standards has limited and is expected to continue to limit the ability of subsidiaries to distribute capital to the Bank, while liquidity standards may lead the Group to hold a higher proportion of financial instruments with higher liquidity and lower performance, which can adversely affect its net interest margin. The Group's regulatory and supervisory authorities may also require the Group to review or increase its loan loss allowances and record asset impairments, which could have an adverse effect on its financial condition.

Any legislative or regulatory measure, any necessary change in the Group's business operations, as a consequence of such measures, as well as any failure to comply with them, could result in a significant loss of income, represent a limitation on the ability of the Group to take advantage of business opportunities and offer certain products and services, affect the value of the Group's assets, force the Group to increase prices (which could reduce the demand for its products), impose additional compliance costs or result in other possible adverse effects for the Group.

One of the most significant regulatory changes resulting from the previous 2008 global financial crisis, was the introduction of resolution regulations (see *“Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution”*). In the event that the Relevant Spanish Resolution Authority considers that the Group is in a situation where conditions for early intervention or resolution are met, it may adopt the measures provided for in the applicable resolution regulations, including without prior notice. Such measures could include, among others, the write down and/or conversion into equity (or other securities or obligations) of the Group's unsecured debt. Likewise, the Relevant Spanish Resolution Authority may apply Non-Viability Loss Absorption (see *“Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution”*) in the event that it determines that the entity meets the conditions for its resolution or that it will be no longer viable unless capital instruments are written down or converted into equity or extraordinary public support is provided.

Any such determination or the mere possibility that such determination could be made, could materially and adversely affect the Group's business, financial condition and results of operations, as well as the market price and behaviour of certain securities issued by the Group (including the Preferred Securities) (or their terms, if amended following any exercise of the Bail-In Tool (as defined in *“Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution”*)). For more information, see *“Regulatory Framework”*.

***Increasingly onerous capital and liquidity requirements may have a material adverse effect on the Group's business, financial condition and results of operations***

As described in *“Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Solvency and capital requirements”*, in its capacity as a Spanish credit institution, the Group is subject to compliance with a “Pillar 1” solvency requirement, a “Pillar 2” solvency requirement and a “combined buffer requirement”, at both the individual and consolidated levels.

As a result of the most recent supervisory review and evaluation process (**SREP**) carried out by the ECB, BBVA must maintain, at a consolidated level, from 1st January, 2023, a common equity tier 1 (**CET1**) ratio of 8.75 per cent. and a total capital ratio of 13.00 per cent. The consolidated overall capital requirement includes: (i) the “Pillar 1” minimum capital requirement of 4.50 per cent.; (ii) the minimum capital requirement of “Pillar 2” of 1.71 per cent. (of which at least 0.96 per cent. must be met with CET1), of which 0.21 per cent. (0.12 per cent. must be met with CET1) is determined on the basis of the ECB’s prudential provisioning expectation, which as of 1st January, 2023 will no longer be treated as a deduction from CET1; (iii) the capital conservation buffer (2.5 per cent. of CET1); (iv) the capital buffer for Other Systemically Important Institutions (O-SIIs) (0.75 per cent. of CET1); and (v) the capital buffer for Countercyclical Risk (0.04 per cent. of CET1). Likewise, BBVA must maintain, at an individual level, a CET1 ratio of 7.90 per cent. and a total capital ratio of 12.06 per cent. These ratios include a Pillar 2 requirement at the individual level of 1.5 per cent., of which at least 0.84 per cent. shall be met with CET1. These figures also include the 0.04 per cent. counter-cyclical buffer applicable to the Group, as disclosed in the 1Q23 Consolidated Interim Financial Statements, and the 0.06 per cent. counter-cyclical buffer applicable to the Bank at an individual level.

As of 31st March, 2023 and 31st December, 2022, the Group’s phased-in total capital ratio was 16.30 per cent. and 15.98 per cent., respectively (17.24 per cent. as of 31st December, 2021) on a consolidated basis and 17.19 per cent. and 16.94 per cent., respectively (19.64 per cent. as of 31st December, 2021) on an individual basis, and its CET1 phased-in capital ratio was 13.13 per cent. and 12.68 per cent., respectively (12.98 per cent. as of 31st December, 2021) on a consolidated basis and 13.01 per cent. and 12.77 per cent., respectively (14.14 per cent. as of 31st December, 2021) on an individual basis, and the Group’s fully loaded total capital ratio was 16.30 per cent. and 15.94 per cent., respectively (16.99 per cent. as of 31st December, 2021) on a consolidated basis and 17.19 per cent. and 16.95 per cent., respectively (19.68 per cent. as of 31st December, 2021) on an individual basis, while the Group’s fully loaded CET1 ratio was 13.13 per cent. and 12.61 per cent., respectively (12.75 per cent. as of 31st December, 2021) on a consolidated basis and 13.01 per cent. and 12.74 per cent., respectively (14.11 per cent. as of 31st December, 2021) on an individual basis.

Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements imposed on the Bank and/or the Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further additional “Pillar 2” own funds requirements on the Bank and/or the Group.

Additionally, as described in *“Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – MREL”*, the Bank, as a Spanish credit institution, must maintain a minimum level of own funds and eligible liabilities (the **MREL requirement** and the own funds and eligible liabilities satisfying the MREL requirement, **MREL**). On 8th March, 2022, the Bank announced that it had received a communication from the Bank of Spain of its new MREL requirement, as determined by the Single Resolution Board (the **SRB**), repealing and superseding the previous MREL requirement communicated in May 2021.

In accordance with this new communication, BBVA has to maintain, from 1st January, 2022, a volume of MREL equal to 21.46 per cent. of the total RWAs of its resolution group (the **MREL in RWAs**), of which 13.5 per cent. of the total RWAs of BBVA’s resolution group has to be fulfilled with subordinated instruments (the **MREL in RWAs subordination requirement**). The MREL in RWAs and the MREL in RWAs subordination requirement do not include the combined buffer requirement which, according to applicable regulations and supervisory criteria, is currently 3.26 per cent. (setting the MREL in RWAs including the combined buffer requirement at 24.72 per cent. and the MREL in RWAs subordination requirement including the combined buffer requirement at 16.76 per cent.).

As of 31st March, 2023 and 31st December, 2022, the MREL of the resolution group amounted to 26.89 per cent. and 26.45 per cent., respectively (28.24 per cent. as of 31st December, 2021) of its



RWAs, and the own funds and subordinated eligible liabilities corresponded to 23.59 per cent. and 21.74 per cent., respectively (24.65 per cent. as of 31st December, 2021).

In addition, BBVA had to maintain, from 1st January, 2022, an amount of MREL in terms of the total exposure considered for calculating the leverage ratio equal to 7.50 per cent. (the **MREL in LR**) of which 5.84 per cent., in terms of the total exposure considered for calculating the leverage ratio, shall be satisfied with subordinated instruments (the **MREL in LR subordination requirement**).

As of 31st March, 2023 and 31st December, 2022, the resolution group has unsubordinated MREL of 10.93 per cent. and 11.14 per cent., respectively (11.31 per cent. as of 31st December, 2021) and subordinated MREL of 9.02 per cent. and 9.16 per cent., respectively (9.88 per cent. as of 31st December, 2021) in terms of total exposure taken into account for the calculation of the leverage ratio.

The BBVA resolution group consists of the Bank and its subsidiaries belonging to the same European resolution group and, as of 31st March, 2023, the RWAs of the resolution group amounted to €206,655 million and the total exposure considered for calculating the leverage ratio amounted to €508,210 million.

As of the date of this Offering Circular, no “Pillar 2” MREL Requirement has been imposed on BBVA and BBVA complies with the MREL in RWAs, the MREL in RWAs subordination requirement, the MREL in LR and the MREL in LR subordination requirement.

However, both the capital and the MREL requirements, the own funds and the eligible liabilities available for MREL purposes are subject to interpretation and change and, therefore, no assurance can be given that the Group’s interpretation is the appropriate one or that the Bank and/or the Group will not be subject to more stringent requirements at any future time. Likewise, no assurance can be given that the Bank and/or the Group will be able to fulfil whatever future requirements may be imposed, even if such requirements were to be equal or lower than those currently in force. There can also be no assurances as to the ability of the Bank and/or the Group to comply with any capital target announced to the market at any given time, which could be adversely perceived by investors and/or supervisors, who could interpret that a lack of capital-generating capacity for the Bank and/or the Group exists or that the capital structure has deteriorated, either of which could adversely affect the market value or behaviour of securities issued by the Bank and/or the Group (and, in particular, of the Preferred Securities and any of its other capital instruments and eligible liabilities) and, therefore, lead to the implementation of new recommendations or requirements regarding “Pillar 2” or (should the Relevant Spanish Resolution Authority interpret that obstacles may exist for the viability of the resolution of the Bank and/or the Group) MREL. Further, the Bank and/or the Group may report amounts different from consensus estimates, as occurred with respect to the CET1 ratios of the Bank and the Group as of 31st December, 2021, which may also affect market perceptions of the Bank and the Group.

If the Bank or the Group failed to comply with its “combined buffer requirement”, it would have to calculate the Maximum Distributable Amount (**MDA**) and, until such calculation has been undertaken and reported to the Bank of Spain, the Bank would not be able to make any (i) distributions relating to CET1 capital; (ii) payments related to variable remuneration or discretionary pension benefits; and (iii) distributions linked to additional tier 1 (**AT1**) instruments (**discretionary payments**). Once the MDA has been calculated and reported, such discretionary payments would be limited to the calculated MDA. Likewise, should the Bank or the Group not meet the applicable combined buffer requirement, it could result in the imposition of additional requirements of “Pillar 2”. Regarding MREL, failure by the Bank to meet its respective “combined buffer requirement” for these purposes, taken together with its MREL requirements (the **MREL-MDA**) could result in the imposition of restrictions or prohibitions on discretionary payments. Additionally, failure to comply with the capital requirements may result in the implementation of early intervention measures or, ultimately, resolution measures by the resolution authorities. (see “*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Solvency and capital requirements*”)

Regulation (EU) 2019/876 of the European Parliament and of the Council, of 20th May, 2019 (as amended, replaced or supplemented at any time, **CRR II**) establishes a binding requirement for the leverage ratio effective from 28th June, 2021 of 3 per cent. of Tier 1 capital (as of 31st March, 2023, 31st December, 2022 and 31st December, 2021 the phased-in leverage ratio of the Group was 6.6 per cent., 6.49 per cent. and 6.80 per cent., respectively and fully loaded it was 6.6 per cent., 6.46 per cent. and 6.69 per cent.). Any failure to comply with this leverage ratio buffer may also result in the need to calculate and report the MDA, and restrictions on discretionary payments. Moreover, CRR II proposes new requirements that capital instruments must meet in order to be considered AT1 or Tier 2 instruments. Once the grandfathering period in CRR II has elapsed, AT1 and/or Tier 2 instruments which do not comply with the new requirements at such date will no longer be considered as capital instruments.

Additionally, the implementation of the ECB's expectations regarding prudential provisions for NPLs (published on 15th May, 2018) and the ECB's review of internal models being used by banks subject to its supervision for the calculation of their RWAs (**TRIMs**), as well as complementary regulatory initiatives like the EBA's roadmap to repair internal models used to calculate own funds requirements for credit risk under the Internal Ratings Based (IRB) approach, could result in the need to increase provisions for future NPLs and increases in the Group's capital needs.

Furthermore, the implementation of the Basel III reforms described in "*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Solvency and capital requirements*" (including changes to the calculation of the Group's Operational Risk) could result in an increase of the Bank's and the Group's total RWAs and, therefore, could also result in a decrease of the Bank's and the Group's capital ratios. Likewise, the lack of uniformity in the implementation of the Basel III reforms across jurisdictions in terms of timing and applicable regulations could give rise to inequalities and competition distortions. Moreover, the lack of regulatory coordination, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect an entity with global operations such as the Group and could affect its profitability.

Additionally, should the Total Loss Absorbing Capacity (TLAC) requirements currently only imposed upon financial institutions of global systemic importance (**G-SIBs**), be imposed on non-G-SIBs entities or should the Group once again be classified as a G-SIB, additional minimum requirements similar to MREL could in the future be imposed upon the Group.

There can be no assurance that the above capital or MREL requirements will not adversely affect the Bank's or its subsidiaries' ability to make discretionary payments, or result in the cancellation of such payments (in whole or in part), or require the Bank or such subsidiaries to issue additional securities that qualify as eligible liabilities or regulatory capital, to liquidate assets, to curtail business or to take any other actions, any of which may have adverse effects on the Group's business, financial condition and results of operations. Furthermore, an increase in capital or MREL requirements could adversely affect the return on equity and other of the Group's financial results indicators. Moreover, the Bank's or the Group's failure to comply with their capital or MREL requirements could have a significant adverse effect on the Group's business, financial condition and results of operations.

Lastly, the Group must also comply with liquidity and funding ratios. Several elements of the liquidity coverage ratio (**LCR**) and net stable financing ratio (**NSFR**) as introduced by national banking regulators and fulfilled by the Group, may require implementing changes in some of its commercial practices, which could expose the Group to additional expenses (including an increase in compliance expenses), affect the profitability of its activities or otherwise lead to a significant adverse effect on the Group's business, financial condition or results of operations. As of 31st March, 2023 and 31st December, 2022, the Group's LCR was 142 per cent. and 159 per cent., respectively (165 per cent. as of 31st December, 2021) and its NSFR was 132 per cent. and 135 per cent., respectively (135 per cent. as of 31st December, 2021). For further information, see "*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Solvency and capital requirements*".

### ***The Group is exposed to tax risks that may adversely affect it***

The size, geographic diversity and complexity of the Group and its commercial and financial relationships with both third parties and related parties result in the need to consider, evaluate and interpret a considerable number of tax laws and regulations, as well as any relevant interpretative materials, which in turn involve the use of estimates, the interpretation of indeterminate legal concepts and the determination of appropriate valuations in order to comply with the tax obligations of the Group. In particular, the preparation of the Group's tax returns and the process for establishing tax provisions involve the use of estimates and interpretations of tax laws and regulations, which are complex and subject to review by the tax authorities. Any error or discrepancy with tax authorities in any of the jurisdictions in which the Group operates may give rise to prolonged administrative or judicial proceedings that may have a material adverse effect on the Group's results of operations.

In addition, governments in different jurisdictions, including Spain, are seeking to identify new funding sources, and, they have recently focused on the financial sector. The Group's presence in various jurisdictions increases its exposure to regulatory and interpretative changes, which could lead to (i) an increase in the types of tax to which the Group is subject, including in response to the demands of various political forces such as the regulation of a minimum effective tax rate introduced in the Spanish Corporate Income Tax Law and the Non-Residents Income Tax Law by Law 22/2021, of 28th December, in the General State Budget for 2022, with effects as of 1st January, 2022 (i.e., the minimum net tax liability is 18 per cent. of the tax base for credit institutions) or EU Council Directive 2022/2523 of 14th December, 2022 that guarantees a minimum level of global taxation of multinational groups in the European Union with income of at least €750 million and that is pending to be transposed into Spanish regulation before 31st December, 2023, (ii) changes in the calculation of tax bases, and exemptions therefrom, such as is provided in the Spanish Corporate Income Tax Law to limit the exemption for dividends and capital gains from domestic and foreign subsidiaries to 95 per cent., which would mean that 5 per cent. of the dividends and capital gains of Group companies in Spain will be subject to, and not exempt from corporate tax or, (iii) the creation of new taxes, like the common financial transaction tax (FTT) in the proposed Tax Directive of the European Commission for the Financial Transactions Tax (which would tax the acquisitions of certain securities negotiated in markets where the Group operates) and the Spanish FTT which came into effect in Spain in January 2021 or the creation of a temporary tax on extraordinary profits applicable to credit institutions operating in Spain amounting to 4.8 per cent. of net income from interest and commissions generated in Spain, which is currently intended to apply to fiscal years 2023 and 2024 (the estimated impact for 2023 is expected to be €225 million) all of which may have adverse effects on the business, financial condition and results of operations of the Group.

### ***The Group is exposed to compliance risks***

The Group, due to its role in the economy and the nature of its activities, is singularly exposed to certain compliance risks. In particular, the Group must comply with regulations regarding customer conduct, market conduct, the prevention of money laundering and the financing of terrorist activities, the protection of personal data, the restrictions established by national or international sanctions programs and anti-corruption laws (including the US Foreign Corrupt Practices Act of 1977 and the UK Bribery Act of 2010), the violations of which could lead to very significant penalties. These anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. As part of the Group's business, the Group directly or indirectly, through third parties, deals with entities whose employees are considered to be government officials. The Group's activities are also subject to complex customer protection and market integrity regulations.

Generally, these regulations require banking entities to, among other measures, use diligence measures to manage compliance risk. Sometimes banking entities must apply reinforced due diligence measures due to the very nature of their activities (among others, private banking, money transfer and foreign currency exchange operations), as they may present a higher risk of money laundering or terrorist financing.

Although the Group has adopted policies, procedures, systems and other measures to manage compliance risk, it is dependent on its employees and external suppliers for the implementation of these policies, procedures, systems and other measures, and it cannot guarantee that these are sufficient or that the employees (116,923, 115,675 and 110,432 as of 31st March, 2023, 31st December, 2022 and 31st December, 2021, respectively) or other persons of the Group or its business partners, agents and/or other third parties with a business or professional relationship with BBVA do not circumvent or violate current regulations or the Group's ethics and compliance regulations, acts for which such persons or the Group could be held ultimately responsible and/or that could damage the Group's reputation. In particular, acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage the Group's reputation among existing and potential clients and other stakeholders. Actual or alleged misconduct by Group entities in any number of activities or circumstances, including operations, employment related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and actions taken by regulators or others in response to such misconduct, could lead to, among other things, sanctions, fines and reputational damage, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the Group may not be able to prevent third parties outside the Group from using the banking network in order to launder money or carry out illegal or inappropriate activities. Further, financial crimes continually evolve and emerging technologies, such as cryptocurrencies and blockchain, could limit the Group's ability to track the movement of funds. Additionally, in adverse economic conditions, it is possible that financial crime attempts will increase significantly.

If there is a breach of the applicable regulations or BBVA's ethics and compliance regulations or if the competent authorities consider that the Group does not perform the necessary due diligence inherent to its activities, such authorities could impose limitations on the Group's activities, the revocation of its authorisations and licenses, and economic penalties, in addition to having significant consequences for the Group's reputation, which could have a significant adverse impact on the Group's business, financial condition and results of operations. Furthermore, the Group from time to time conducts investigations related to alleged violations of such regulations and the BBVA's ethics and compliance regulations, and any such investigation or any related proceeding could be time consuming and costly, and its results difficult to predict.

Finally, mainly in 2020, the COVID-19 pandemic led many countries to adopt specific regulations, largely focused on consumer protection measures. These difficulties associated with the need to timely adapt the Group's processes and systems to these new regulations quickly has posed a compliance risk. Likewise, the increase in remote account opening driven in part by the pandemic has resulted in increased money laundering risks. Additionally, criminals have sought to exploit the opportunities created by the pandemic across the globe, which has resulted in increased money laundering risks associated with counterfeiting of medical goods, investment fraud, cyber-crime scams and exploitation of economic stimulus measures put in place by governments. Increased strain on the Group's communications surveillance frameworks could raise the Group's market conduct risk.

Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorised disclosure, destruction or use of confidential information, as well as preventing the normal operation of the Group, and impair its ability to provide services and carry out its internal management. Furthermore, this could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a significant adverse impact on the Group's business, financial condition and results of operations.

***BBVA's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial condition***

The preparation of financial statements in compliance with IFRS-IASB requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include the classification, measurement and impairment of financial assets, particularly where such assets do not have a readily available market price, the assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments, the useful life and impairment losses of tangible and intangible assets, the valuation of goodwill and purchase price allocation of business combinations, the fair value of certain unlisted financial assets and liabilities, the recoverability of deferred tax assets and the exchange and inflation rates of Venezuela. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group beyond that anticipated or provided for, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

The further development of standards and interpretations under IFRS-IASB could also significantly affect the results of operations, financial condition and prospects of the Group.

## **Operational Risks**

***Attacks, failures or deficiencies in the Group's procedures, systems and security or those of third parties to which the Group is exposed could have a significant adverse impact on the Group's business, financial condition and results of operations, and could be detrimental for its reputation***

The Group's activities depend to a large extent on its ability to process and report effectively and accurately on a high volume of highly complex transactions with numerous and diverse products and services (by their nature, generally ephemeral), in different currencies and subject to different regulatory regimes. Therefore, it relies on highly sophisticated information technology (IT) systems for data transmission, processing and storage. However, IT systems are vulnerable to various problems, such as hardware and software malfunctions, computer viruses, hacking, and physical damage to IT centers. BBVA's exposure to these risks has increased significantly in recent years due to the Group's implementation of its ambitious digital strategy. The Group acquired 11.2 million new customers through its own channels in 2022. As a result of the improvement in digital capacities, the acquisition of customers through these channels has increased steadily over recent years, and in 2022 reached an all-time high at over 6.2 million, accounting for 55 per cent. of all new customers. Mobile customers have grown by 65 per cent. since December 2019 reaching 47.4 million and accounting for 70 per cent. of the total. Digital sales now amount to 78 per cent. of the total units sold. Digital services, as well as other alternatives that BBVA offers users to become BBVA customers, have become even more important after the COVID-19 outbreak and the ensuing restrictions on mobility in the countries in which the Group operates. Currently, one in three new clients chooses digital channels to start their relationship with BBVA. The Group suffers cybersecurity incidents and system failures from time to time.

Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorised disclosure, destruction or use of confidential information, as well as preventing the normal operation of the Group, and impairing its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency could result in the loss of customers and business opportunities,

damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a significant adverse impact on the Group's business, financial condition and results of operations. Furthermore, it is possible that such attacks, failures or deficiencies will not be detected on time or ever. The Group is likely to be forced to spend significant additional resources to improve its security measures in the future. As cyber-attacks are becoming increasingly sophisticated and difficult to prevent, the Group may not be able to anticipate or prevent all possible vulnerabilities, nor to implement preventive measures that are effective or sufficient.

Customers and other third parties to which the Group is significantly exposed, including the Group's service providers (such as data processing companies to which the Group has outsourced certain services), face similar risks. Any attack, failure or deficiency that may affect such third parties could, among other things, adversely affect the Group's ability to carry out operations or provide services to its clients or result in the unauthorised disclosure, destruction or use of confidential information. Furthermore, the Group may not be aware of such attack, failure or deficiency in time, which could limit its ability to react. Moreover, as a result of the increasing consolidation, interdependence and complexity of financial institutions and technological systems, an attack, failure or deficiency that significantly degrades, eliminates or compromises the systems or data of one or more financial institutions could have a significant impact on its counterparts or other market participants, including the Group.

## **FACTORS WHICH ARE MATERIAL FOR THE PURPOSE OF ASSESSING THE RISKS ASSOCIATED WITH THE PREFERRED SECURITIES**

***The Preferred Securities may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Holders of the Preferred Securities under, and the value of, any Preferred Securities***

See “Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution” for a description of the relevant Spanish Statutory Loss-Absorption Powers, including the Bail-in Tool and any Non-Viability Loss Absorption.

The powers set out in the BRRD (which has been implemented in Spain through Law 11/2015 and Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended (as amended, replaced or supplemented from time to time, **RD 1012/2015**)) and the SRM Regulation impact how credit institutions and investment firms are managed, as well as, in certain circumstances, the rights of creditors. Pursuant to Law 11/2015, upon any application of the Bail-in Tool or Non-Viability Loss Absorption, Holders of Preferred Securities may be subject to, among other things, a write-down (including to zero which, in the case of the Preferred Securities, would result in there being no conversion of the Preferred Securities) and/or conversion into equity or other securities or obligations under terms different or less advantageous for Holders as compared to the conversion process envisaged under the Conditions. The exercise of any such powers (or any of the other resolution powers and tools) may result in such Holders losing some or all of their investment or otherwise having their rights under the Preferred Securities adversely affected, including by becoming holders of further subordinated instruments such as the Common Shares. Such exercise could also involve modifications to, or the disapplication of, provisions in the Conditions of the Preferred Securities including, among other provisions, the Liquidation Preference or any Distributions payable on the Preferred Securities or the dates on which payments may be due, as well as the suspension of payments for a certain period (but without limiting the right of the Bank under Condition 4 of the Preferred Securities to cancel payment of any Distributions at any time and for any (or no) reason). As a result, the exercise of the Bail-in Tool or, where applicable, the Non-Viability Loss Absorption with respect to the Preferred Securities or the taking by the Relevant Spanish Resolution Authority of any other action, or any suggestion that the exercise or taking of any such action may happen, could materially adversely affect the rights of Holders of Preferred Securities, the market price or value or

trading behaviour of the Preferred Securities and/or the ability of the Bank to satisfy its obligations under the Preferred Securities.

The exercise of the Bail-in Tool and/or Non-Viability Loss Absorption by the Relevant Spanish Resolution Authority with respect to the Preferred Securities is likely to be inherently unpredictable and may depend on a number of factors which may also be outside of the Bank's control. In addition, as the Relevant Spanish Resolution Authority will retain a broad element of discretion and it may exercise any of its powers without any prior notice to the holders of any securities, Holders of the Preferred Securities may not be able to refer to publicly available criteria in order to anticipate any potential exercise of any such Bail-in Tool and/or Non-Viability Loss Absorption. Because of this inherent uncertainty, it will be difficult to predict when, if at all, the exercise of any such powers by the Relevant Spanish Resolution Authority may occur.

This uncertainty may adversely affect the value of the Preferred Securities. The price and trading behaviour of the Preferred Securities may be affected by the threat of a possible exercise of any power under Law 11/2015 and/or the SRM Regulation (including any early intervention measure before any resolution) or any suggestion of such exercise, even if the likelihood of such exercise is remote. Moreover, the Relevant Spanish Resolution Authority may exercise any such powers without providing any advance notice to the Holders of the Preferred Securities.

In addition, the EBA may continue to publish certain regulatory technical standards and implementing technical standards to be adopted by the European Commission and certain other guidelines. These standards and guidelines could be potentially relevant to determining when or how a Relevant Spanish Resolution Authority may exercise the Bail-in Tool and impose a Non-Viability Loss Absorption. No assurance can be given that these standards and guidelines will not be detrimental to the rights of a Holder of Preferred Securities under, and the value of a Holder's investment in, the Preferred Securities.

Finally, any compensation right to which the Holder may be entitled under the BRRD (as implemented in Spain), the SRM Regulation and Applicable Banking Regulations as described under "*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution*" is unlikely to compensate that Holder for the losses it has actually incurred and, in any event, there is likely to be a considerable delay in the recovery of such compensation. In addition, in the case of a Non-Viability Loss Absorption, it is not clear that a Holder of the affected Preferred Securities would have a right to compensation.

***The Preferred Securities are irrevocably and mandatorily convertible into newly issued Common Shares in certain prescribed circumstances***

Upon the occurrence of the Trigger Event, the Preferred Securities will be irrevocably and mandatorily (and without any requirement for the consent or approval of Holders) converted (which calculation is made by the Bank and shall be binding on the Holders) into newly issued Common Shares. Because the Trigger Event will occur when the CET1 ratio of the Bank or the Group will have deteriorated significantly, the occurrence of such Trigger Event will likely be accompanied by a prior deterioration in the market price of the Common Shares, which may be expected to continue after announcement of such Trigger Event.

Therefore, in the event of the occurrence of the Trigger Event, the Reference Market Price of a Common Share may be below the Floor Price (which, as at the date of this Offering Circular, is €3.75, subject to adjustment in accordance with Condition 6.4), and investors could receive Common Shares at a time when the market price of the Common Shares is considerably less than the Conversion Price (meaning, if the Common Shares are (a) then admitted to trading on a Relevant Stock Exchange, the higher of: (i) the Reference Market Price of a Common Share, (ii) the Floor Price and (iii) the nominal value of a Common Share (being €0.49 on the Closing Date) or (b) not then admitted to trading on a Relevant Stock Exchange, the higher of (ii) and (iii) above). In addition, Holders will receive the relevant Common Shares on the Conversion Settlement Date, which shall be as soon as practicable

and in any event not later than one month following (or such other period as Applicable Banking Regulations may require) the Conversion Notice Date and, therefore, there may be a delay in a Holder receiving its Common Shares following the Trigger Event, during which time the market price of the Common Shares may fall further. Also, if a Delivery Notice is not duly delivered by a Holder, any Common Shares underlying the relevant Preferred Securities may be sold, which may also decrease the market price of the Common Shares. As a result, the value of the Common Shares received on conversion following the Trigger Event could be substantially lower than the price paid for the Preferred Securities at the time of their purchase.

In addition to the occurrence of the Trigger Event, a Capital Reduction will also constitute a Conversion Event. For these purposes a Capital Reduction means the adoption, in accordance with Article 418.3 of the Spanish Corporations Law, by a general shareholders' meeting of the Bank of a resolution of capital reduction by reimbursement of cash contributions (*restitución de aportaciones*) to shareholders by way of a reduction in the nominal value of the shares of such shareholders in the capital of the Bank. A resolution of capital reduction for the redemption of any Common Shares previously repurchased by the Bank will not be considered a Capital Reduction for the purposes of the Conditions.

Article 418.3 of the Spanish Corporations Law provides for holders of convertible securities in the event of any such capital reduction to be able to exercise their rights in respect of the conversion of such securities into ordinary shares in the capital of the issuer before the capital reduction is effected. Such conversion is intended to ensure holders of convertible securities are not detrimentally affected by the decapitalisation of the issuer resulting from such capital reduction and may participate in the reimbursement of the relevant cash contributions as shareholders and, thereby, also benefit from such reimbursement.

As a result, the Preferred Securities will also be converted into Common Shares in the event of a Capital Reduction notwithstanding that the Trigger Event has not occurred. However, each Holder will have the right to elect that its Preferred Securities shall not be converted on such Capital Reduction by delivery of a duly completed and signed Election Notice as provided in Condition 6.2 on or before the 10th Business Day immediately following the Capital Reduction Notice Date. Any failure to make such election by such deadline will result in the conversion of a Holder's Preferred Securities on such Conversion Settlement Date in accordance with Condition 6.2.

Accordingly, an investor in the Preferred Securities faces almost the same risk of loss as an investor in the Common Shares in the case of a Conversion Event. See also “*Holders will bear the risk of fluctuations in the price of the Common Shares*” below.

***The circumstances that may give rise to a Trigger Event are unpredictable***

The occurrence of the Trigger Event is inherently unpredictable. For example, the occurrence of one or more of the risks described under “*Risk Factors – Factors that may affect the Bank’s ability to fulfil its obligations under the Preferred Securities*”, or the deterioration of the circumstances described therein, will substantially increase the likelihood of the occurrence of the Trigger Event.

Furthermore, the occurrence of the Trigger Event depends, in part, on the calculation of the CET1 ratio, which can be affected, among other things, by the growth of the business and future earnings of the Bank and/or the Group, as applicable; the mix of businesses; expected payments by the Bank in respect of dividends and distributions and other equivalent payments in respect of instruments ranking junior to the Preferred Securities as well as other Parity Securities; regulatory changes (including possible changes in regulatory capital definitions and calculations of the CET1 ratios and their components or the interpretation thereof by the relevant authorities, including CET1 capital and risk weighted assets, in each case on either an individual or a consolidated basis, and the unwinding of transitional provisions under CRD IV) (see “*–The Preferred Securities are complex financial instruments and may be materially affected by any change in the provisions of the laws of Spain and their official interpretation*”); changes in the Bank’s structure or organisation and the Bank’s ability to actively manage the risk weighted assets of the Bank and the Group. The CET1 ratio of the Bank or



the Group at any time may also depend on decisions taken by the Group in relation to its businesses and operations, as well as the management of its capital position. In addition, since the Regulator (as defined in the Conditions) may require the Bank to calculate the CET1 ratio at any time, a Trigger Event could occur at any time.

Due to the inherent uncertainty in advance of any determination of such event regarding whether the Trigger Event may exist, it will be difficult to predict when, if at all, the Preferred Securities will be converted into Common Shares. Accordingly, trading behaviour in respect of the Preferred Securities is not necessarily expected to follow trading behaviour associated with other types of convertible or exchangeable securities. Any indication that the Bank and/or the Group, as applicable, is trending towards the Trigger Event can be expected to have an adverse effect on the market price of the Preferred Securities and on the price of the Common Shares. Under such circumstances, investors may not be able to sell their Preferred Securities easily or at prices comparable to other similar yielding instruments.

Additionally, any indication that the CET1 ratio is trending towards occurrence of the Trigger Event may have an adverse effect on the market price of the Preferred Securities.

***The Preferred Securities are perpetual and may only be redeemed at the option of the Bank***

The Preferred Securities are perpetual and the Bank is under no obligation to redeem the Preferred Securities at any time and the Holders have no right to call for their redemption. It is only in the event of any voluntary or involuntary liquidation or winding-up of the Bank, that the Preferred Securities will confer on Holders an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution and then only in the event that such liquidation occurs prior to a conversion into Common Shares.

All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank at any time on or after the First Call Date, at the Redemption Price per Preferred Security, subject to the prior consent of the Regulator (if required, and otherwise in accordance with Articles 77 and 78 of the CRR (as defined below) and/or any other Applicable Banking Regulations then in force).

In the case of any early redemption of the Preferred Securities at the option of the Bank at any time on or after the First Call Date, the Bank may be expected to exercise this option when its funding costs are lower than the Distribution Rate at which Distributions are then payable in respect of the Preferred Securities. In these circumstances, the rate at which Holders are able to reinvest the proceeds of such redemption is unlikely to be as high as, and may be significantly lower than, that Distribution Rate.

The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank (in accordance with Articles 77 and 78 of the CRR (as defined below) and/or any other Applicable Banking Regulations in force at the relevant time) in whole but not in part, at any time, at the Redemption Price if there is a Capital Event or a Tax Event, as both terms are defined in the Conditions, or if 75 per cent. or any higher percentage of the aggregate Liquidation Preference of the Preferred Securities has been purchased by, or on behalf of, the Bank or any other member of the Group.

It is not possible to predict whether or not a Capital Event or a Tax Event will occur and if so whether or not the Bank will elect to exercise such option to redeem the Preferred Securities or any prior consent of the Regulator required for such redemption will be given. There can be no assurance that, in the event of any such early redemption, Holders will be able to reinvest the proceeds at a rate that is equal to the return on the Preferred Securities.

The redemption feature of the Preferred Securities is likely to limit their market value. During any period when the Bank has the right to elect to redeem the Preferred Securities, the market value of the Preferred Securities is unlikely to rise substantially above the price at which they can be redeemed. This may also be true prior to such period.

There can be no assurance that Holders will be able to reinvest the amount received upon redemption and/or purchase at a rate that will provide the same rate of return as their investment in the Preferred Securities.

Therefore, the only circumstances in which Holders may cash in their investment are as follows:

- if the Bank exercises its rights to redeem or purchase the Preferred Securities in accordance with Conditions 7 and 8; or
- by selling their Preferred Securities or, following the occurrence of a Conversion Event and the issue and delivery of Common Shares in accordance with Condition 6, their Common Shares, provided a secondary market exists at the relevant time for the Preferred Securities or the Common Shares.

If any notice of redemption of the Preferred Securities is given pursuant to Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no redemption of the Preferred Securities on such redemption date and, instead, the Conversion of the Preferred Securities shall take place as provided under Condition 6.

***Payments of Distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions. Payments of Distributions on the Preferred Securities may be restricted as a result of a failure of the Bank to comply with its capital requirements and MREL***

The Preferred Securities accrue Distributions as further described in Condition 4, but the Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time and for any (or no) reason and without any restriction on it thereafter.

Payments of Distributions in any financial year of the Bank shall be made only to the extent the Bank has sufficient profits and reserves (if any) available for the payment of such Distributions at such time together with any other distributions and payments to be made from such profits and reserves, in each case in accordance with Applicable Banking Regulations then in force, and including as such term is further defined in CRD V, as interpreted and applied in accordance with Applicable Banking Regulations (**Distributable Items**).

Payments of Distributions in any financial year of the Bank shall be made only out of Distributable Items (see “*–The Preferred Securities are complex financial instruments and may be materially affected by any change in the provisions of the laws of Spain and their official interpretation*”).

To the extent that (i) the Bank has insufficient Distributable Items to make Distributions on the Preferred Securities scheduled for payment in the then current financial year and any interest payments or distributions that have been paid or made or are scheduled or required to be paid or made out of Distributable Items in the then current financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items, and/or (ii) the Regulator, in accordance with Article 68 of Law 10/2014 of 26th June on the regulation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended, replaced or supplemented from time to time (**Law 10/2014**) and/or Article 16 of the SSM Regulation and/or with Applicable Banking Regulations then in force, requires the Bank to cancel the relevant Distribution in whole or in part, then the Bank will, without prejudice to the right above to cancel the payment of all such Distributions on the Preferred Securities, make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities.

Additionally, an entity not meeting its “combined buffer requirement” must calculate its MDA and until the MDA has been calculated and communicated to the Bank of Spain, that entity shall not make any discretionary payments (including Distributions). Following such calculation, any discretionary payments by that entity (including the payment of any Distributions on the Preferred Securities) will be subject to the MDA so calculated. Likewise, an entity not meeting its MREL-MDA could result,

among other things, in the imposition of restrictions or prohibitions on discretionary payments (including Distributions). See “*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Solvency and capital requirements*”.

As a consequence, in the event of breach of the “combined buffer requirement” it may be necessary for the Bank to reduce discretionary payments (in whole or in part), including payments of Distributions in respect of the Preferred Securities.

There are a number of factors (applicable capital requirements, the amount of CET1 capital, determination of the systemic risk buffer by the relevant authorities, composition of the “combined buffer requirement” and calculation of the MDA or the MREL-MDA) and possible issues of interpretation (including any future changes which may arise from the EU Banking Reforms) which make it difficult to determine how the MDA or the MREL-MDA will apply as a practical matter to limit Distributions on the Preferred Securities. This uncertainty and the resulting complexity may adversely impact the market price and liquidity of the Preferred Securities.

In addition, according to the EU Banking Reforms, any failure by the Bank and/or the Group to comply with the “combined buffer requirement” when considered in addition to its MREL, including the subordination requirement, could result, among other things, in the imposition of restrictions or prohibitions on discretionary payments by the Bank, including the payment of Distributions on the Preferred Securities. As of the date of this Offering Circular, the Bank complies with its “combined buffer requirement”, Total Capital and MREL requirements. See “*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – MREL*”.

The risk of any cancellation (in whole or in part) of Distributions on the Preferred Securities may not be possible to predict in advance and any such cancellation of Distributions on the Preferred Securities could occur without warning.

Therefore, there can be no assurance that a Holder will receive payments of Distributions in respect of the Preferred Securities. The payment of any additional amounts in respect of the Preferred Securities pursuant to Condition 12 is also subject to the same conditions as for the payment of any Distribution.

Unpaid Distributions are not cumulative or payable at any time thereafter and, accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any requirement for, or election of, the Bank to cancel such Distributions then the right of the Holders to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.

However, the Preferred Securities may trade with accrued interest, which may be reflected in the trading price of the Preferred Securities such that the cancellation of any Distribution may negatively impact such trading price and Holders’ ability to sell their Preferred Securities in the secondary market and, as a result, the value of their investment in the Preferred Securities.

If, as a result of any of the conditions set out above being applicable, only part of the Distributions under the Preferred Securities may be paid, the Bank may proceed, in its sole discretion, to make such partial Distributions under the Preferred Securities.

Notwithstanding the applicability of any one or more of the conditions set out above resulting in Distributions under the Preferred Securities not being paid or being paid only in part, the Bank may use such cancelled payments without restriction to meet its obligations as they fall due and the Bank will not be in any way limited or restricted from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 capital of the Bank or the Group) or in respect of any other Parity Security, except to the extent otherwise provided by Applicable Banking Regulations.

Furthermore, upon the occurrence of a Trigger Event, no further Distributions on the Preferred Securities will be made, including any accrued and unpaid Distributions, which will be cancelled.

***There are no events of default***

Holders have no ability to require the Bank to redeem their Preferred Securities. The terms of the Preferred Securities do not provide for any events of default.

The Bank is entitled to cancel the payment of any Distribution in whole or in part at any time and as further contemplated in Condition 4 (see “– *Payments of Distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions*”). No such election to cancel the payment of any Distribution (or part thereof) or non-payment of any Distribution (or part thereof) will constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank.

Additionally, if on or after the Closing Date, a Capital Event or Tax Event occur, or 75 per cent. or any higher percentage of the aggregate Liquidation Preference of the Preferred Securities has been purchased by, or on behalf of, the Bank or any other member of the Group, and once permission from the competent authority has been obtained, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, at any time, at the Redemption Price. If this right is exercised by the Bank (in accordance with Condition 7), but it failed to make payment of the relevant Liquidation Preference to redeem the Preferred Securities when due, such failure would not constitute an event of default but would entitle Holders to bring a claim for breach of contract against the Bank, which, if successful, could result in damages.

Also, in the event that the Bank fails to make any other payments (where such payments are not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4) or deliver any Common Shares when the same may be due, the remedies of Holders are limited to bringing a claim for breach of contract. Further, a Trigger Conversion will not constitute an event of default or the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank.

If Common Shares are not issued and delivered following a Conversion Event, then on a liquidation or winding-up of the Bank the claim of a Holder will not be in respect of the Liquidation Preference of its Preferred Securities but will be an entitlement to receive out of the relevant assets a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such Conversion had taken place immediately prior to such liquidation or winding-up.

***The Preferred Securities are complex financial instruments and may be materially affected by any change in the provisions of the laws of Spain and their official interpretation***

The Conditions have been prepared on the basis of the Preferred Securities qualifying as AT1 instruments in accordance with Spanish law in effect as at the date of this Offering Circular. Changes in the laws of Spain (including EU regulations) or their official interpretation by supervisory authorities such as the Bank of Spain or the ECB after the date hereof may affect the rights and effective remedies of Holders as well as the market value of the Preferred Securities.

Such changes, including any future changes which may arise from the EU Banking Reforms (see “*Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework*”), may include changes affecting:

- the calculation of the capital ratios and MREL of the Bank or the Group or the RWAs of the Bank or the Group, that could impact the occurrence of a Trigger Event and restrictions on Distributions where subject to a MDA or MREL-MDA;

- the redemption of the Preferred Securities (see “*The Preferred Securities are perpetual and may only be redeemed at the option of the Bank*”), including the occurrence of a Capital Event or a Tax Event or changes affecting the early redemption of the Preferred Securities at the option of the Bank as described in Condition 7; and
- the Distributable Items definition or calculation, which may affect Distributions.

Such legislative and regulatory uncertainty could affect an investor’s ability to value the Preferred Securities accurately and therefore affect the market price of the Preferred Securities depending on the extent and impact on the Preferred Securities of one or more regulatory or legislative changes.

Additionally, Holders will be subject to any and all changes made with respect to the Common Shares and/or to the Bylaws of BBVA before the occurrence of a Conversion Event and will not be entitled to any rights with respect to such Common Shares prior to the issue and registration of the Common Shares to be delivered following the occurrence of a Conversion Event.

***The Preferred Securities may not be a suitable investment for all investors***

The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors and, in particular, are not suitable or appropriate for retail investors. Each potential investor in the Preferred Securities must determine if it is advisable or permissible for it to subscribe for or purchase the Preferred Securities in accordance with the restrictions on such subscription and purchase as set out in this Offering Circular and the Conditions, and the suitability of that investment in light of its own circumstances and needs and the characteristics of the investment itself. In particular, each potential investor may wish to consider, either on its own or with the help of its financial and other professional advisers, whether it:

- has sufficient knowledge and experience to make a meaningful evaluation of the Preferred Securities, the merits and risks of investing in the Preferred Securities and the information contained or incorporated by reference in this Offering Circular, taking into account that the target market for the Preferred Securities is eligible counterparties and professional clients only (each as defined in MiFID II, and the FCA Handbook Conduct of Business Sourcebook (COBS) and UK MiFIR, as applicable);
- has access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Preferred Securities and the impact the Preferred Securities will have on its overall investment portfolio;
- has sufficient risk tolerance and financial resources and liquidity to bear losses as well as all of the risks of an investment in the Preferred Securities, including where the currency for payments in respect of the Preferred Securities is different from the potential investor's currency;
- understands thoroughly the terms of the Preferred Securities, including the provisions relating to the payment and cancellation of Distributions and any Conversion of the Preferred Securities into Common Shares, and is familiar with the behaviour of financial markets; and
- is able to evaluate possible scenarios for economic, interest rate and other factors that may affect its investment and its ability to bear the applicable risks.

A potential investor should not invest in the Preferred Securities unless it has the knowledge and expertise (either alone or with its financial and other professional advisers) to evaluate how the Preferred Securities will perform under changing conditions, the resulting effects on the value of the Preferred Securities and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors may be subject to law or review or regulation by certain authorities. Each potential investor should determine for itself, on the basis of

professional advice where appropriate, whether and to what extent (i) the Preferred Securities are lawful investments for it, (ii) the Preferred Securities can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or any pledge of the Preferred Securities. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of the Preferred Securities under any applicable risk-based capital or similar rules.

***The obligations of the Bank under the Preferred Securities are subordinated and will be further subordinated upon conversion into Common Shares and there is no restriction on the amount or type of further securities or indebtedness which the Bank may incur***

The Preferred Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Bank and, in the case of insolvency (*concurso de acreedores*) of the Bank, rank as set out in Condition 3 in accordance with Article 281.1 of the Insolvency Law and Additional Provision 14.3 of Law 11/2015 but only to the extent permitted by the Insolvency Law (as amended, replaced or supplemented from time to time) or any other applicable laws relating to or affecting the enforcement of creditors' rights in Spain and subject to any other ranking that may apply as a result of any mandatory provision of law.

The second paragraph of Article 48(7) of the BRRD, as implemented in Spain through Additional Provision 14.3 of Law 11/2015, clarified that if an instrument is only partly recognised as an own funds instrument, the whole instrument shall be treated in insolvency as a claim resulting from an own funds instrument and shall rank lower than any claim that does not result from an own funds instrument. Accordingly, as of the date of this Offering Circular and according to Additional Provision 14.3 of Law 11/2015, the ranking of the Preferred Securities, any Parity Securities and any other subordinated instruments of the Bank will depend on whether those instruments constitute at the relevant time an Additional Tier 1 Instrument or a Tier 2 Instrument of the Bank or a subordinated instrument of the Bank not constituting Additional Tier 1 Capital or Tier 2 Capital of the Bank. See Condition 3 for the complete provisions regarding the ranking of the Preferred Securities.

In addition, if the Bank were wound up, liquidated or dissolved, the Bank's liquidator would first apply the assets of the Bank to satisfy all claims of holders of unsubordinated obligations of the Bank and other subordinated claims ranking ahead of any obligations of the Bank in respect of the Preferred Securities. If the Bank does not have sufficient assets to settle claims of prior ranking creditors in full, the claims of the Holders under the Preferred Securities will not be satisfied. Holders will share equally in any distribution of assets with the holders of any other Parity Securities if the Bank does not have sufficient funds to make full payment to all of them. In such a situation, Holders could lose all or part of their investment.

Furthermore, if a Conversion Event occurs but the relevant conversion of the Preferred Securities into Common Shares pursuant to the Conditions is still to take place at the time of the liquidation or winding-up of the Bank, the entitlement of Holders will be to receive out of the relevant assets of the Bank a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such Conversion had taken place immediately prior to such liquidation or winding-up.

Therefore, if a Conversion takes place, each Holder will be effectively further subordinated from being the holder of a subordinated debt instrument to being the holder of Common Shares and there is an enhanced risk that Holders will lose all or some of their investment.

Additionally, there is no restriction on the amount or type of further securities or indebtedness which the Bank may issue or incur which ranks senior to, or *pari passu* with, the Preferred Securities. The inurrence of any such further indebtedness may reduce the amount recoverable by Holders on a liquidation or winding-up of the Bank in respect of the Preferred Securities and may limit the ability of the Bank to meet its obligations in respect of the Preferred Securities, and result in a Holder losing all or some of its investment in the Preferred Securities. In addition, the Preferred Securities do not contain any restriction on the Bank issuing securities that may have preferential rights to the Common

Shares or securities ranking *pari passu* with the Preferred Securities and having similar or preferential terms to the Preferred Securities.

***Market interest rates or any regulation and reform of the 5-year Mid-Swap Rate or the occurrence of a Benchmark Event may adversely affect the return and the market value of the Preferred Securities***

Changes in market interest rates may adversely affect the value of the Preferred Securities. The calculation of any Distributions in respect of the Preferred Securities from and including the First Reset Date are dependent upon the relevant 5-year Mid-Swap Rate as determined at the relevant time (as specified in the Conditions). Certain interest rates and indices which are deemed to be “benchmarks” (including the 5-year Mid-Swap Rate) have been the subject of recent national and international regulatory guidance and proposals for reform. Some of these reforms are already effective whilst others are still to be implemented. Any such reforms may cause such “benchmarks” to perform differently than in the past, to disappear entirely, or have other consequences which cannot be predicted. Any such consequence could have a material adverse effect on the value or liquidity of, and return on, the Preferred Securities.

The Benchmarks Regulation was published in the Official Journal of the EU on 29th June, 2016 and applies from 1st January, 2018. The Benchmarks Regulation applies to the provision of benchmarks, the contribution of input data to a benchmark and the use of a benchmark within the EU. It, among other things, (i) requires benchmark administrators to be authorised or registered (or, if non-EU-based, to be subject to an equivalent regime or otherwise recognised or endorsed) and (ii) prevents certain uses by EU supervised entities (such as the Bank) of “benchmarks” of administrators that are not authorised or registered (or, if non-EU based, not deemed equivalent or recognised or endorsed).

The Benchmarks Regulation could have a material impact on the Preferred Securities, in particular, if the methodology or other terms of any “benchmarks” such as the 5-year Mid-Swap Rate are changed in order to comply with the requirements of the Benchmarks Regulation. Such changes could, among other things, have the effect of reducing, increasing or otherwise affecting the volatility of the published rate or level of the relevant “benchmark”.

More broadly, any of the international or national reforms (including those announced in relation to LIBOR and the application of any similar reforms to other “benchmarks” such as the 5-year Mid-Swap Rate), or the general increased regulatory scrutiny of “benchmarks”, could increase the costs and risks of administering or otherwise participating in the setting of a “benchmark” and complying with any such regulations or requirements. Such factors may have the following effects on certain “benchmarks”: (i) discourage market participants from continuing to administer or contribute to the “benchmark”; (ii) trigger changes in the rules or methodologies used in the “benchmark”; or (iii) lead to the disappearance of the “benchmark”. Any of the above changes or any other consequential changes as a result of international or national reforms or other initiatives or investigations, could have a material adverse effect on the value of and return on the Preferred Securities.

Investors should be aware that the Conditions provide for certain fallback arrangements in the event that the Original Reference rate ceases to exist or be published or another Benchmark Event occurs. This would trigger certain of the fallback arrangements, although, the consequences of such fallbacks being triggered are not necessarily immediately effective under the Conditions.

These fallback arrangements include the possibility that the Distribution Rate could be determined, without any separate consent or approval of the Holders, by reference to a Successor Rate or an Alternative Rate and that an Adjustment Spread may be applied to such Successor Rate or Alternative Rate as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate. Certain Benchmark Amendments to the Conditions may also be made without the consent or approval of Holders. In the case of any Alternative Rate, any Adjustment Spread unless formally recommended or provided for and any Benchmark Amendments, the relevant replacement and adjustment (if any) and any such amendments shall be determined by the Benchmark Calculation Agent (acting in good faith, and by reference to such sources as it deems appropriate, which may

include consultation with an Independent Adviser). Any Adjustment Spread that is applied may not be effective to reduce or eliminate economic prejudice to investors. The use of a Successor Rate or Alternative Rate (including with the application of an Adjustment Spread) will still result in the Preferred Securities performing differently (which may include payment of a lower Distribution Rate) than they would if the Original Reference Rate were to continue to apply in its current form.

Further, no Successor Rate, Alternative Rate or Adjustment Spread may be adopted, nor any other amendment to the Conditions may be made to effect any Benchmark Amendments, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the treatment of the Preferred Securities as the Group's or the Bank's Tier 1 Capital. If the Bank or an affiliate of the Bank is appointed as Benchmark Calculation Agent, then depending on the circumstances in which any such discretion is required to be exercised, such exercise could present the Bank or such affiliate with a conflict of interest.

In certain circumstances the ultimate fallback for the purposes of calculation of Distribution for a particular Reset Period will be the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period, or, where the Benchmark Event occurs before the first Reset Determination Date, 3.129 per cent. per annum. In addition, due to the uncertainty concerning the availability of any Successor Rate or Alternative Rate, any determinations that may need to be made by the Bank and the involvement of the Benchmark Calculation Agent and any Independent Adviser, the relevant fallback provisions may not operate as intended at the relevant time.

Any such consequences could have a material adverse effect on the value, market price or liquidity of and return on the Preferred Securities. Moreover, any of the above matters or any other significant change to the setting or existence of any relevant reference rate could affect the ability of the Bank to meet its obligations under the Preferred Securities and could also have a material adverse effect on the value, market price or liquidity of, and the amount payable under, the Preferred Securities.

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by the Benchmarks Regulation reforms in making any investment decision with respect to the Preferred Securities.

#### ***Holders have limited anti-dilution protection***

The number of Common Shares to be issued and delivered on Conversion in respect of each Preferred Security shall be determined by dividing the Liquidation Preference of such Preferred Security by the Conversion Price in effect on the Conversion Notice Date. The Conversion Price will be, if the Common Shares are then admitted to trading on a Relevant Stock Exchange, the higher of: (a) the Reference Market Price of a Common Share, meaning, in respect of a Common Share at a particular date, the arithmetic mean of the Closing Price per Common Share on each of the 5 consecutive Dealing Days on which such Closing Price is available ending on the Dealing Day immediately preceding such date, rounding the resulting figure to the nearest cent (half a cent being rounded upwards), (b) the Floor Price and (c) the nominal value of a Common Share (being €0.49 on the Closing Date) or, if the Common Shares are not then admitted to trading on a Relevant Stock Exchange, the higher of (b) and (c) above. See Condition 6 for the complete provisions regarding the Conversion Price.

The Floor Price will be adjusted in the event that there is a consolidation, reclassification/redesignation or subdivision affecting the Common Shares, the payment of any Extraordinary Dividends or Non-Cash Dividends, rights issues or grant of other subscription rights or certain other events which affect the Common Shares, but only in the situations and to the extent provided in Condition 6.4. There is no requirement that there should be an adjustment for every corporate or other event that may affect the value of the Common Shares or that, if a Holder were to have held the Common Shares at the time of such adjustment, such Holder would not have benefited to a greater extent.



Furthermore, the Conditions do not provide for certain undertakings from the Bank which are sometimes included in securities that convert into the ordinary shares of an issuer to protect investors in situations where the relevant conversion price adjustment provisions do not operate to neutralise the dilutive effect of certain corporate events or actions on the economic value of the Conversion Price. For example, the Conditions contain neither an undertaking restricting the modification of rights attaching to the Common Shares nor an undertaking restricting issues of new share capital with preferential rights relative to the Preferred Securities.

Further, if the Bank issues any Common Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve), where the Shareholders may elect to receive a Dividend in cash in lieu of such Common Shares and such Dividend does not constitute an Extraordinary Dividend, no Floor Price adjustment shall be applicable in accordance with Conditions 6.4.2 and 6.4.3, and therefore Holders will not be protected by anti-dilution measures.

Accordingly, corporate events or actions in respect of which no adjustment to the Floor Price is made may adversely affect the value of the Preferred Securities.

In order to comply with increasing regulatory capital requirements imposed by applicable regulations, the Bank may need to raise additional capital. Further capital raisings by the Bank could result in the dilution of the interests of the Holders, subject only to the limited anti-dilution protections referred to above.

***Holders will bear the risk of fluctuations in the price of the Common Shares***

The market price of the Preferred Securities is expected to be affected by fluctuations in the market price of the Common Shares. Market prices of the Common Shares will be influenced by, among other things, the financial position of the Group, the results of operations and political, economic, financial and other factors. Any decline in the market price of the Common Shares may have an adverse effect on the market price of the Preferred Securities.

Fluctuations in the market price of the Common Shares between the Conversion Notice Date and the Conversion Settlement Date may also further affect the value to a Holder of any Common Shares delivered to that Holder on the Conversion Settlement Date.

Furthermore, in accordance with Condition 6.10 any costs incurred by the Settlement Shares Depository or any parent, subsidiary or affiliate of the Settlement Shares Depository in connection with the holding by the Settlement Shares Depository of any Common Shares and any amount received in respect thereof shall be deducted by the Settlement Shares Depository from such amount prior to the delivery of such Common Shares and payment of such amount to the relevant Holder.

***If a Delivery Notice is not duly delivered by a Holder, any Common Shares underlying the relevant Preferred Securities will be sold and that Holder will bear the risk of fluctuations in the price of the Common Shares***

In order to obtain delivery of the relevant Common Shares on Conversion, the relevant Holder must deliver a duly completed Delivery Notice together with the Preferred Securities held by it in accordance with the provisions set out under Condition 6. If a duly completed Delivery Notice and the relevant Preferred Securities are not so delivered, then a Holder will bear the risk of fluctuations in the price of the Common Shares that may further affect the value of any Common Shares subsequently delivered. In addition, the Bank may, at any time following the Notice Cut-Off Date and prior to the 10th Business Day after the Conversion Settlement Date (save as provided below), in its sole and absolute discretion, elect to appoint a person (the **Selling Agent**) to procure that all Common Shares held by the Settlement Shares Depository in respect of which no duly completed Delivery Notice and Preferred Securities have been delivered on or before the Notice Cut-off Date as aforesaid shall be sold by or on behalf of the Selling Agent as soon as reasonably practicable.

Due to the fact that, in the event of a Conversion Event, investors are likely to receive Common Shares at a time when the market price of the Common Shares is very low, the cash value of the Common Shares received upon any such sale could be substantially lower than the price paid for the Preferred Securities at the time of their purchase. In addition, the proceeds of such sale may be further reduced as a result of the number of Common Shares offered for sale at the same time being much greater than may be the case in the event of sales by individual Holders.

***The terms of the Preferred Securities contain a waiver of set-off rights***

No Holder of the Preferred Securities may at any time exercise or claim any Waived Set-Off Rights (as defined in Condition 1.1) against any right, claim or liability of the Bank or that the Bank may have or acquire against such holder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind, whether or not relating to such Preferred Securities).

The Conditions of the Preferred Securities provide that Holders shall be deemed to have waived all Waived Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. As a result, Holders will not at any time be entitled to set-off the Bank's obligations under the Preferred Securities against obligations owed by them to the Bank.

***Substitution and variation of the Preferred Securities may be executed without Holders' consent***

The Conditions contain provisions for calling meetings of Holders to consider matters affecting the interests of Holders generally. These provisions permit defined majorities to bind all Holders including those Holders who did not attend and vote at the relevant meeting and who voted in a manner contrary to the majority.

If a Capital Event or Tax Event, as applicable, occurs and is continuing, the Bank may substitute or modify the terms of the Preferred Securities so that the Preferred Securities once again become or remain Qualifying Preferred Securities (as defined in Condition 11.2), provided that any variation in the terms of the Preferred Securities resulting from such substitution or modification is not materially prejudicial to the interests of the Holders. See Condition 11.2.

There can be no assurance as to how the terms of any Qualifying Preferred Securities resulting from any such substitution or modification will be viewed by the market or whether any such Qualifying Preferred Securities will trade at prices that are at least equivalent to the prices at which the Preferred Securities would have traded on the basis of their original terms.

In addition, the Bank will not be under any obligation to have regard to the tax position of any Holders in connection with any such substitution or modification of the Preferred Securities or to the tax consequences of any such substitution or modification for individual Holders. No Holder shall be entitled to claim any indemnification or payment from or have any other recourse to the Bank or any other person, in respect of any tax consequences of any such substitution or modification for that Holder.

***Credit ratings may not reflect all risks associated with an investment in the Preferred Securities***

The Preferred Securities are expected, upon issue, to be assigned a Ba2 rating by Moody's and a BB rating by Fitch. Ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Preferred Securities.

Similar ratings assigned to different types of securities do not necessarily mean the same thing and any rating assigned to the Preferred Securities does not address the likelihood that Distributions or any other payments in respect of the Preferred Securities will be made on any particular date or at all. Credit ratings also do not address the marketability or market price of securities.

Any real or anticipated changes in the credit ratings assigned to the Preferred Securities may affect the market value of the Preferred Securities. Such changes may, among other factors, be due to a change in the methodology applied by a rating agency to rating securities with similar structures to the Preferred Securities, as opposed to any revaluation of the Bank's financial strength or other factors such as conditions affecting the financial services industry generally.

In addition, rating agencies other than Moody's and Fitch may assign unsolicited ratings to the Preferred Securities. In such circumstances there can be no assurance that the unsolicited rating(s) will not be lower than the comparable ratings assigned to the Preferred Securities by Moody's and Fitch, which could adversely affect the market value and liquidity of the Preferred Securities.

A credit rating is not a recommendation to buy, sell or hold securities and may be revised, suspended or withdrawn by the rating agency at any time. Potential investors should not rely on any rating of the Preferred Securities and should make their investment decision on the basis of considerations such as those outlined above (see "*The Preferred Securities may not be a suitable investment for all investors*").

***The interest rate on the Preferred Securities will be reset on each Reset Date, which may affect the market value of the Preferred Securities***

The Preferred Securities will bear interest at an initial fixed rate of interest from (and including) the Closing Date to (but excluding) the First Reset Date. From (and including) the First Reset Date, and on every Reset Date thereafter, the interest rate will be reset as described in Condition 4. This reset rate could be less than the initial interest rate and/or the interest rate that applies immediately prior to such Reset Date, which would reduce the amount of any Distributions under the Preferred Securities and the market value of any investment in the Preferred Securities.

## OVERVIEW OF THE OFFERING

*The following is an overview (the Overview) of certain information relating to the offering of the Preferred Securities, including the principal provisions of the terms and conditions thereof. This Overview must be read as an introduction to this Offering Circular and any decision to invest in the Preferred Securities should be based on a consideration of this Offering Circular as a whole, including the documents incorporated by reference. This Overview is indicative only, does not purport to be complete and is qualified in its entirety by the more detailed information appearing elsewhere in this Offering Circular. See, in particular, "Conditions of the Preferred Securities".*

Words and expressions defined in "Conditions of the Preferred Securities" shall have the same meanings in this Overview.

<b>Bank:</b>	Banco Bilbao Vizcaya Argentaria, S.A.
<b>Legal Entity Identifier:</b>	K8MS7FD7N5Z2WQ51AZ71
<b>Risk Factors:</b>	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Preferred Securities. These are set out under "Risk Factors". In addition, there are certain factors which are material for the purpose of assessing the risks associated with the Preferred Securities, which are described in detail under "Risk Factors".
<b>Issue size:</b>	€1,000,000,000
<b>Closing date:</b>	21st June, 2023
<b>Issue details:</b>	Series 11 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities of €200,000 Liquidation Preference each.  The Preferred Securities will qualify as Tier 1 Capital of the Bank and the Group pursuant to the CRD Directive and CRR, and Applicable Banking Regulations.
<b>Liquidation Preference:</b>	€200,000 per Preferred Security.
<b>Use of Proceeds:</b>	The net proceeds from the issue of the Preferred Securities will be used for the Group's general corporate purposes. The Bank will request that the Preferred Securities qualify as Additional Tier 1 Capital own funds for the purposes of the Applicable Banking Regulations.
<b>Distributions:</b>	Distributions will accrue (i) in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 8.375 per cent. per annum, and (ii) in respect of each Reset Period, at the rate per annum equal to the aggregate of 5.544 per cent. per annum and the 5-year Mid-Swap Rate for such Reset Period, converted to a quarterly rate in accordance with market convention. Subject as provided in the Conditions (see "Limitations on Distributions" below),

such Distributions will be payable quarterly in arrear on each Distribution Payment Date.

For further information, see Condition 4.

**Benchmark Discontinuation:**

On the occurrence of a Benchmark Event, the Benchmark Calculation Agent may, subject to certain conditions, in accordance with Condition 4.13 and without any separate consent or approval of the Holders, determine a Successor Rate, failing which an Alternative Rate and, in either case, an Adjustment Spread, if any, and any Benchmark Amendments.

**Limitations on Distributions:**

The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time and for any (or no) reason. Payments of Distributions in any financial year of the Bank shall be made only out of Distributable Items of the Bank.

To the extent that (i) the Bank has insufficient Distributable Items to make Distributions on the Preferred Securities scheduled for payment in the then current financial year and any interest payments or distributions that have been paid or made or are scheduled or required to be paid or made out of Distributable Items of the Bank in the then current financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Bank, and/or (ii) the Regulator, in accordance with Article 68 of Law 10/2014 and/or Article 16 of the SSM Regulation and/or Applicable Banking Regulations then in force, requires the Bank to cancel the relevant Distribution in whole or in part, then the Bank will, without prejudice to the right above to cancel the payment of all such Distributions on the Preferred Securities, make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities.

No payments will be made on the Preferred Securities (whether by way of a repayment of the Liquidation Preference, the payment of any Distribution or otherwise) if and to the extent that such payment would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Instruments pursuant to Applicable Banking Regulations (including, without limitation, any such restriction or prohibition relating to any MDA or MREL-MDA applicable to the Bank and/or the Group).

Distributions on the Preferred Securities will be non-cumulative. Accordingly, if any Distribution (or part thereof) is not made on the relevant Distribution Payment Date in respect of the Preferred Securities then the right of the Holders to receive the relevant Distribution (or part thereof) will be extinguished and

the Bank will have no obligation to pay such Distribution (or part thereof), whether or not any future Distributions on the Preferred Securities are paid.

**Status of the Preferred Securities:**

The Preferred Securities will constitute direct, unconditional, unsecured and subordinated obligations of the Bank and, in the case of insolvency (*concurso de acreedores*) of the Bank, rank as set out in Condition 3.

For further information, see Condition 3.

**Optional Redemption:**

All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank, subject to the prior consent of the Regulator (if required, and otherwise in accordance with Applicable Banking Regulations then in force), on any day falling in the period commencing on (and including) the First Call Date (*i.e.*, 21st June, 2028) and ending on (and including) the First Reset Date (*i.e.*, 21st December, 2028), and on any Distribution Payment Date thereafter at the Redemption Price.

The Preferred Securities are also redeemable on or after the Closing Date at the option of the Bank in whole but not in part, at any time, at the Redemption Price, subject to the prior consent of the Regulator (if required, and otherwise in accordance with Articles 77 and 78 of the CRR and/or any other Applicable Banking Regulations in force at the relevant time) if there is a Capital Event or a Tax Event or if 75 per cent. or any higher percentage of the aggregate Liquidation Preference of the Preferred Securities has been purchased by, or on behalf of, the Bank or any other member of the Group.

For further information, see Condition 7.

**Substitution and Variation:**

If a Capital Event or a Tax Event, as applicable, occurs and is continuing, the Bank may substitute or modify the terms of all (but not some only) of the Preferred Securities so that the Preferred Securities once again become or remain Qualifying Preferred Securities. See Condition 11.2.

**Conversion:**

In the event of the CET1 ratio of the Bank or the Group dropping below 5.125 per cent (a Trigger Event), the Preferred Securities are mandatorily and irrevocably convertible into newly issued Common Shares at the Conversion Price.

In addition and subject as provided in Condition 7.7, in the event of a Capital Reduction, the Preferred Securities are mandatorily and irrevocably convertible into Common Shares unless a Holder elects that the Preferred Securities held by it shall not be so converted by delivery of a duly completed Election Notice on or before the 10th Business Day immediately following the

Capital Reduction Notice Date, which Election Notice shall be irrevocable.

For further information, see Condition 6.

**Conversion Price:**

If the Common Shares are (a) then admitted to trading on a Relevant Stock Exchange, the Conversion Price will be the higher of: (i) the Reference Market Price of a Common Share, (ii) the Floor Price and (iii) the nominal value of a Common Share (being €0.49 on the Closing Date) or (b) not then admitted to trading on a Relevant Stock Exchange, the higher of (ii) and (iii) above.

The Floor Price is subject to adjustment in accordance with Condition 6.4.

**Liquidation Distribution:**

Subject as provided below, in the event of any voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities (unless previously converted into Common Shares pursuant to Condition 6) will confer an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution.

If, before such liquidation or winding-up of the Bank described above, a Conversion Event occurs but the relevant conversion of the Preferred Securities into Common Shares pursuant to the Conditions is still to take place at such time, the entitlement conferred by the Preferred Securities for the above purposes will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which Holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such conversion had taken place immediately prior to such liquidation or winding-up or otherwise in accordance with applicable law at such time.

**Purchases:**

The Bank or any member of the Group may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise, subject to the prior consent of the Regulator (if required, and otherwise in accordance with Articles 77 and 78 of the CRR and/or any other Applicable Banking Regulations in force at the relevant time).

Any Preferred Securities so acquired by the Bank or any member of the Group, shall cease to be outstanding for all purposes immediately on such acquisition (including any conversion of the Preferred Securities on the occurrence of any Conversion Event) and shall immediately be surrendered to a Paying Agent for cancellation.

**Spanish Statutory Loss Absorption Powers:**

The obligations of the Bank under the Preferred Securities are subject to, and may be limited, by the

exercise of any Spanish Statutory Loss-Absorption Power. By its acquisition of the Preferred Securities, each Holder acknowledges, accepts, consents to and agrees to be bound by (a) the exercise and effect of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority and (b) the variation of the terms of the Preferred Securities, as deemed necessary by the Relevant Spanish Resolution Authority, to give effect to any such exercise. For further information, see Conditions 3.1 and 17.

**Pre-emptive rights:**

The Preferred Securities do not grant Holders preferential subscription rights in respect of any possible future issues of preferred securities or any other securities by the Bank or any Subsidiary.

**Voting Rights:**

The Preferred Securities shall not confer any entitlement to receive notice of or attend or vote at any meeting of the shareholders of the Bank. Notwithstanding the above, the Conditions of the Preferred Securities contain provisions for convening meetings of Holders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Holders including Holders who did not attend and vote at the relevant meeting and Holders who voted in a manner contrary to the majority.

For further information, see Condition 10.

**Waiver of set-off rights:**

No Holder may at any time exercise or claim any Waived Set-Off Rights against any right, claim or liability of the Bank or that the Bank may have or acquire against such Holder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities arising under or in relation to any and all agreements or other instruments of any kind, whether or not relating to such Preferred Securities).

For further information, see Condition 3.3.

**Withholding Tax and Additional Amounts:**

Subject as provided in Condition 12.2, all payments of Distributions and other amounts payable in respect of the Preferred Securities by the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of Spain in respect of payments of Distributions (but not any Liquidation Preference or other amount), the Bank shall (to the extent such payment can be made out of Distributable Items on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as would have been received in respect of such Distribution had no such withholding or deduction been required.



According to RD 1065/2007, the Bank is not obliged to withhold any tax amount provided that the simplified information procedures (which do not require identification of the Holders) are complied with by the Principal Paying Agent.

For further information, see Condition 12 and "*Taxation – Preferred Securities – Tax Reporting Obligations of the Bank*" below.

**Form:**

The Preferred Securities will be issued in bearer form and will be represented by a global Preferred Security deposited with a common depositary for Euroclear and Clearstream, Luxembourg.

**Ratings:**

The Preferred Securities are expected, upon issue, to be rated Ba2 by Moody's Investors Service España, S.A. (**Moody's**) and BB by Fitch Ratings España, S.A.U. (**Fitch**).

A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, change or withdrawal at any time by the assigning rating agency.

Potential investors should not rely on any rating of the Preferred Securities and should make their investment decision on the basis of considerations such as those outlined in "*Risk Factors–The Preferred Securities may not be a suitable investment for all investors*".

**Listing and admission to trading:**

Application has been made to Euronext Dublin for the Preferred Securities to be admitted to the Official List and to trading on the GEM.

**Governing Law:**

The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, the common laws of the Kingdom of Spain (**Spain**) (*Derecho común español*).

**Selling Restrictions:**

In addition to the "prohibition of sales to EEA Retail Investors" and "prohibition of sales to UK Retail Investors", there are restrictions on the offer, sale and transfer of the Preferred Securities in the United States, UK, Spain, Singapore, Hong Kong, Switzerland, Canada, Italy and Belgium. Regulation S, category 2 restrictions under the Securities Act apply; TEFRA C. The Preferred Securities are not and will not be eligible for sale in the United States under Rule 144A of the Securities Act.

## PRESENTATION OF FINANCIAL INFORMATION

### ACCOUNTING PRINCIPLES

Under Regulation (EC) No. 1606/2002 of the European Parliament and of the Council of 19th July, 2002, all companies governed by the law of an EU Member State (each a **Member State**) and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements in conformity with International Financial Reporting Standards adopted by the EU (**EU-IFRS**).

BBVA's audited consolidated financial statements as at and for each of the years ending 31st December 2022, 31st December 2021 and 31st December, 2020 (together, the **Consolidated Financial Statements**), as incorporated by reference in this Offering Circular, have been prepared in compliance with IFRS-IASB and in accordance with EU-IFRS, reflecting the Bank of Spain Circular 4/2017 of 27th November (as amended) and any other legislation governing financial reporting applicable to the Group and with the format and mark up requirements established in the EU Delegated Regulation 2019/815 of the European Commission.

### FINANCIAL INFORMATION

The following principles should be noted in reviewing the financial information contained in this Offering Circular:

- Unless otherwise stated, any reference to loans refers to both loans and advances.
- All references to any financial information in this Offering Circular are to the consolidated financial information of the Group, unless otherwise stated.
- Interest income figures, when used, do not include interest income on non-accruing loans to the extent that cash payments have been received in the period in which they are due.
- Financial information with respect to segments or subsidiaries may not reflect consolidation adjustments.
- Certain numerical information in this Offering Circular may not compute due to rounding. In addition, information regarding period-to-period changes is based on numbers which have not been rounded.

### STABILISATION

In connection with the issue of the Preferred Securities, Goldman Sachs Bank Europe SE as stabilisation manager (the **Stabilisation Manager**) (or persons acting on behalf of the Stabilisation Manager) may over-allot Preferred Securities or effect transactions with a view to supporting the market price of the Preferred Securities at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the Preferred Securities is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the Preferred Securities and 60 days after the date of the allotment of the Preferred Securities. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or persons acting on behalf of the Stabilisation Manager) in accordance with all applicable laws and rules.

### SPANISH TAX RULES

Article 44 of the regulations approved by Royal Decree 1065/2007 of 27th July, as amended by Royal Decree 1145/2011 of 29th July (as so amended, **RD 1065/2007**) sets out the reporting obligations

applicable to preference shares and debt instruments (including debt instruments issued at a discount for a period equal to or less than twelve months) issued under the First Additional Provision of Law 10/2014. According to the Ninth Additional Provision of Law 27/2014 of 27th November, on Corporate Income Tax (**Law 27/2014**), such procedures apply to interest deriving from preference shares to which the First Additional Provision of Law 10/2014 refers.

#### *General*

The procedure described in this Offering Circular for the provision of information required by Spanish law and regulation is a summary only, and may be updated and/or amended at any time as a result of any change in, or amendment to, the laws or regulations applicable in Spain or any change in the application or binding official interpretation or administration of any such laws or regulations. Neither the Bank nor any of the Managers assume any responsibility therefor.

## DOCUMENTS INCORPORATED BY REFERENCE

Each document incorporated herein by reference is only as of the date of such document, and the incorporation by reference of such documents shall not create any implication that there has been no change in the affairs of the Bank or the Group, as the case may be, since the date thereof or that the information contained therein is current as of any time subsequent to its date. Any statement contained in any document incorporated herein by reference shall be deemed to be modified or superseded for the purposes of this Offering Circular to the extent that a statement contained herein modifies or supersedes that statement. Any such statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this Offering Circular. Any documents themselves incorporated by reference in the documents incorporated by reference in this Offering Circular shall not form part of this Offering Circular.

The following documents are incorporated in, and form part of, this Offering Circular:

- (a) (i) the unaudited condensed interim consolidated financial statements of the Group as of and for the three months ended 31st March, 2023 (the **1Q23 Consolidated Interim Financial Statements**) on pages 1 to 43 (inclusive) (English translated version) and on pages 1 to 44 (inclusive) (Spanish version) of the “Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report as of and for the three months ended March 31, 2022 - BBVA Group” (the “**First Quarter Report**”), (ii) on the 2 pages prior to the table of contents of the First Quarter Report, the auditors’ limited review report on the 1Q23 Consolidated Interim Financial Statements and (iii) the information on alternative performance measures on pages 50 to 59 (inclusive) of the Interim Consolidated Management Report included in the First Quarter Report (available at [https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/04/Financial-Statements-and-Management-Report-Jan-Mar-2023\\_ENG.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/04/Financial-Statements-and-Management-Report-Jan-Mar-2023_ENG.pdf) (in English) and [https://accionistaseinversores.bbva.com/wp-content/uploads/2023/04/Estados-Financieros-e-Informe-de-Gestion-Enero-Marzo-2023\\_esp.pdf](https://accionistaseinversores.bbva.com/wp-content/uploads/2023/04/Estados-Financieros-e-Informe-de-Gestion-Enero-Marzo-2023_esp.pdf) (in Spanish));
- (b) the Form 20-F of the Bank for the financial year ended 31st December, 2022 (the **Form 20-F**) as filed with the SEC on 6th March, 2023 (which includes on pages F-1 to F-3 thereof the auditors' reports and on pages F-4 to F-219 thereof, the consolidated financial statements for the years ending 31st December, 2022, 31st December, 2021 and 31st December, 2020) (available at: <https://www.sec.gov/ix?doc=/Archives/edgar/data/0000842180/000084218023000010/bbva-20221231.htm>);
- (c) (i) the audited consolidated financial statements of the Group as of and for the year ended 31st December, 2022 (the **2022 Consolidated Financial Statements**) on pages 1 to 249 (inclusive) (English translated version) and on pages 1 to 261 (inclusive) (Spanish version) of the “Consolidated Financial Statements, Consolidated Management Report and Auditors’ Report - BBVA Group 2022” (the **2022 Consolidated Report**), (ii) on the 11 pages prior to the table of contents of the 2022 Consolidated Report, the auditors’ report on the 2022 Consolidated Financial Statements and (iii) the information on alternative performance measures on pages 193 to 207 (inclusive) of the “Consolidated Management Report – BBVA Group 2022” (the **2022 Consolidated Management Report**) included in the 2022 Consolidated Report (available at [https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/02/5\\_2\\_2022\\_Consolidated\\_Annual\\_Accounts\\_and\\_Management\\_Report.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/02/5_2_2022_Consolidated_Annual_Accounts_and_Management_Report.pdf) (English translated version) and [https://accionistaseinversores.bbva.com/wp-content/uploads/2023/02/5\\_2\\_Cuentas\\_Anuales\\_e\\_informe\\_de\\_gestion\\_Grupo\\_BBVA\\_2022.pdf](https://accionistaseinversores.bbva.com/wp-content/uploads/2023/02/5_2_Cuentas_Anuales_e_informe_de_gestion_Grupo_BBVA_2022.pdf) (in Spanish));
- (d) (i) the audited consolidated financial statements of the Group as of and for the year ended 31st December, 2021 (the **2021 Consolidated Financial Statements**) on pages 1 to 251

- (inclusive) (English translated version) and on pages 1 to 261 (inclusive) (Spanish version) of the “Consolidated Financial Statements, Consolidated Management Report and Auditors’ Report - BBVA Group 2021” (the **2021 Consolidated Report**) and (ii) on the 8 pages prior to the table of contents of the 2021 Report, the auditors’ report on the 2021 Consolidated Financial Statements (available at [https://shareholdersandinvestors.bbva.com/wp-content/uploads/2022/03/BBVA-Group-Annual-Report-and-MR-Dec-2021\\_ENG.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2022/03/BBVA-Group-Annual-Report-and-MR-Dec-2021_ENG.pdf) (English translated version) and [https://accionistaseinversores.bbva.com/wp-content/uploads/2022/03/Cuentas-Anuales-e-IG-Diciembre-2021-Grupo-BBVA\\_esp-1.pdf](https://accionistaseinversores.bbva.com/wp-content/uploads/2022/03/Cuentas-Anuales-e-IG-Diciembre-2021-Grupo-BBVA_esp-1.pdf) (in Spanish));
- (e) (i) the audited consolidated financial statements of the Group as of and for the year ended 31st December, 2020 (the **2020 Consolidated Financial Statements**) on pages 1 to 262 (inclusive) (English translated version) and on pages 1 to 268 (inclusive) (Spanish version) of the “Consolidated Financial Statements, Consolidated Management Report and Auditors’ Report - BBVA Group 2020” (the **2020 Consolidated Report**) and (ii) on the 8 pages prior to the table of contents of the 2020 Consolidated Report, the auditors’ report on the 2020 Consolidated Financial Statements (available at <https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/02/BBVA-GROUP-Annual-Report-MR-Dec-2020.pdf> (English translated version) and <https://accionistaseinversores.bbva.com/wp-content/uploads/2021/02/01-Cuentas-Anuales-GRUPO-BBVA-e-IG-Diciembre-2020.pdf> (in Spanish));
- (f) (i) the audited non-consolidated financial statements of the Bank as of and for the year ended 31st December, 2022 (the **2022 Stand-Alone Financial Statements**) on pages 1 to 188 (inclusive) (English translated version) and on pages 1 to 196 (inclusive) (Spanish version) of the Bank’s “Financial Statements, Management Report and Auditors’ Report – BBVA 2022” (the **2022 Stand-Alone Report**) and (ii) on the 10 pages prior to the table of contents of the 2022 Stand-Alone Report, the auditors’ report on the 2022 Stand-Alone Financial Statements (available at [https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/02/4\\_2\\_2022\\_individual\\_Annual\\_Accounts\\_and\\_Management\\_Report.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2023/02/4_2_2022_individual_Annual_Accounts_and_Management_Report.pdf) (English translated version) and [https://accionistaseinversores.bbva.com/wp-content/uploads/2023/02/4\\_2\\_Cuentas\\_Anuales\\_e\\_Informe\\_de\\_Gestion\\_BBVA\\_ejercicio\\_2022.pdf](https://accionistaseinversores.bbva.com/wp-content/uploads/2023/02/4_2_Cuentas_Anuales_e_Informe_de_Gestion_BBVA_ejercicio_2022.pdf) (in Spanish) and);
- (g) (i) the audited non-consolidated financial statements of the Bank as of and for the year ended 31st December, 2021 (the **2021 Stand-Alone Financial Statements**) on pages 1 to 190 (inclusive) (English translated version) and on pages 1 to 196 (inclusive) (Spanish version) of the Bank’s “Financial Statements, Management Report and Auditors’ Report – BBVA 2021” (the **2021 Stand-Alone Report**) and (ii) on the 10 pages prior to the table of contents of the 2021 Stand-Alone Report, the auditors’ report on the 2021 Stand-Alone Financial Statements (available at [https://shareholdersandinvestors.bbva.com/wp-content/uploads/2022/02/4\\_2\\_2021\\_Individual\\_Annual\\_Accounts\\_and\\_Management\\_Report.pdf](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2022/02/4_2_2021_Individual_Annual_Accounts_and_Management_Report.pdf) (English translated version) and <https://accionistaseinversores.bbva.com/wp-content/uploads/2022/03/Cuentas-Anuales-e-IG-Diciembre-2021-BBVASA.pdf> (in Spanish)); and
- (h) (i) the audited non-consolidated financial statements of the Bank as of and for the year ended 31st December, 2020 (the **2020 Stand-Alone Financial Statements** and, together with the 2021 Stand-Alone Financial Statements and the 2022 Stand-Alone Financial Statements, the **Stand-Alone Financial Statements**) on pages 1 to 216 (inclusive) (English translated version) and on pages 1 to 219 (inclusive) (Spanish version) of the Bank’s “Financial Statements, Management Report and Auditors’ Report – BBVA 2020” (the **2020 Stand-Alone Report**) and (ii) on the 9 pages prior to the table of contents of the 2020 Stand-Alone Report, the auditors’ report on the 2020 Stand-Alone Financial Statements (available at [53](https://shareholdersandinvestors.bbva.com/wp-content/uploads/2021/02/04-BBVA-Annual-</a></p>
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Report-2020.pdf (English translated version) and <https://accionistaseinversores.bbva.com/wp-content/uploads/2021/02/02-Cuentas-Anuales-e-IG-Banco-Diciembre-2020.pdf> (in Spanish)).

Any non-incorporated parts of a document referred to above do not form part of this Offering Circular.

The English versions of items (a) and (c) to (h) above are for information purposes only. In the event of a discrepancy, the original Spanish-language versions prevail.

## CAPITAL ADEQUACY, REGULATORY FRAMEWORK AND CAPITALISATION OF THE GROUP

### Capital Adequacy of the Group phased-in

The following table sets forth details of the phased-in risk-weighted assets and capital ratios of the Group:

	<b>As of 31st March,</b>	<b>As of 31st December,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>(in millions of euros except percentages)</i>			
Common equity tier 1 ratio (%) <sup>(1)</sup>	13.13	12.68	12.98	12.15
Tier 1 ratio (%) <sup>(1)</sup>	14.62	14.22	14.84	14.04
Total capital ratio (%) <sup>(1)</sup>	16.30	15.98	17.24	16.46
Total risk-weighted assets	348,598	337,066	307,795	353,273

(1) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of the Capital Requirements Regulation (CRR).

The table below sets forth the distance to Trigger Event of the Group on a phased-in basis:

	<b>As of 31st March,</b>	<b>As of 31st</b>	<b>As of 31st</b>
	<b>2023</b>	<b>December, 2022</b>	<b>December, 2021</b>
	<i>(in millions of euros)</i>		
Distance to Trigger Event <sup>(1)</sup>	27,895	25,463	24,174

(1) The Distance to Trigger Event reflects as of 31st march, 2023, 31st December, 2022 and 31st December, 2021 the amount of common equity tier 1 capital above the Trigger Event level applicable to the Preferred Securities (being a CET1 ratio of less than 5.125 per cent.).

If the Bank or the Group failed to comply with its “combined buffer requirement” it would have to calculate the MDA and, until such calculation has been undertaken and reported to the Bank of Spain, the Bank would not be able to make any discretionary payments, including the payment of Distributions on the Preferred Securities. Once the MDA has been calculated and reported to the Bank of Spain, such discretionary payments will be subject to the limit of the calculated MDA.

The table below sets forth the distance to each of the ratios of the Group to be satisfied for the purposes of the “combined buffer requirement” of the Group and in order for discretionary payments not to be subject to the limit of the calculated MDA:

	<b>As of 31st December,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>(in percentages)</i>		
Distance to MDA-Common equity tier 1 ratio (%)	4.05	4.38	3.56
Distance to MDA-Tier 1 ratio (%)	3.81	4.46	3.67
Distance to MDA-Total capital ratio (%)	3.19	4.48	3.71

The MDA is calculated only for phased-in ratios.

## Capital Adequacy of the Group fully loaded

The following table sets forth details of the fully loaded risk-weighted assets and capital ratios of the Group:

	<b>As of 31st March,</b>	<b>As of 31st December,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>(in millions of euros except percentages)</i>			
Common equity tier 1 ratio (%)	13.13	12.61	12.75	11.73
Tier 1 ratio (%)	14.62	14.15	14.62	13.62
Total capital ratio (%)	16.30	15.94	16.99	15.91
Total risk-weighted assets	348,598	336,884	307,335	352,622

The table below sets forth the distance to Trigger Event of the Group on a fully loaded basis:

	<b>As of 31st March,</b>	<b>As of 31st</b>	<b>As of 31st</b>
	<b>2023</b>	<b>December, 2022</b>	<b>December, 2021</b>
	<i>(in millions of euros)</i>		
Distance to Trigger Event <sup>(1)</sup>	27,895	25,219	23,433

- (1) The Distance to Trigger Event reflects as of 31st March, 2023, 31st December, 2022 and 31st December, 2021 the amount of common equity tier 1 capital above the Trigger Event level applicable to the Preferred Securities (being a CET1 ratio of less than 5.125 per cent).

## Capital Adequacy of the Bank phased-in

The following table sets forth details of the phased-in risk-weighted assets and capital ratios of the Bank:

	<b>As of 31st March,</b>	<b>As of 31st December,</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<i>(in millions of euros except percentages)</i>			
Common equity tier 1 ratio (%) <sup>(1)</sup>	12.98	12.77	14.14	15.15
Tier 1 ratio (%) <sup>(1)</sup>	15.31	15.13	17.05	18.18
Total capital ratio (%) <sup>(1)</sup>	17.17	16.94	19.64	20.70
Total risk-weighted assets	207,811	206,270	180,868	202,429

- (1) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis of the Capital Requirements Regulation (CRR).

The table below sets forth the distance to Trigger Event of the Bank on a phased-in basis:

	<b>As of 31st March,</b>	<b>As of 31st</b>	<b>As of 31st</b>
	<b>2023</b>	<b>December, 2022</b>	<b>December, 2021</b>
	<i>(in millions of euros)</i>		
Distance to Trigger Event <sup>(1)</sup>	16,321	15,762	16,282

- (1) The Distance to Trigger Event reflects as of 31st March, 2023, 31st December, 2022 and 31st December, 2021 the amount of common equity tier 1 capital above the Trigger Event level applicable to the Preferred Securities (being a CET1 ratio of less than 5.125 per cent).



The table below sets forth the distance to each of the ratios of the Bank to be satisfied for the purposes of the “combined buffer requirement” of the Bank and in order for discretionary payments not to be subject to the limit of the calculated MDA:

	As of 31st December,		
	2022	2021	2020
	<i>(in percentages)</i>		
Distance to MDA-Common equity tier 1 ratio (%)	4.88	6.29	7.30
Distance to MDA-Tier 1 ratio (%)	5.46	7.42	8.55
Distance to MDA-Total capital ratio (%)	4.89	7.63	8.69

The MDA is calculated only for phased-in ratios.

### Capital Adequacy of the Bank fully loaded

The following table sets forth details of the fully loaded risk-weighted assets and capital ratios of the Bank:

	As of 31st March,	As of 31st December,		
	2023	2022	2021	2020
	<i>(in millions of euros except percentages)</i>			
Common equity tier 1 ratio (%) <sup>(1)</sup>	12.98	12.74	14.11	14.82
Tier 1 ratio (%) <sup>(1)</sup>	15.31	15.10	17.02	17.85
Total capital ratio (%) <sup>(1)</sup>	17.17	16.95	19.68	20.24
Total risk-weighted assets	207,811	206,384	181,089	202,810

The table below sets forth the distance to Trigger Event of the Bank on a fully loaded basis:

	As of 31st March,	As of 31st	As of 31st
	2023	December, 2022	December, 2021
	<i>(in millions of euros)</i>		
Distance to Trigger Event <sup>(1)</sup>	16,321	15,715	16,271

(1) The Distance to Trigger Event reflects as of 31st March, 2023, 31st December, 2022 and 31st December, 2021 the amount of common equity tier 1 capital above the Trigger Event level applicable to the Preferred Securities (being a CET1 ratio of less than 5.125 per cent).

### MREL of the BBVA Resolution Group<sup>(1)</sup>

The following table sets forth details of the MREL of BBVA (both general and subordinated) in terms of the MREL requirement and both RWAs and leverage exposure:

	As of 31st December,		
	2022	2021	2020
	<i>(in percentages)</i>		
MREL in RWAs	26.45	30.74	31.74
MREL Subordination in RWAs	21.74	27.15	28.48
MREL in LR	11.14	11.31	
MREL Subordination in LR	9.16	9.88	

The table below sets forth the distance to the MREL requirement (both general and subordinated and in terms of both RWAs and leverage exposures) in order for BBVA not to have to calculate the MDA and report it to the Bank of Spain, and discretionary payments not to be subject to the limit of the calculated MDA.

	As of 31st December,		
	2022	2021	2020
		(in bps)	
MREL in RWAs	169	346	324
MREL Subordination in RWAs	494	1,115	-
MREL in LR	364	106	-
MREL Subordination in LR	332	404	-

(1) The BBVA resolution group consists of the Bank and its subsidiaries belonging to the same European resolution group

### Available Distributable Items of BBVA

The available Distributable Items of BBVA at 31st March, 2023 and 31st December, 2022 amounted to €26,714 million and €26,724 million, respectively (the available Distributable Items are comprised of profit after tax (€1,790 million and 4,816 million, respectively) plus unrestricted reserves (€26,491 million and 24,924 million, respectively) less interim dividends (€1,567 and €3,015 million, respectively).

### Regulatory Framework

#### General

The Bank is a Spanish credit institution with registered address at Plaza de San Nicolás 4, Bilbao, Spain. It operates under the form of a public limited liability company (*sociedad anónima*) and is thus subject to Spanish company and tax legislation applicable from time to time (including the special aspects of the provincial scheme applicable in view of its registered address), as well as to banking legislation applicable in Spain and in the EU. The Bank's shares are currently listed on the Madrid, Barcelona, Bilbao and Valencia Stock Exchanges through the Spanish Stock Exchange Interconnection System (Continuous Market), on the London and Mexico Stock Exchanges and, by means of ADSs (American Depositary Shares), on the New York Stock Exchange, and are thus subject to stock market regulations applicable in Spain, in the EU, in the UK, in Mexico and in the United States.

The Bank develops its business in different jurisdictions through a number of subsidiaries, which are subject to company, banking, stock market and insurance regulations, among others, as applicable in each specific case. In particular, the Group is exposed to the regulations of Mexico, the United States and Turkey.

The following summarises some of the regulations that most significantly affect the Bank in Spain, the Group's main market, and as a result of its activities in the EU.

#### Solvency and capital requirements

In its capacity as a Spanish credit institution, the Bank is subject to Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC, and repealing Directives 2006/48/EC and 2006/49/EC (as amended, replaced or supplemented from time to time, the **CRD IV Directive**) through which the EU began implementing the capital reforms agreed in the framework of Basel III. The core regulation regarding the solvency of credit institutions is Regulation (EU) No. 575/2013 of the European Parliament and of

the Council of 26th June, 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (as amended, replaced or supplemented from time to time, the **CRR I** and, together with the CRD IV Directive and any measures implementing the CRD IV Directive or CRR I which may from time to time be applicable in Spain, **CRD IV**), which is complemented by several binding regulatory technical standards that are directly applicable in all EU Member States, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law took place through Royal Decree-Law 14/2013, of 29th November, Law 10/2014, Royal Decree 84/2015, of 13th February (**Royal Decree 84/2015**), Bank of Spain Circular 2/2014, of 31st January and Bank of Spain Circular 2/2016, of 2nd February (the **Bank of Spain Circular 2/2016**).

On 7th June, 2019, the following amendments to CRD IV, Directive 2014/59/EU of the European Parliament and of the Council of 15th May, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (**BRRD I**) and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010 (the **SRM Regulation I**) were published:

- Directive 2019/878/EU of the European Parliament and of the Council of 20th May, 2019 (as amended, replaced or supplemented from time to time, the **CRD V Directive**) amending the CRD IV Directive (the CRD IV Directive as so amended by the CRD V Directive and as amended, replaced or supplemented from time to time, the **CRD Directive**);
- Directive 2019/879/EU of the European Parliament and of the Council of 20th May, 2019 (as amended, replaced or supplemented from time to time, **BRRD II**) amending, among other things, BRRD I as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (BRRD I as so amended by BRRD II and as amended, replaced or supplemented from time to time, the **BRRD**);
- CRR II (together with the CRD V Directive, **CRD V**) amending, among other things, CRR I as regards the leverage ratio, the net stable funding ratio, requirements on own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements, and Regulation (EU) No. 648/2012 (CRR I as so amended by CRR II and as amended, replaced or supplemented from time to time, the **CRR**); and
- Regulation (EU) No. 877/2019 of the European Parliament and of the Council of 20th May, 2019 (as amended, replaced or supplemented from time to time, the **SRM Regulation II**) amending the SRM Regulation I as regards the loss-absorbing and recapitalisation capacity of credit institutions and investment firms (SRM Regulation I as so amended by SRM Regulation II and as amended, replaced or supplemented from time to time, the **SRM Regulation**),

(CRD V, together with BRRD II and the SRM Regulation II, the **EU Banking Reforms**).

CRD IV, among other things, established a “Pillar 1” minimum capital requirement and increased the level of capital required through the “combined buffer requirement” that institutions must comply with from 2016 onwards. The “combined buffer requirement” introduced five new capital buffers: (i) the capital conservation buffer, (ii) the G-SIB buffer, (iii) the institution-specific counter-cyclical buffer, (iv) the domestic systemically important banks (**D-SIB**) buffer and (v) the systemic risk buffer (a buffer to prevent systemic or macroprudential risks). The “combined buffer requirement” (broadly, the combination of the capital conservation buffer, the institution-specific counter-cyclical buffer, the systemic risk buffer and the higher of (depending on the institution) the G-SIBs buffer and the D-SIBs buffer, in each case as applicable to the institution) applies in addition to the minimum “Pillar 1”

capital requirements and must be satisfied with additional CET1 capital to that provided to meet the “Pillar 1” minimum capital requirement.

The G-SIB buffer is applicable to the institutions included in the list of G-SIBs, which is updated annually by the FSB. The Bank was excluded from this list with effect as from 1st January, 2017 and so, unless otherwise indicated by the FSB (or the Bank of Spain) in the future, the Bank will no longer be required to maintain the G-SIB buffer.

The Bank of Spain considers the Bank to be a D-SIB and determines that the Bank is required to maintain in 2023 a fully-loaded D-SIB buffer of a CET1 ratio of 0.75 per cent. on a consolidated basis.

In December 2015, the Bank of Spain agreed to set the counter-cyclical buffer applicable to credit exposures in Spain at 0 per cent. from 1st January, 2016. This percentage is reviewed quarterly. The Bank of Spain agreed on 31st March, 2023 to maintain the counter-cyclical buffer applicable to credit exposures in Spain at 0 per cent. for the second quarter of 2023. As of the date of this Offering Circular, the counter-cyclical buffer applicable to the Group stands at 0.04 per cent.

Furthermore, Article 104 of the CRD Directive (as implemented by Article 68 of Law 10/2014) and similarly Article 16 of Council Regulation (EU) No. 1024/2013 of 15th October, 2013 conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the **SSM Regulation**), also contemplates the possibility that the supervisory authorities may require credit institutions to observe capital requirements exceeding the “Pillar 1” minimum capital requirements and the “combined buffer requirement” by establishing “Pillar 2” capital requirements (which, with respect to other requirements, are above the “Pillar 1” requirements and below the “combined buffer requirement”).

Moreover, the ECB is required, under Regulation (EU) No. 468/2014 of the ECB of 16th April, 2014 establishing the framework for cooperation within the Single Supervisory Mechanism (**SSM Framework Regulation**), to carry out a SREP for the Bank and the Group at least on an annual basis.

On 19th July, 2018, the EBA published its final guidelines intended to further enhance risk management by institutions and the convergence of supervision with respect to the SREP. These guidelines focus on stress testing, particularly to determine Pillar 2 capital guidance and the level of interest rate risk. As of 23rd July, 2020, the EBA published further guidelines on the 2020 SREP in light of the crisis generated by COVID-19. Additionally, on 28th June, 2021 the EBA published further draft amended guidelines regarding the implementation of changes introduced by the CRD V Directive that were finally published on 18th March, 2022, repealing the EBA Guidelines of 19th December, 2014 and the amending guidelines of 19th July, 2018, with effect from 1st January, 2023.

In response to the COVID-19 pandemic, the ECB announced on 12th March, 2020 that it will allow banks to partially use AT1 and Tier 2 instruments to meet the “Pillar 2” requirement, being a measure introduced by CRD V. In particular, the composition of capital instruments to meet the “Pillar 2” requirement, shall be made up in the form of 56.25 per cent. of CET1 capital and 75 per cent. of Tier 1 capital, as a minimum.

Consequently, all additional “Pillar 2” own funds requirements that the ECB may impose on the Bank and/or the Group under the SREP will require the Bank and/or the Group to maintain capital levels higher than the “Pillar 1” minimum capital requirement.

As a result of the latest SREP carried out by the ECB, BBVA must maintain, at a consolidated level, as of 1st January, 2023, a CET1 ratio of 8.75 per cent. and a total capital ratio of 13.00 per cent. The consolidated overall capital requirement include (i) the “Pillar 1” minimum capital requirement of 4.50 per cent.; (ii) the minimum capital requirement of “Pillar 2” of 1.71 per cent. (of which at least 0.96 per cent. must be met with CET1), of which 0.21 per cent. (of which at least 0.12 per cent. must be met with CET1) is determined on the basis of the ECB’s prudential provisioning expectation, which from 1st January, 2023 will no longer be treated as a deduction from CET1; (iii) the capital

conservation buffer (2.5 per cent. of CET1); (iv) the capital buffer for Other Systemically Important Institutions (O-SIIs) (0.75 per cent. of CET1); and (v) the specific countercyclical buffer for each entity (0.04 per cent. of CET1). Likewise, BBVA must maintain, at an individual level, a CET1 ratio of 7.90 per cent. and a total capital ratio of 12.06 per cent. These ratios include a Pillar 2 requirement at the individual level of 1.5 per cent., of which at least 0.84 per cent. must be met with CET1. These figures include the 0.04 per cent counter-cyclical buffer applicable to the Group, as disclosed in the 1Q23 Consolidated Interim Financial Statements, and the 0.06 per cent counter-cyclical buffer applicable to the Bank at an individual level.

As of 31st December, 2022 and 2021, the Group's phased-in total capital ratio was 15.98 per cent. and 17.24 per cent., respectively, on a consolidated basis and 16.94 per cent. and 19.64 per cent., respectively, on an individual basis, and its CET1 phased-in capital ratio was 12.68 per cent. and 12.98 per cent., respectively, on a consolidated basis and 12.77 per cent. and 14.14 per cent., respectively, on an individual basis, and the Group's fully loaded total capital ratio was 15.94 per cent. and 16.99 per cent., respectively, on a consolidated basis and 16.95 per cent. and 19.68 per cent., respectively, on an individual basis, while the Group's fully loaded CET1 ratio was 12.61 per cent. and 12.75 per cent., respectively, on a consolidated basis and 12.74 per cent. and 14.11 per cent., respectively, on an individual basis.

Such ratios exceed the applicable regulatory requirements described above, but there can be no assurance that the total capital requirements imposed on the Bank and/or the Group from time to time may not be higher than the levels of capital available at such point in time. There can also be no assurance as to the result of any future SREP carried out by the ECB and whether this will impose any further additional "Pillar 2" own funds requirements on the Bank and/or the Group.

In accordance with Article 48 of Law 10/2014, Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, any institution not meeting its "combined buffer requirement" is required to calculate its MDA as stipulated in such legislation. If this requirement is not met and until the MDA has been calculated and reported to the Bank of Spain, the corresponding entity will not be able to make any discretionary payments, and once the MDA has been calculated and reported to the Bank of Spain, the discretionary payments will be subject to the limit of the calculated MDA. Accordingly, restrictions on discretionary payments will be scaled according to the extent of the breach of the "combined buffer requirement" and calculated as a percentage of the profits of the institution generated since the last annual decision on the distribution of profits. Such calculation will result in a MDA in each relevant period. As an example, the scaling is such that in the bottom quartile of the "combined buffer requirement", no discretionary payments will be permitted to be made.

Additionally, pursuant to Article 48 of Law 10/2014, the adoption by the Bank of Spain of the measures provided by Articles 68.2.h) and 68.2.i) of Law 10/2014, aimed at strengthening own funds and limiting or prohibiting the distribution of dividends, respectively, will also entail the requirement to determine the MDA and to restrict discretionary payments to such MDA. In accordance with the EU Banking Reforms, the calculation of the MDA and the restrictions described in the preceding paragraph while such calculation is pending, shall also be triggered by a breach of the MREL-MDA in accordance with Article 16.a) of the BRRD, as implemented in Spain by Article 16 bis of Law 11/2015 (see -*"Payments of Distributions on the Preferred Securities are discretionary and subject to the fulfilment of certain conditions. Payments of Distributions on the Preferred Securities may be restricted as a result of a failure of the Bank to comply with its capital requirements."*) or a breach of the leverage ratio requirement.

CRD V also distinguishes between "Pillar 2" capital requirements and "Pillar 2" capital guidance, with only the former being regarded as mandatory requirements. Notwithstanding the foregoing, CRD V provides that besides other measures, supervisory authorities are entitled to impose further "Pillar 2" capital requirements when an institution repeatedly fails to follow the "Pillar 2" capital guidance previously imposed.

Additionally, CRR II establishes a binding requirement for a leverage ratio of 3 per cent. of Tier 1 capital that is added to the own funds requirements and to the requirements based on an entity's

RWAs. In particular, any breach of this leverage ratio would result in the need to calculate the MDA and its related consequences.

The following table includes a summary of the reconciliation of accounting assets and exposures corresponding to the leverage ratio as of 31st December, 2022, 2021 and 2020 at a consolidated level:

Summary reconciliation of accounting assets and exposure corresponding to the Leverage Ratio (Million Euros)						
	12/31/2022	12/31/2022	12/31/2021	12/31/2021	12/31/2020	12/31/2020
	Phased-In	Fully Loaded	Phased-In	Fully Loaded	Phased-In	Fully Loaded
a) Total assets as per published financial statements	712,092	712,092	662,885	662,885	736,176	736,176
(b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(24,189)	(24,189)	(21,373)	(21,373)	(20,326)	(20,326)
(Adjustment for securities exposures that meet the operational requirements for the recognition of risk transference)	(1,995)	(1,995)	(1,899)	(1,899)	—	—
(Adjustment for temporary exemption of exposures to central bank (if applicable))	—	—	(33,747)	(33,747)	(26,456)	(26,456)
c) Adjustments for derivative financial instruments	(18,618)	(18,618)	(6,311)	(6,311)	(13,858)	(13,858)
d) Adjustments for securities financing transactions "SFTs"	6,659	6,659	12,686	12,686	1,992	1,992
e) Adjustment for off-balance sheet items <sup>(1)</sup>	67,971	67,971	64,107	64,107	67,758	67,758
f) (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with point (c) of Article 429a(1) CRR)	—	—	—	—	—	—
g) Other adjustments	(3,931)	(4,185)	(4,558)	(5,323)	(4,191)	(5,788)
<b>Leverage ratio total exposure measure</b>	<b>737,990</b>	<b>737,736</b>	<b>671,790</b>	<b>671,025</b>	<b>741,095</b>	<b>739,497</b>
h) Tier 1	47,931	47,677	45,687	44,922	49,597	48,012
<b>Leverage ratio total exposure measure</b>	<b>737,990</b>	<b>737,736</b>	<b>671,790</b>	<b>671,025</b>	<b>741,095</b>	<b>739,497</b>
<b>Leverage ratio<sup>(2)(3)</sup></b>	<b>6.49%</b>	<b>6.46%</b>	<b>6.80%</b>	<b>6.69%</b>	<b>6.69%</b>	<b>6.49%</b>

- (1) This corresponds to off-balance sheet exposure after application of the conversion factors obtained in accordance with Article 429, paragraph 10 of the CRR.
- (2) If certain exposures with Central Banks are not excluded, the phased-in leverage ratio would be 6.48 per cent. and 6.46 per cent. as of 31st December, 2021 and 2020, respectively.
- (3) CRR II introduces a mandatory minimum leverage ratio requirement, set at 3 per cent. of Tier 1 capital over the total exposure measure.

On 26th January, 2021, the European Commission launched a targeted public consultation on technical aspects on a new review of BRRD (**BRRD III**), the SRM Regulation (**SRMR III**), and Directive 2014/49/EU of the European Parliament and of the Council of 16th April, 2014 on deposit guarantee schemes (**DGSD II**). The consultation was open until 20th April, 2021. The targeted consultation was split into two main sections: a section covering the general objectives of the review focus, and a section seeking technical feedback on stakeholders' experience with the current framework and the need for changes in the future framework, notably on (i) resolution, liquidation and other available measures to handle banking crises, (ii) level of harmonisation of creditor hierarchy in the EU and impact on no creditor worse off principle, and (iii) depositor insurance. No agreement was reached on potential changes during the public consultation and new proposals from the European Commission were expected during the first quarter of 2023.

Additionally, on 27th October, 2021, the European Commission published legislative proposals amending CRR and the CRD IV Directive, as well as a separate legislative proposal amending CRR and BRRD in the area of resolution of credit institutions and investment firms. In particular, the main objectives of the European Commission's legislative proposals are to strengthen the risk-based capital framework, enhance the focus on environmental, social and governance (ESG) risks in the prudential framework, further harmonize supervisory powers and tools, reduce institutions' administrative costs related to public disclosures and improve access to institutions' prudential data. The legislative proposals are the following: (i) Directive of the European Parliament and of the Council amending CRD Directive as regards supervisory powers, sanctions, third-country branches, and environmental, social and governance risks; (ii) Regulation of the European Parliament and of the Council and its annex amending CRR as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor; and (iii) Regulation of the European Parliament and of the Council amending CRR and BRRD as regards the prudential treatment of G-SIB groups with a

multiple point of entry resolution strategy and a methodology for the indirect subscription of instruments eligible for meeting the MREL requirement (the so-called “daisy chain” proposal). The European Parliament and the Council adopted on 19th October, 2022 Regulation (EU) 2022/236 amending CRR and BRRD, which partially became effective on 14th November, 2022. Although the final report by the European Parliament was expected during the first quarter of 2023, the timing for the final implementation of the legislative proposals referred in (i) and (ii) above is unclear as of the date of this Offering Circular and new or amended elements may be introduced through the course of the legislative process. Furthermore, with respect to (i) above, the Directive will need to be implemented in each of the Member States, and the way it will be implemented may vary depending on the relevant Member State.

In addition, on 18th April, 2023, the European Commission published a proposal for the further amendment of the BRRD, including, among other things, the amendment of the ranking of claims in insolvency to provide for a general depositor preference, pursuant to which the insolvency laws of Member States would be required by the BRRD to extend the legal preference of claims in respect of deposits relative to ordinary unsecured claims to all deposits. The implementation of this proposal is subject to further legislative procedures but if it is implemented in its current form, this would mean that senior preferred claims (*créditos ordinarios preferentes*) of the Bank would rank junior to the claims of all depositors, including deposits of large corporates and other deposits that are currently excluded from the above privileged claims.

Any such general depositor preference would also impact upon any application of the Bail-In Tool, as such application is to be carried out in the order of the hierarchy of claims in normal insolvency proceedings. Accordingly, this would mean that following any such amendment of the insolvency laws of Spain to establish a general depositor preference, any resulting write-down or conversion of senior preferred claims (*créditos ordinarios preferentes*) by the Relevant Spanish Resolution Authority would be carried out before any write-down or conversion of the claims of depositors such as those of large corporates that previously would have been written-down or converted alongside such senior preferred claims (*créditos ordinarios preferentes*). By removing the requirement for such deposits to be written-down or converted in this manner, one of the stated objectives of this proposed amendment is to reduce the likelihood of deposits generally needing to be included in any such write-down or conversion upon any application of the Bail-In Tool and improve the process for the application of the Bail-In Tool.

In addition, the ECB has announced that TRIMs is being conducted on the internal models used by banks subject to its supervision to calculate their RWAs, in order to reduce inconsistencies and unjustified variability in these internal models throughout the EU. Any final results of the TRIMs could imply a change in the internal models used by banks and, at the same time, increases or decreases in the capital needs of banks, including the Bank.

Set out below are the Group’s solvency data on a consolidated basis and in accordance with the regulations applicable on each of the dates stated. Capital ratios have been calculated in accordance with CRD IV on a fully phased-in basis as of 31st December, 2022, 2021 and 2020.

<b>Total Capital Phased-in</b> (in millions of euros except percentages)			
	<b>31/12/2022</b>	<b>31/12/2021</b>	<b>31/12/2020</b>
Common Equity Tier 1 (CET1) capital	42,738	39,949	42,931
Additional Tier 1 (AT1) capital	5,193	5,737	6,666
Tier 2 (T2) capital	5,930	7,383	8,547
Capital base	53,861	53,069	58,145
Total risk-weighted assets	337,066	307,795	353,273
CET1 ratio (%)	12.68%	12.98%	12.15%
AT1 ratio (%)	1.54%	1.86%	1.89%
Tier 1 ratio (%)	14.22%	14.84%	14.04%
Tier 2 ratio (%)	1.76%	2.40%	2.42%
<b>Total capital ratio (%)</b>	<b>15.98%</b>	<b>17.24%</b>	<b>16.46%</b>

The Group must also comply with liquidity and financing ratios. Certain elements of the LCR and the NSFR, as implemented by national banking regulators and complied with by the Bank, may require the introduction of changes in some commercial practices. As of 31st December, 2022, 2021 and 2020, the Group's LCR was 159 per cent., 165 per cent. and 149 per cent., respectively. The Group's NSFR was 135 per cent., 135 per cent. and 127 per cent. as of 31st December, 2022, 2021 and 2020, respectively.

Under the CRR, any consent of the Regulator to any redemption or purchase of the Preferred Securities pursuant to Conditions 7 and 8 is subject to the following conditions being met:

- (a) on or before any such redemption of the Preferred Securities, the Bank replaces the Preferred Securities with instruments qualifying as Tier 1 Capital of an equal or higher quality on terms that are sustainable for the income capacity of the Bank; or
- (b) the Bank has demonstrated to the satisfaction of the Regulator that its Tier 1 Capital, Tier 2 Capital and eligible liabilities would, following such redemption, exceed the ratios required under CRD and BRRD by a margin that the Regulator may consider necessary.

### ***Resolution***

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) and the SRM Regulation are designed to provide the authorities with mechanisms and instruments to intervene sufficiently early and rapidly in failing or likely to fail credit institutions or investment firms (each, an **Entity**) in order to ensure the continuity of the Entity's critical financial and economic functions, while minimising the impact of its non-feasibility on the economic and financial system. The BRRD further provides that a Member State may only use additional financial stabilisation instruments to provide extraordinary public financial support as a last resort, once the following resolution instruments have been evaluated and used to the fullest extent possible while maintaining financial stability.

In accordance with the provisions of Article 20 of Law 11/2015, an Entity will be considered as failing or likely to fail in any of the following situations: (i) when the Entity significantly fails, or may reasonably be expected to significantly fail in the near future, to comply with the solvency requirements or other requirements necessary to maintain its authorisation; (ii) when the Entity's enforceable liabilities exceeds its assets, or it is reasonably foreseeable that they will exceed them in the near future; (iii) when the Entity is unable, or it is reasonably foreseeable that it will not be able, to meet its enforceable obligations in a timely manner; or (iv) when the Entity needs extraordinary public financial support (except in limited circumstances). The decision as to whether the Entity is failing or likely to fail will be adopted by the relevant resolution authority and may depend on a number of factors which may be outside of that Entity's control.

In line with the provisions of the BRRD, Law 11/2015 contains four resolution tools which may be used individually or in any combination, when the Relevant Spanish Resolution Authority considers that (a) an Entity is non-viable or is failing or likely to fail, (b) there is no reasonable prospect of any other measures that would prevent the failure of such Entity within a reasonable period of time and (c) resolution is necessary or advisable, rather than the winding up of the Entity through ordinary insolvency proceedings, for reasons of public interest.

The four resolution instruments are (i) the sale of the Entity's business, which enables the resolution authorities to transfer, under market conditions, all or part of the business of the Entity being resolved; (ii) bridge institution, which enables resolution authorities to transfer all or part of the business of the Entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation, which enables resolution authorities to transfer certain categories of assets (normally impaired or otherwise problematic) to one or more asset management vehicles to allow them to be managed with a view to maximising their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) the Bail-in Tool.



Any exercise of the Bail-in Tool by the Relevant Spanish Resolution Authority may include the write down and/or conversion into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Bail-in Tool) of certain unsecured debt claims of an institution (including capital instruments such as the Preferred Securities).

In the event that an Entity is in a resolution situation, the **Bail-in Tool** is understood to mean any write-down, conversion, transfer, modification, or suspension power existing from time to time under: (i) any law, regulation, rule or requirement applicable from time to time in Spain, relating to the transposition or development of the BRRD (as amended, replaced or supplemented from time to time), including, but not limited to (a) Law 11/2015, (b) RD 1012/2015; and (c) the SRM Regulation, each as amended, replaced or supplemented from time to time; or (ii) any other law, regulation, rule or requirement applicable from time to time in Spain pursuant to which (a) obligations or liabilities of banks, investment firms or other financial institutions or their affiliates can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such persons or any other person (or suspended for a temporary period or permanently) or (b) any right in a contract governing such obligations may be deemed to have been exercised.

In accordance with the provisions of Article 48 of Law 11/2015 (without prejudice to any exclusions that may be applied by the Relevant Spanish Resolution Authority in accordance with Article 43 of Law 11/2015), in the event of any application of the Bail-in Tool, any resulting write-down or conversion by the Relevant Spanish Resolution Authority will be carried out in the following sequence: (i) CET1 items; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims other than Additional Tier 1 capital or Tier 2 capital; and (v) the principal or outstanding amount of the remaining bail-inable liabilities in the order of the hierarchy of claims in normal insolvency proceedings (with senior non-preferred claims (*créditos ordinarios no preferentes*) subject to the Bail-in Tool after any subordinated claims (*créditos subordinados*) of the Bank but before the other senior claims of the Bank).

In addition to the Bail-in Tool, the BRRD, Law 11/2015 and the SRM Regulation provide for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments such as the Preferred Securities (and, pursuant to BRRD II and the SRM Regulation II, certain internal eligible liabilities and instruments) at the point of non-viability (**Non-Viability Loss Absorption** and, together with the Bail-in Tool, the **Spanish Statutory Loss-Absorption Powers**) of an Entity or a group of which the Entity forms part. Any write-down or conversion must follow the same insolvency hierarchy as described above. The point of non-viability of an Entity is the point at which the Relevant Spanish Resolution Authority determines that the Entity meets the conditions for resolution or will no longer be viable unless the relevant capital instruments (such as the Preferred Securities) are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Spanish Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Spanish Resolution Authority in accordance with article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of the Bail-in Tool or any other resolution tool or power (where the conditions for resolution referred to above are met) or in combination with such exercise in respect of all eligible liabilities.

To the extent that any resulting treatment of a holder of the Bank's securities pursuant to the exercise of the Bail-in Tool is less favourable than would have been the case under such hierarchy in normal insolvency proceedings, a holder of such affected securities would have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of RD 1012/2015 and the SRM Regulation, together with any other compensation provided for in any Applicable Banking Regulations (as defined below) including, inter alia, compensation in accordance with Article 36.5 of Law 11/2015. However, if the treatment of a creditor following a Non-Viability Loss Absorption is less favourable than it would have been under

ordinary insolvency proceedings, it is uncertain whether that creditor would be entitled to the compensation provided for in the BRRD and the SRM Regulation.

**Applicable Banking Regulations** means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank and/or the Group including, inter alia, the CRD Directive, CRR, BRRD, the SRM Regulation and those laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect in Spain (whether or not such regulations, requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group).

**Relevant Spanish Resolution Authority** means the FROB, the SRB, the Bank of Spain, the Spanish National Securities Market Commission (CNMV) or any other entity with the authority to exercise any of the resolution tools and powers contained in the Applicable Banking Regulations.

**Law 11/2015** means Law 11/2015, of 18th June, on the recovery and resolution of credit institutions and investment firms, as amended, replaced or supplemented from time to time—, including as amended by Royal Decree Law 7/2021 of 27 April on the transposition of European Union directives in matters of credit institutions, among others.

The Single Resolution Fund (SRF) was established by the SRM Regulation. Where necessary, the SRF may be used to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRM Regulation. The SRF is composed of contributions from credit institutions and certain investment firms in the participating Member States within the banking union.

SRF will be gradually built up during the first eight years (2016-2023) and shall reach the target level of at least 1 per cent. of the amount of covered deposits of all credit institutions within the banking union by 31st December, 2023.

Within the resolution scheme, the SRF may be used only to the extent necessary to ensure the effective application of the resolution tools, as a last resort, in particular:

- to guarantee the assets or the liabilities of the institution under resolution;
- to make loans to or to purchase assets of the institution under resolution;
- to make contributions to a bridge institution and an asset management vehicle;
- to make a contribution to the institution under resolution in lieu of the write-down or conversion of liabilities of certain creditors under specific conditions; and
- to pay compensation to shareholders or creditors who incurred greater losses than under normal insolvency proceedings.

The Intergovernmental Agreement on the transfer and mutualisation of contributions to the SRF (IGA) acknowledges that situations may exist where the means available in the SRF are not sufficient to undertake a particular resolution action, and where the ex-post contributions that should be raised in order to cover the necessary additional amounts are not immediately accessible.

In December 2013, the Economic and Financial Affairs Council (ECOFIN) Ministers agreed to put in place a system by which bridge financing would be available as a last resort. The arrangements for the transitional period should be operational by the time the SRF is established.

The euro area finance ministers decided in 2017 to expand the European Stability Mechanism (ESM) role to serve as a backstop for the SRF. While the new features of the expanded role for the ESM were agreed by 2019, it was not until late 2020 that the euro area finance ministers agreed to proceed with

the reform of the ESM and the amendments to the treaty on the ESM (**ESM Treaty**) were signed by Member States (represented by their ambassadors to the EU) on 27th January, 2021. The backstop to the SRF was expected to be operational at the beginning of 2022, but the ratification of the amendments to the ESM Treaty has not yet been completed, and Italy is still finalising the process, with work already underway. Additionally, the inclusion of Croatia in the Eurozone means that they would also need to ratify the ESM Treaty.

Once the ratification process is completed, the ESM will be able to provide support for up to €68 billion (in the form of credit lines). If this financial assistance is requested, the SRF will pay back the ESM loan with funds obtained from banks' contributions within a period of three years, with the possibility to extend it to five years.

### ***MREL***

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to RWAs known as MREL. According to Commission Delegated Regulation (EU) 2016/1450 of 23rd May, 2016 supplementing BRRD I with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, the level of own funds and eligible liabilities required under MREL will be set by the resolution authority, in agreement with the competent authority, for each bank (and/or group) based on, among other things, the criteria set forth in Article 45 of the BRRD, including the systemic importance of the institution. Eligible liabilities may be senior or subordinated, provided that, among other requirements, they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted by the resolution authority of a Member State under that law or through contractual provisions.

If a Relevant Spanish Resolution Authority considers that there may be any obstacles to resolvability by the Bank and/or the Group, a higher MREL could be imposed.

The EU Banking Reforms provide that the breach by a bank of its MREL should be addressed by the competent authorities through their powers to address or remove obstacles to resolution, the exercise of their supervisory powers and their power to impose early intervention measures, administrative sanctions and other administrative measures. If there were a deficit in the level of an entity's eligible own funds and liabilities, and that entity's own funds were contributing to meeting the "combined buffer requirement" these own funds would automatically be deemed to count toward meeting the MREL of such entity and would cease to count for the purposes of meeting the "combined buffer requirement", which could lead to the entity failing to comply with its "combined buffer requirement". This could result in the need to calculate the MDA and the resolution authority would have the power (but not the obligation) to impose restrictions on the making of discretionary payments. Therefore, the Bank will have to fully comply with its MREL-MDA, to ensure that it can make discretionary payments.

In addition, in accordance with the EBA guidelines on the assumptions of triggering the use of early intervention measures of 8th May, 2015, a significant deterioration in the amount of eligible liabilities and own funds held by an entity in order to comply with its MREL could place an entity in a situation where the conditions for early intervention are met, which could entail the application of early intervention measures by the competent resolution authority, which in the Spanish case are detailed in Articles 9 and 10 of Law 11/2015, including the intervention or provisional replacement of administrators.

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIBs and "top tier" banks (including the Bank) that is determined according to their systemic importance, involving a minimum "Pillar 1" subordination requirement. This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt and other subordinated liabilities will be eligible for compliance with the subordination requirement). For "top tier" banks such as the Bank, this "Pillar

1” subordination requirement has been determined as the higher of 13.5 per cent. of the Bank’s RWAs and 5 per cent. of its leverage exposure. Resolution authorities may also impose further “Pillar 2” subordination requirements, which would be determined on a case-by-case basis but at a minimum level equal to the lower of 8 per cent. of a bank’s total liabilities and own funds and 27 per cent. of its RWAs (both including MREL Pillar 1 and Pillar 2).

On 8th March, 2022, the Bank announced that it had received a communication from the Bank of Spain of its new MREL requirement, as determined by the SRB, repealing and superseding the previous MREL requirement communicated in May 2021. In accordance with this new communication, BBVA has to maintain, from 1st January, 2022, a MREL in RWAs consisting of a volume of MREL equal to 21.46 per cent. of the total RWAs of its resolution group (the **MREL in RWAs**), of which 13.5 per cent. of the total RWAs of BBVA’s resolution group has to be fulfilled with subordinated instruments (the **MREL in RWAs subordination requirement**). The MREL in RWAs and the MREL in RWAs subordination requirement do not include the combined buffer requirement which, according to applicable regulations and supervisory criteria, is currently 3.26 per cent (setting the MREL in RWAs including the combined buffer requirement at 24.72 per cent. and the MREL in RWAs subordination requirement including the combined buffer requirement at 16.76 per cent.). As of 31st of December, 2022, the unsubordinated MREL of the resolution group amounted to 26.45 per cent. of its RWAs, and the subordinated MREL amounted to 21.74 per cent.

In addition, BBVA had to reach, by 1st January, 2022, an amount of MREL in terms of the total exposure considered for calculating the leverage ratio equal to 7.50 per cent. (the **MREL in LR**) of which 5.84 per cent. (5.91 per cent. from 2024) in terms of the total exposure considered for calculating the leverage ratio shall be satisfied with subordinated instruments (the **MREL in LR subordination requirement**).

As of 31st December, 2022 and 2021, the resolution group has unsubordinated MREL of 11.14 per cent. and 11.31 per cent., respectively, and subordinated MREL of 9.16 per cent. and 9.88 per cent., respectively, in terms of total exposure taken into account for the calculation of the leverage ratio. As of 1st January, 2024, the minimum ratios that must be satisfied will be the same as for 2022, except in the case of the subordination requirement of the MREL, which will be 5.91 per cent.

The resolution group consists of BBVA and its subsidiaries belonging to the same European resolution group and, as of 31st December, 2022, the RWAs of the resolution group amounted to €206,987 million and the total exposure considered for calculating the leverage ratio amounted to €491,430 million. As of the date of this Offering Circular, no MREL Pillar 2 requirement has been imposed on BBVA and the Bank complies with the MREL in RWAs, the MREL in RWAs subordination requirement, the MREL in LR and the MREL in LR subordination requirement.

### ***Reporting Requirements***

As BBVA’s ordinary shares are listed on the Spanish Stock Exchanges, the acquisition or disposition of ordinary shares by shareholders must be reported within four business days of the acquisition or disposition to BBVA and the CNMV where:

- in the case of an acquisition, the acquisition results in that person or group holding 3 per cent. (or 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 35 per cent., 40 per cent., 45 per cent., 50 per cent., 60 per cent., 70 per cent., 75 per cent., 80 per cent. or 90 per cent.) of BBVA’s total voting rights; or
- in the case of a disposal, the disposition reduces shares held by a person or group below a threshold of 3 per cent. (or 5 per cent., 10 per cent., 15 per cent., 20 per cent., 25 per cent., 30 per cent., 35 per cent., 40 per cent., 45 per cent., 50 per cent., 60 per cent., 70 per cent., 75 per cent., 80 per cent. or 90 per cent.) of BBVA’s total voting rights.

The reporting requirements apply not only to the purchase or transfer of shares, but also to those transactions in which, without a purchase or transfer, the proportion of voting rights of an individual or legal entity reaches, exceeds or falls below the threshold that triggers the obligation to report as a consequence of a change in the total number of voting rights of BBVA on the basis of the information reported to the CNMV and disclosed by it.

Regardless of the actual ownership of the shares, any individual or legal entity with a right to acquire, transfer or exercise voting rights granted by the shares, and any individual or legal entity who owns, acquires or transfers, whether directly or indirectly, other securities or financial instruments which grant a right to acquire shares with voting rights, will also have an obligation to notify the company and the CNMV of the holding of a significant stake in accordance with applicable Spanish regulations. In addition, cash settled instruments creating long positions on underlying listed shares (such as BBVA's) shall be disclosed if the specified shareholding thresholds are reached or exceeded. Cash holdings and holdings derived from financial instruments shall be aggregated for disclosure purposes. A disclosure exemption for shareholding positions held by financial entities in their trading books as a result of the securities administration and custody services rendered by such financial entities is available pursuant to Article 33.2 of the Spanish Royal Decree 1362/2007. In the event that the individual or legal entity entering into the relevant transaction is a non-Spanish resident, notice must also be given to the Spanish Registry of Foreign Investments (*Registro de Inversiones Exteriores*) and kept by the General Bureau of International Commerce and Investments (*Dirección General de Comercio Internacional e Inversiones*) within the Ministry of Industry, Trade and Tourism (*Ministerio de Industria, Comercio y Turismo*).

In the case of individuals or legal entities resident in jurisdictions designated as tax havens or in countries or territories levying no taxes or with which Spain has no effective exchange of tax information, the threshold that triggers the obligation to disclose the acquisition or disposition of shares is reduced to 1 per cent. (and successive multiples of 1 per cent.).

Additionally, since BBVA is a credit entity, any person who intends to acquire a significant participation in BBVA's share capital must comply with certain obligations imposed by the Bank of Spain. See "*Restrictions on Acquisitions of Ordinary Shares*".

### ***Change of Control Provisions and Tender Offers***

Certain antitrust regulations may delay, defer or prevent a change of control of BBVA in the event of a merger, acquisition or corporate restructuring. In Spain, the application of both Spanish and European antitrust regulations requires that prior notice of domestic or cross-border merger transactions be given in order to obtain a "non-opposition" ruling from antitrust authorities.

Spanish regulation of takeover bids may also delay, defer or prevent a change of control of BBVA or any of its subsidiaries in the event of a merger, acquisition or corporate restructuring. Law 6/2007 and Royal Decree 1066/2007 set forth the Spanish rules governing takeover bids for listed companies such as BBVA. In particular:

- a bidder must make a tender offer in respect of 100 per cent. of the issued share capital of a target company if:
  - it acquires an interest in shares which (taken together with shares in which persons acting in concert with it are interested) carry 30 per cent. or more of the voting rights of the target company;
  - it acquires an interest in shares which (taken together with shares in which persons acting in concert with it are interested) carry less than 30 per cent. of the voting rights but enable the bidder to appoint a majority of the members of the target company's board of directors; or

- it held 30 per cent. or more but less than 50 per cent. of the voting rights of the target company on the date the law came into force, and subsequently:
  - acquires, within 12 months, an additional interest in shares which carries 5 per cent. or more of such voting rights;
  - acquires an additional interest in shares so that the bidder's aggregate interest carries 50 per cent. or more of such voting rights; or
  - acquires an additional interest in shares which enables the bidder to appoint a majority of the members of the target company's board of directors;
- if a bidder's actions do not fall into the categories described above, such acquisition may qualify as an "a priori" or partial tender offer (i.e., in respect of less than 100 per cent. of the issued share capital of a target company), in which case such bidder would not be required to make a tender offer in respect of 100 per cent. of the issued share capital of a target company;
- the board of directors of a target company is exempt from the rule prohibiting certain board interference with a tender offer (the "passivity rule"), provided that (i) it has been authorized by the general shareholders' meeting to take action or enter into a transaction which could disrupt the offer, or (ii) it has been released from the passivity rule by the general shareholders' meeting vis-à-vis bidders whose boards of directors are not subject to an equivalent passivity rule;
- defensive measures included in a listed company's bylaws and transfer and voting restrictions included in agreements among a listed company's shareholders will remain in place whenever the company is the target of a tender offer unless the general shareholders' meeting resolves otherwise (in which case any shareholders whose rights are diluted or otherwise adversely affected may be entitled to compensation); and
- if, as a result of a tender offer in respect of 100 per cent. of the issued share capital of a target company, the bidder acquires an interest in shares representing at least 90 per cent. of the voting rights of the target company and the offer has been accepted by investors representing at least 90 per cent. of the voting rights of the target company (provided such voting rights are distinct from those already held by the bidder), the bidder may force the holders of the remaining share capital of the company to sell their shares. The minority holders shall also have the right to force the bidder to acquire their shares under these same circumstances.

As further described below in "*—Restrictions on Acquisitions of Ordinary Shares*", since BBVA is a bank, it is necessary to obtain approval from the Bank of Spain in order to acquire a number of shares considered to be a significant participation under Law 10/2014. Also, any agreement that contemplates BBVA's merger with another credit entity requires the authorisation of the Spanish Ministry of Economy and Competitiveness. This could delay, defer or prevent a change of control of BBVA or any of its subsidiaries that are credit entities in the event of a merger.

### ***Restrictions on Acquisitions of Ordinary Shares***

BBVA's bylaws do not provide any restrictions on the ownership of ordinary shares. Because BBVA is a Spanish bank, however, the acquisition or disposition of a significant participation of BBVA shares is subject to certain restrictions. Such restrictions may impede a potential acquirer's ability to acquire BBVA shares and gain control of BBVA.

Pursuant to Law 10/2014, any individual or corporation, acting alone or in concert with others, intending to directly or indirectly acquire a significant holding in a Spanish financial institution (as defined in Article 16 of Law 10/2014) or to directly or indirectly increase its holding in such way that either the percentage of voting rights or of capital owned were equal to or more than any of the thresholds of 20 per cent., 30 per cent. or 50 per cent., or by virtue of the acquisition, might take

control over the financial institution, must first notify the Bank of Spain. For the purpose of Law 10/2014, a significant participation is considered to be 10 per cent. or more of the outstanding share capital or voting rights of a financial institution or a lower percentage if such holding allows for the exercise of a significant influence. Secondary legislation will specify when “significant influence” exists; in any case, according to Royal Decree 84/2015, of February 13, the capacity to appoint or dismiss a Board member will be considered “significant influence”.

The Bank of Spain will be responsible for evaluating the proposed transaction, in accordance with the terms established by Law 10/2014 (as stated in Article 18.1 of Law 10/2014) with a view to guaranteeing the sound and prudent operation of the target financial institution. The Bank of Spain will then submit a proposal to the ECB, which will be in charge of deciding upon the proposed transaction in the term of 60 business days after the date on which the notification was received.

Any acquisition made without such prior notification, or conducted before 60 business days have elapsed since the date of such notification, or made in circumstances where the ECB has objected, will produce the following results:

- the acquired shares will have no voting rights;
- if considered appropriate, the target bank may be taken over by the relevant regulator or its directors replaced in accordance with Title III of Law 10/2014; and
- a sanction may be imposed under Title IV of Law 10/2014.

Any individual or institution that intends to sell its significant participation in a bank or reduce its participation below the above-mentioned percentages, or which, because of such sale, will lose control of the entity, must give prior notice to the Bank of Spain, indicating the amount it intends to sell and the period in which the transaction is to be executed. Non-compliance with this requirement may result in sanctions.

Furthermore, pursuant to Law 10/2014, any natural or legal person, or such persons acting in concert, who has acquired, directly or indirectly, a holding in a Spanish bank so that the proportion of the voting rights or of the capital held reaches or exceeds 5 per cent., must immediately notify in writing the Bank of Spain and the relevant Spanish bank, indicating the size of the acquired holding.

Lastly, Law 19/2003, 4th July, on the legal regime of capital circulation and overseas economic transactions (*Ley 19/2003, de 4 de julio, sobre régimen jurídico de los movimientos de capitales y de las transacciones económicas con el exterior*), as amended, among others, pursuant to Royal Decree-law 8/2020, of 17th March, Royal Decree-law 11/2020, of 31st March, Royal Decree-law 34/2020, of 17th November and Royal Decree-law 20/2022 of 27th December, stipulates the suspension of the liberalisation regime of foreign direct investment in Spain for investments made by non-residents in the EU or in the European Free Trade Association (**EFTA**) in Spanish entities of certain sectors, where the resulting stake of the relevant investor is at least 10 per cent. of the share capital of the corresponding Spanish entity, or whereby as a consequence of the relevant transaction the investor effectively participates in the management or control of the relevant Spanish entity. This suspension applies to investments made in certain sectors (the banking and finance sector not being specifically included), to investments whereby the foreign investor is directly or indirectly controlled by a third-country government or public body, as well as if the Spanish government considers that the relevant investment may affect public safety, public order or public health, and is subject to certain limitations and simplifications. This suspension implies that none of the aforementioned investments may be made without Spanish governmental authorisation, and will apply until the Spanish Council of Ministers lifts such suspension. Moreover, Royal Decree-law 20/2022, of 27th December, has extended the regime of suspension of liberalisation of certain foreign direct investments in Spain regulated in paragraphs 2 and 5 of Article 7 bis of Law 19/2003, of 4th July, 2003, until 31st December, 2024, to foreign direct investments in companies listed in Spain, or in unlisted companies if the value of the investment in Spain exceeds €500 million, made by residents of other countries of the EU and the EFTA.

## CRA Regulation

In general, European regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes in the EEA, unless such ratings are issued by a credit rating agency established in the EEA and registered under the CRA Regulation (and such registration has not been withdrawn or suspended), subject to transitional provisions that apply in certain circumstances. Such general restriction will also apply in the case of credit ratings issued by third country non-EEA credit rating agencies, unless the relevant credit ratings are endorsed by an EEA-registered credit rating agency or the relevant third country rating agency is certified in accordance with the CRA Regulation (and such endorsement action or certification, as the case may be, has not been withdrawn or suspended, subject to transitional provisions that apply in certain circumstances). The list of registered and certified rating agencies published by ESMA on its website in accordance with the CRA Regulation is not conclusive evidence of the status of the relevant rating agency included in such list, as there may be delays between certain supervisory measures being taken against a relevant rating agency and the publication of the updated ESMA list.

Investors regulated in the UK are subject to similar restrictions under the UK CRA Regulation. As such, UK regulated investors are required to use for UK regulatory purposes ratings issued by a credit rating agency established in the UK and registered under the UK CRA Regulation. In the case of ratings issued by third country non-UK credit rating agencies, third country credit ratings can either be: (a) endorsed by a UK-registered credit rating agency; or (b) issued by a third country credit rating agency that is certified in accordance with the UK CRA Regulation. Note this is subject, in each case, to (a) the relevant UK registration, certification or endorsement, as the case may be, not having been withdrawn or suspended, and (b) transitional provisions that apply in certain circumstances. In the case of third country ratings, for a certain limited period of time, transitional relief accommodates continued use for regulatory purposes in the UK, of existing pre- 2021 ratings, provided the relevant conditions are satisfied.

If the status of the rating agency rating the Preferred Securities changes, for the purposes of the CRA Regulation or the UK CRA Regulation, relevant regulated investors may no longer be able to use the rating for regulatory purposes in the EEA or the UK, as applicable, and the Preferred Securities may have a different regulatory treatment. This may result in relevant regulated investors selling the Preferred Securities, which may impact the value of the Preferred Securities and any secondary market.

## Capitalisation of the Group

The following table sets forth the capitalisation and indebtedness of the Group on an audited consolidated basis in accordance with EU-IFRS required to be applied under Bank of Spain Circular 4/2017 and in compliance with IFRS-IASB as of 31st March, 2023 on an actual basis:

As of 31st March, 2023	
	Actual (in millions of euros)
<b>Outstanding indebtedness<sup>(1)</sup></b>	
Short-term indebtedness <sup>(2)</sup> .....	3,069
Long-term indebtedness.....	54,784
Of which: Preferred securities <sup>(3)</sup> .....	7,511
<b>Total indebtedness<sup>(4)</sup>.....</b>	<b>58,853</b>
<b>Stockholders' equity</b>	
Ordinary shares.....	2,955
Ordinary shares held by consolidated companies.....	(264)
Reserves <sup>(5)</sup> .....	61,295
Dividends.....	0
Accumulated other comprehensive income.....	(16,195)
<b>Total shareholders' equity.....</b>	<b>47,791</b>
Preferred shares.....	-
Non-controlling interest.....	3,680
<b>Total capitalisation and indebtedness.....</b>	<b>109,324</b>

(1) No third party has guaranteed any of the debt of the Group.



- (2) Includes all outstanding promissory notes and bonds, debentures and subordinated debt (including preferred securities) with a remaining maturity of up to one year as of 31st March, 2023.
- (3) Under EU-IFRS required to be applied under Bank of Spain Circular 4/2017 and in compliance with IFRS-IASB, preferred securities are accounted for as subordinated debt. Nonetheless, for Bank of Spain regulatory capital purposes, such preferred securities are treated as Tier 1 capital instruments.
- (4) 40 per cent. of the Group's indebtedness was secured as of 31st March, 2023.
- (5) Reserves include: Share Premium, Other equity, Profit or loss attributable to owners of the parent, Retained earnings, Revaluation reserves and Other reserves

As at the date of this Offering Circular, BBVA's share capital is € 2,923,081,772.45 divided into 5,965,473,005 shares. In the event of Conversion, and taking into account the Floor Price, the maximum number of shares issued would be 266,666,666, which represents 4.47 per cent. of the current share capital.

## DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

### HISTORY AND DEVELOPMENT OF THE BANK

BBVA's predecessor bank, BBV (Banco Bilbao Vizcaya), was incorporated as a public limited company (a *sociedad anónima* or S.A.) under the Spanish Corporations Law on 1st October, 1988. BBVA was formed following the merger of Argentaria into BBV (Banco Bilbao Vizcaya), which was approved by the shareholders of each entity on 18th December, 1999 and registered on 28th January, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain) (volume 2,083, Folium 1, Page BI-17.A, first inscription). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and has its main place of business at Calle Azul, 4, 28050, Madrid, Spain (telephone number: +34 91 374 6201). BBVA is incorporated for an unlimited term. The Legal Entity Identifier (LEI) of BBVA is K8MS7FD7N5Z2WQ51AZ71. The website of the Bank is <https://www.bbva.com/en/>. The information contained in such web page shall not be deemed to constitute a part of this Offering Circular.

BBVA's corporate purpose contained in article 3 of its bylaws is to engage in all kinds of activities, operations, acts, contracts and services within the banking business or directly or indirectly related to it, that are permitted or not prohibited by prevailing provisions and ancillary activities. Its corporate purpose also includes the acquisition, holding, utilisation and divestment of securities, public offerings to buy and sell securities, and any kind of holdings in any company or enterprise.

### CAPITAL EXPENDITURES

BBVA's principal investments are financial investments in its subsidiaries and affiliates. The main capital expenditures from 2022 to the date of this Offering Circular were the following:

#### 2023 to date

In 2023 to date, there were no significant capital expenditures.

#### 2022

##### *Announcement of the agreement with Neon Payments Limited*

On 14th February, 2022, BBVA announced the agreement with the company Neon Payments Limited, a company incorporated and domiciled in the United Kingdom (**Neon Payments**) for the subscription of 492,692 preference shares, representing approximately 21.7 per cent of its share capital, through a share capital increase and in consideration of USD 300 million (equal to €263 million, using the applicable 1.14 EUR/USD exchange rate as of 11th February, 2022).

Neon Payments is the owner of 100 per cent. of the shares of the Brazilian company Neon Pagamentos S.A.

As of 14th February, 2022, BBVA was already the indirect owner of approximately 10.2 per cent. of the share capital of Neon Payments through companies in which BBVA owns more than 99 per cent. of the share capital. As of 31st December, 2022, BBVA held, directly and indirectly, approximately 29.2 per cent. of the share capital of Neon Payments. Despite owning more than 20 per cent. of the share capital of Neon Payments, BBVA's ability to influence Neon Payments financial and operating decisions policies is very limited, so the investment is recognised under the heading "Non-trading financial assets mandatorily at fair value through profit or loss".

## ***Voluntary takeover offer for the entire share capital of Türkiye Garanti Bankası A.Ş. (Garanti BBVA)***

On 15th November, 2021, BBVA announced a VTO addressed to the holders of the 2,106,300,000 shares<sup>1</sup> of Garanti BBVA not controlled by BBVA, representing 50.15 per cent. of Garanti BBVA's total share capital. BBVA submitted for authorisation an application for the VTO to the supervisor of the securities markets in Turkey, the Capital Markets Board (the **CMB**) on 18th November, 2021.

On 31st March, 2022, the CMB approved the offer information document and on the same day BBVA announced the commencement of the VTO acceptance period on 4th April, 2022.

On 25th April, 2022, BBVA informed of an increase of the cash offer price per Garanti BBVA share, from the initially announced price (12.20 Turkish Lira) to 15.00 Turkish Lira. On 18th May, 2022, BBVA announced the finalisation of the offer acceptance period, with the acquisition of 36.12 per cent. of Garanti BBVA's share capital in the VTO. The total amount paid by BBVA was approximately 22,758 million Turkish Lira (equivalent to approximately €1,390 million, using the effective exchange rate of 16.14 Turkish Lira per euro, including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired).

The transaction has given rise to a capital gain of €924 million (including the impacts after the application of IAS 29). An amount of €3,609 million has been recorded under the heading "Other reserves". Additionally, the "Accumulated other comprehensive income (loss)" corresponding to the 36.12 per cent. acquired from minority interests has been reclassified to the "Accumulated other comprehensive income (loss)" amounting to a loss of €2,685 million. The total derecognition associated with the transaction of the heading "Minority interests" considering "Other items" and "Accumulated other comprehensive income (loss)" amounted to a loss of €2,541 million.

The percentage of the total share capital of Garanti BBVA owned by BBVA (after the completion of the VTO on 18th May, 2022) is 85.97 per cent.

## **CAPITAL DIVESTITURES**

BBVA's principal divestitures are financial divestitures in its subsidiaries and affiliates. The main capital divestitures from 2022 to the date of this Offering Circular were the following:

### **2022 and 2023 to date**

In 2022 and 2023 to date, there were no significant capital divestitures.

## **BUSINESS OVERVIEW**

The Group is a customer-centric global financial services group founded in 1857. Internationally diversified and with strengths in the traditional banking businesses of retail banking, asset management and wholesale banking, the Group is committed to offering a compelling digital proposition focused on the customer experience.

For this purpose, the Group is focused on increasingly offering products online and through mobile channels, improving the functionality of its digital offerings and refining the customer experience, contributing to the delivery of its strategy in a sustainable and inclusive way. BBVA is committed to sustainability, which is impacting the banking business, as part of its daily activities, encompassing not only relations with customers but also internal processes.

### ***Standards and interpretations that became effective in 2023 to date***

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<sup>1</sup> All references to "shares" or "share" in the case of Garanti BBVA shall be deemed to be made in respect of lots of 100 shares, which is the trading unit at Borsa Istanbul.

## **Entry into force of IFRS 17 – Insurance contracts**

IFRS 17 supersedes IFRS 4 for the recognition, measurement, presentation and disclosure of insurance contracts. The initial application date of IFRS 17 is 1st January, 2023 and the transition date was 1st January, 2022, which is the date on which the differences arising from the valuation between both standards were recorded in the Group's equity.

IFRS 17 introduces substantial changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability among entities. For this reason, the Group has been working in recent years to harmonise criteria within the Group, adapting information and calculation systems, accounting processes and internal controls. See Note 2.1 to the 1Q23 Consolidated Interim Financial Statements.

## **Amendments to IAS 1 “Presentation of financial statements” and IAS 8 “Accounting policies, changes in accounting estimates and errors”**

In February 2021 the IASB issued amendments to this IAS with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the financial statements. The amendments to IAS 1 require entities to disclose accounting policies that are material rather than significant accounting policies and provide guidance to help apply the concept of materiality in financial statement disclosures. The amendments to IAS 8 introduce clarifications to distinguish between the concept of accounting estimate and that of accounting policy. The amendments have entered into force on 1st January, 2023, with no significant impact on the consolidated financial statements of the Group.

## **Amendment IAS 12 – Income taxes**

The IASB issued an amendment to IAS 12 to clarify that entities should recognise deferred tax arising on transactions such as leases or decommissioning obligations. The amendment requires entities to recognise a deferred tax asset and liability separately when the temporary differences arising in the recognition of an asset and a liability are the same, not being possible to apply the initial recognition exception provided for in the standard. The purpose of the amendments has been to reduce the diversity in the presentation of information on deferred taxes in said transactions. The modification has entered into force on 1st January, 2023, although its early application was allowed, with no significant impact on the consolidated financial statements of the Group.

## **Operating Segments**

As of 31st March, 2023, the structure of the operating segments used by the Group for management purposes remained the same as in 2022.

Set forth below are the Group's current five operating segments:

- Spain;
- Mexico;
- Turkey;
- South America; and
- Rest of Business.

In addition to the operating segments referred to above, the Group has a Corporate Center which includes those items that have not been allocated to an operating segment. It includes the Group's general management functions, including costs from central units that have a strictly corporate function; management of structural exchange rate positions carried out by the Financial Planning unit; certain proprietary portfolios; certain tax assets and liabilities; certain provisions related to commitments with employees; and goodwill and other intangibles, as well as the financing of such

asset portfolios. It also includes the results of the Group's stake in the venture capital fund Propel Venture Partners.

For certain relevant information concerning the preparation and presentation of the financial information included in this Offering Circular, see "*Presentation of Financial Information*".

The breakdown of the Group's total assets by each of BBVA's operating segments and the Corporate Center as of 31st March, 2023 and 31st December, 2022 was as follows:

	As of 31st March, 2023	As of 31st December, 2022
	(in millions of euros)	
Spain	441,720	427,116
Mexico	151,955	142,557
Turkey	71,222	66,036
South America	63,063	61,951
Rest of Business	50,407	49,952
<b>Subtotal Assets by Operating Segment</b>	<b>778,367</b>	<b>747,613</b>
Corporate Center and adjustments <sup>(1)</sup>	(38,802)	(35,521)
<b>Total Assets Group</b>	<b>739,564</b>	<b>712,092</b>

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

The following table sets forth information relating to the profit (loss) attributable to the parent company for each operating segment and the Corporate Center for the three months ended 31st March, 2023 and 2022. Such information is presented under management criteria; however, there are no differences between the Group income statement and the income statement calculated in accordance with management operating segment reporting criteria.

	Profit / (Loss) Attributable to Parent Company		Per cent. of Profit / (Loss) Attributable to Parent Company	
	Three months ended 31st March,			
	2023	2022	2023	2022
	(in millions of euros)		(in percentage)	
Spain	541	598	22.7	38.8
Mexico	1,285	777	54.0	50.4
Turkey	277	(76)	11.7	(4.9)
South America	184	160	7.7	10.4
Rest of Business	92	81	3.9	5.3
<b>Subtotal operating segments</b>	<b>2,378</b>	<b>1,540</b>	<b>100.0</b>	<b>100.0</b>
Corporate Center	(531)	(215)		
<b>Profit attributable to parent company</b>	<b>1,846</b>	<b>1,325</b>		

The following table sets forth certain summarised information relating to the income of each operating segment and the Corporate Center for the three months ended 31st March, 2023 and 2022. Such information is presented under management criteria; however, there are no differences between the Group income statement and the income statement calculated in accordance with management operating segment reporting criteria.

	Operating Segments						Total
	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center and adjustments <sup>1</sup>	
(in millions of euros)							
March 2023							
Net interest income / (expense)	1,183	2,589	626	1,190	113	(60)	5,642
Gross income	1,726	3,306	802	1,175	260	(311)	6,958
Operating profit / (loss) before tax	851	1,768	327	405	111	(519)	2,944
Profit / (loss) attributable to parent company	541	1,285	277	184	92	(531)	1,846
March 2022							
Net interest income / (expense)	856	1,748	492	809	75	(37)	3,943
Gross income	1,655	2,232	500	885	202	(79)	5,395
Operating profit (loss) before tax	837	1,067	155	315	105	(255)	2,225
Profit / (loss) attributable to parent company	598	777	(76)	160	81	(215)	1,325

The following tables set forth summarised information relating to the balance sheet of the operating segments and the Corporate Center and adjustments as of 31st March, 2023 and 31st December, 2022.

As of 31st March, 2023							
	Spain	Mexico	Turkey	South America	Rest of Business	Total Operating Segments	Corporate Center and Adjustments (1)
	(in millions of euros)						
<b>Total Assets</b>	<b>441,720</b>	<b>151,955</b>	<b>71,222</b>	<b>63,063</b>	<b>50,407</b>	<b>778,367</b>	<b>(38,802)</b>
Cash, cash balances at central	50,952	12,726	8,479	7,646	4,135	83,938	(671)
Financial assets at fair value (2)	137,432	48,366	5,109	10,559	6,652	208,118	(13,740)
Financial assets at amortised cost	207,349	84,617	54,240	41,734	39,167	427,106	153
Loans and advances to customers	172,085	77,277	38,995	39,185	35,946	363,488	(1,170)
<b>Total Liabilities</b>	<b>427,383</b>	<b>142,611</b>	<b>64,061</b>	<b>57,174</b>	<b>46,225</b>	<b>737,454</b>	<b>(49,361)</b>
Financial liabilities held for trading	96,927	28,035	2,079	2,390	5,942	135,374	(16,880)
Financial liabilities at amortised cost - Customer deposits	214,476	80,172	51,234	40,782	10,070	396,733	(853)
<b>Total Equity</b>	<b>14,337</b>	<b>9,344</b>	<b>7,161</b>	<b>5,889</b>	<b>4,182</b>	<b>40,913</b>	<b>10,559</b>
<b>Assets under management</b>	<b>90,577</b>	<b>44,408</b>	<b>7,491</b>	<b>17,971</b>	<b>510</b>	<b>160,958</b>	
Mutual funds	67,198	40,991	4,271	6,180	—	118,640	
Pension funds	23,380	—	3,221	11,791	510	38,901	
Other placements	—	3,418	—	—	—	3,418	

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

(2) Financial assets at fair value includes: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.

As of 31st December, 2022

	Spain	Mexico	Turkey	South America	Rest of Business	Total Operating Segments	Corporate Center and Adjustments (1)
(in millions of euros)							
<b>Total Assets</b>	<b>427,116</b>	<b>142,557</b>	<b>66,036</b>	<b>61,951</b>	<b>49,952</b>	<b>747,613</b>	<b>(35,521)</b>
Cash, cash balances at central banks and other demand deposits	49,185	13,228	6,061	7,695	4,015	80,184	(428)
Financial assets at fair value (2)	126,413	46,575	5,203	10,739	5,090	194,020	(10,174)
Financial assets at amortised cost	204,528	77,191	51,621	40,448	40,425	414,215	207
Loans and advances to customers	173,971	71,231	37,443	38,437	37,375	358,456	(1,105)
<b>Total Liabilities</b>	<b>413,993</b>	<b>132,726</b>	<b>59,326</b>	<b>56,077</b>	<b>45,604</b>	<b>707,726</b>	<b>(46,150)</b>
Financial liabilities held for trading and designated at fair value through profit or loss	84,619	25,840	2,138	2,813	4,397	119,808	(13,617)
Financial liabilities at amortised cost - Customer deposits	221,019	77,750	46,339	40,042	9,827	394,978	(574)
<b>Total Equity</b>	<b>13,124</b>	<b>9,831</b>	<b>6,711</b>	<b>5,874</b>	<b>4,348</b>	<b>39,887</b>	<b>10,630</b>
<b>Assets under management</b>	<b>86,759</b>	<b>38,196</b>	<b>6,936</b>	<b>17,760</b>	<b>520</b>	<b>150,170</b>	
Mutual funds	63,786	35,614	3,731	5,804	—	108,935	
Pension funds	22,973	—	3,205	11,956	520	38,653	
Other placements	—	2,582	—	—	—	2,582	

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

(2) Financial assets at fair value includes: "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income".

## Spain

This operating segment includes all of BBVA's banking and non-banking businesses in Spain, other than those included in the Corporate Center. The primary business units included in this operating segment are:

- **Spanish Retail Network:** including individual customers, private banking, small companies and businesses in the domestic market;
- **Corporate and Business Banking:** which manages small and medium-sized enterprises (SMEs), companies and corporations, and public institutions;
- **Corporate and Investment Banking:** responsible for business with large corporations and multinational groups and the trading floor and distribution business in Spain; and
- **Other units:** which includes the insurance business unit in Spain (BBVA Seguros) as well as the Group's shareholding in Compañía de Seguros y Reaseguros, S.A., the Asset Management unit (which manages Spanish mutual funds and pension funds), lending to real estate developers and foreclosed real estate assets in Spain, as well as certain proprietary portfolios and certain funding and structural interest-rate positions of the euro balance sheet which are not included in the Corporate Center.

Cash, cash balances at central banks and other demand deposits amounted to €50,952 million as of 31st March, 2023, a 3.6 per cent. increase compared with the €49,185 million recorded as of 31st December, 2022.

Financial assets at fair value of this operating segment (which includes the following portfolios: "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets

at fair value through other comprehensive income”) amounted to €137,432 million as of 31st March, 2023, an 8.7 per cent. increase from the €126,413 million recorded as of 31st December, 2022, mainly as a result of the increase in loans to credit institutions (through reverse repurchase agreements) and the increase in the fair value of trading derivatives due to the positive impact of changes in exchange rates on foreign currency positions recorded under the “Financial assets held for trading” portfolio.

Financial assets at amortised cost of this operating segment as of 31st March, 2023 amounted to €207,349 million, a 1.4 per cent. increase compared with the €204,528 million recorded as of 31st December, 2022. Within this heading, loans and advances to customers amounted to €172,085 million as of 31st March, 2023, a 1.1 per cent. decrease from the €173,971 million recorded as of 31st December, 2022, mainly due to the decrease in wholesale lending and the early repayment of loans, which was higher than expected.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st March, 2023 amounted to €96,927 million, a 14.5 per cent. increase compared with the €84,619 million recorded as of 31st December, 2022, mainly due to an increase in deposits from credit institutions (through repurchase agreements) and, to a lesser extent, an increase in the value of exchange rate derivatives recorded under the “Financial liabilities held for trading” portfolio.

Customer deposits at amortised cost of this operating segment as of 31st March, 2023 amounted to €214,476 million, a 3.0 per cent. decrease compared with the €221,019 million recorded as of 31st December, 2022, mainly due to the decrease in demand deposits within the retail portfolio. The decrease in demand deposits was due in part to the shift from demand deposits towards higher profitability investments (including mutual funds), in a context where remuneration on deposits continues to be low, the positive effect of year-end compensation (including bonuses) paid by companies at the end of 2022 (which led to an increase in deposits) and the decreased savings capacity of customers as a result of inflation, which was partially offset by an increase in time deposits (as of 31st December, 2022, customer deposits at amortised cost included the extraordinary payroll).

Off-balance sheet funds of this operating segment (which includes “Mutual funds” (including customer portfolios) and “Pension funds”) as of 31st March, 2023 amounted to €90,577 million, a 4.4 per cent. increase compared with the €86,759 million as of 31st December, 2022, mainly due to the shift from demand deposits towards higher profitability investments, which resulted in an increase in private banking and mutual funds.

This operating segment’s non-performing loan ratio (defined as non-performing loans divided by total credit risk and calculated as the sum of impaired loans and advances to customers, impaired guarantees to customers and other impaired commitments divided by the sum of loans and advances to customers, guarantees to customers and other commitments) was 3.9 per cent. as of 31st March, 2023 and as of 31st December, 2022. This operating segment’s non-performing loan coverage ratio (defined as allowance for credit losses divided by non-performing loans and calculated as loss allowances on loans and advances divided by the sum of impaired loans and advances to customers, impaired guarantees to customers and other impaired commitments) was 59 per cent. as of 31st March, 2023 and 61 per cent. as of 31st December, 2022.

## ***Mexico***

The Mexico operating segment includes the banking, insurance and asset management business conducted in Mexico by BBVA Mexico. It also includes BBVA Mexico’s agency in Houston.

The Mexican peso appreciated 6.2 per cent. against the euro as of 31st March, 2023 compared with 31st December, 2022, positively affecting the business activity of the Mexico operating segment as of 31st March, 2023 expressed in euros.



Cash, cash balances at central banks and other demand deposits amounted to €12,726 million as of 31st March, 2023, a 3.8 per cent. decrease compared with the €13,228 million recorded as of 31st December, 2022, which decrease was in cash, in particular, and was partially offset by the appreciation of the Mexican peso.

Financial assets at fair value of this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of 31st March, 2023 amounted to €48,366 million, a 3.8 per cent. increase from the €46,575 million recorded as of 31st December, 2022, mainly due to the appreciation of the Mexican peso against the euro, which was partially offset by decreases in the value of certain exchange rate derivatives, in particular in the trading portfolio.

Financial assets at amortised cost of this operating segment as of 31st March, 2023 amounted to €84,617 million, a 9.6 per cent. increase compared with the €77,191 million recorded as of 31st December, 2022. Within this heading, loans and advances to customers of this operating segment as of 31st March, 2023 amounted to €77,277 million, an 8.5 per cent. increase compared with the €71,231 million recorded as of 31st December, 2022, mainly attributable to the appreciation of the Mexican peso against the euro and the positive performance of the retail portfolio (SMEs loans and consumer loans) and, to a lesser extent, the wholesale portfolio (corporate loans).

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st March, 2023 amounted to €28,035 million, an 8.5 per cent. increase compared with the €25,840 million recorded as of 31st December, 2022, mainly as a result of the appreciation of the Mexican peso against the euro.

Customer deposits at amortised cost of this operating segment as of 31st March, 2023 amounted to €80,172 million, a 3.1 per cent. increase compared with the €77,750 million recorded as of 31st December, 2022, primarily due to the appreciation of the Mexican peso against the euro, partially offset by the positive effect of extraordinary payroll payments at the end of 2022.

Off-balance sheet funds of this operating segment (which includes “Mutual funds” (including customer portfolios) and “Other placements”) as of 31st March, 2023 amounted to €44,408 million, a 16.3 per cent. increase compared with the €38,196 million as of 31st December, 2022, mainly as a result of the continuing search by customers for higher profitability investments, which continues to boost mutual funds, supported by an improved product offer that includes funds linked to Environmental, Social and Governance (ESG) factors, and the appreciation of the Mexican peso against the euro.

This operating segment’s non-performing loan ratio (as defined in “Spain” above) decreased to 2.3 per cent. as of 31st March, 2023 from 2.5 per cent. as of 31st December, 2022, due to an increase in lending activity, in particular, SMEs loans and consumer loans, certain write-offs (which led to a decrease in impaired loans) and limited entries. As a result thereof, this operating segment’s non-performing loan coverage ratio (as defined herein) increased to 137 per cent. as of 31st March, 2023 from 129 per cent. as of 31st December, 2022.

### **Turkey**

This operating segment comprises the activities carried out by Garanti BBVA as an integrated financial services group operating in the banking, insurance and asset management business in Turkey, including corporate, commercial, SME, payment systems, retail, private and investment banking, together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, as well as its international subsidiaries in Romania and the Netherlands.

On 18th May, 2022, BBVA closed its VTO for the entire share capital of Garanti BBVA, which resulted in BBVA increasing its stake in Garanti BBVA from 49.85 per cent. to 85.97 per cent.. See

*“Capital Expenditures – 2022 – Voluntary Takeover Bid for the Entire Share Capital of Türkiye Garanti Bankası A.Ş. (Garanti BBVA)”* above.

The Turkish lira depreciated 4.3 per cent. against the euro as of 31st March, 2023 compared to 31st December, 2022, adversely affecting the business activity of the Turkey operating segment as of 31st March, 2023 expressed in euros.

Since the second quarter of 2022, the Turkish economy has been considered to be hyperinflationary as defined by IAS 29.

Cash, cash balances at central banks and other demand deposits amounted to €8,479 million as of 31st March, 2023, a 39.9 per cent. increase compared with the €6,061 million recorded as of 31st December, 2022, mainly due to the increase in cash held at the Central Bank of the Republic of Turkey, with a view, in part, to reinforcing the Group’s cash position.

Financial assets at fair value of this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of 31st March, 2023 amounted to €5,109 million, a 1.8 per cent. decrease from the €5,203 million recorded as of 31st December, 2022, mainly due to the depreciation of the Turkish lira against the euro, which was partially offset by increases in the value of exchange rate derivatives in foreign currency positions.

Financial assets at amortised cost of this operating segment as of 31st March, 2023 amounted to €54,240 million a 5.1 per cent. increase compared with the €51,621 million recorded as of 31st December, 2022. Within this heading, loans and advances to customers of this operating segment as of 31st March, 2023 amounted to €38,995 million, a 4.1 per cent. increase compared with the €37,443 million recorded as of 31st December, 2022, mainly due to the increase (in local currency) in Turkish lira-denominated credit card loans, consumer loans and mortgage loans due in part to the measures announced by the Turkish authorities, seeking to stabilize the Turkish lira through the increase of the reserve requirement ratio for Turkish lira-denominated commercial cash loans (see “*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Principal Markets—Turkey*” and “*Item 4. Information on the Company—Competition—Turkey*” in the Form 20-F), partially offset by the depreciation of the Turkish lira against the euro.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st March, 2023 amounted to €2,079 million, a 2.7 per cent. decrease compared with the €2,138 million recorded as of 31st December, 2022, mainly due to the depreciation of the Turkish lira against the euro.

Customer deposits at amortised cost of this operating segment as of 31st March, 2023 amounted to €51,234 million, a 10.6 per cent. increase compared with the €46,339 million recorded as of 31st December, 2022, mainly due to the increase in time deposits and, to a lesser extent, demand deposits, both denominated in Turkish lira, as a result in part of the measures announced by the Turkish authorities to protect deposits denominated in Turkish lira from the exchange rate volatility, in order to boost confidence in the local currency, promote the conversion of foreign currency deposits into local currency deposits and prevent further dollarisation of deposits (see “*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Principal Markets—Turkey*” and “*Item 4. Information on the Company—Competition—Turkey*” in the Form 20-F), partially offset by the depreciation of the Turkish lira against the euro.

Off-balance sheet funds of this operating segment (which includes “Mutual funds” and “Pension funds”) as of 31st March, 2023 amounted to €7,491 million, an 8.0 per cent. increase compared with the €6,936 million as of 31st December, 2022, mainly due to increases in mutual funds as a result of the shift towards higher profitability investments, partially offset by the depreciation of the Turkish lira against the euro.

The non-performing loan ratio (as defined in “Spain” above) of this operating segment decreased to 4.3 per cent. as of 31st March, 2023 from 5.1 per cent. as of 31st December, 2022, mainly as a result of higher recoveries from the wholesale portfolio, the change in the staging of a large customer from Stage 3 to Stage 2 in the wholesale loan portfolio and increased loan activity, partially offset by the change in the staging of certain loans from Stage 1 to Stage 2, due to the impact of the earthquakes in February 2023 (see Note 6.1 to the 1Q23 Consolidated Interim Financial Statements). As a result thereof, this operating segment’s non-performing loan coverage ratio (as defined herein) increased to 99 per cent. as of 31st March, 2023 from 90 per cent. as of 31st December, 2022.

### ***South America***

The South America operating segment includes the Group’s banking, finance, insurance and asset management business mainly in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela. It also includes representative offices in Sao Paulo (Brazil) and in Santiago (Chile).

The main business units included in the South America operating segment are:

- Retail and Corporate Banking: includes banks in Argentina, Colombia, Peru, Uruguay and Venezuela.
- Insurance: includes insurance businesses in Argentina, Colombia and Venezuela.

As of 31st March, 2023, the Colombian peso appreciated against the euro by 2.0 per cent. compared to 31st December, 2022. On the other hand, the Argentine peso and the Peruvian sol depreciated against the euro by 16.9 per cent. and 0.8 per cent., respectively. Overall, changes in exchange rates have adversely affected the business activity of the South America operating segment as of 31st March, 2023, expressed in euros.

As of 31st March, 2023 and 31st December, 2022, the Argentine and Venezuelan economies were considered to be hyperinflationary as defined by IAS 29. See Note 2.2.19 to the 2022 Consolidated Financial Statements for information on the application of IAS 29 to hyperinflationary economies.

Cash, cash balances at central banks and other demand deposits as of 31st March, 2023 amounted to €7,646 million, a 0.6 per cent. decrease compared with the €7,695 million recorded as of 31st December, 2022, mainly due to the depreciation of the Argentine peso.

Financial assets at fair value for this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of 31st March, 2023 amounted to €10,559 million, a 1.7 per cent. decrease compared with the €10,739 million recorded as of 31st December, 2022, mainly due to the depreciation of the Argentine peso, which was partially offset by the increase in sovereign debt securities recorded under “Financial assets at fair value through other comprehensive income”.

Financial assets at amortised cost of this operating segment as of 31st March, 2023 amounted to €41,734 million, a 3.2 per cent. increase compared with the €40,448 million recorded as of 31st December, 2022. Within this heading, loans and advances to customers of this operating segment as of 31st March, 2023 amounted to €39,185 million, a 1.9 per cent. increase compared with the €38,437 million recorded as of 31st December, 2022, mainly as a result of the increase in the retail portfolio (including credit cards) and, to a lesser extent, in loans to enterprises in local currency, partially offset by the depreciation of the Argentine peso and early repayments in Peru.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st March, 2023 amounted to €2,390 million, a 15.1 per cent. decrease compared with the €2,813 million recorded as of 31st December, 2022, mainly due to the decrease in deposits from

credit institutions (through repurchase agreements) recorded under the “Financial assets held for trading” portfolio, as a result of the negative impact of changes in the valuation of exchange rate derivatives on certain foreign currency positions.

Customer deposits at amortised cost of this operating segment as of 31st March, 2023 amounted to €40,782 million, a 1.8 per cent. increase compared with the €40,042 million recorded as of 31st December, 2022, mainly as a result of the increase in time deposits in Peru in the retail portfolio and Colombia, partially offset by the depreciation of the Argentine peso.

Off-balance sheet funds of this operating segment (which includes “Mutual funds” (including customer portfolios in Colombia and Peru) and “Pension funds”) as of 31st March, 2023 amounted to €17,971 million, a 1.2 per cent. increase compared with the €17,760 million as of 31st December, 2022, mainly due to increases in Argentina and Colombia, partially offset by the depreciation of the Argentine peso.

The non-performing loan ratio (as defined in “Spain” above) of this operating segment increased to 4.3 per cent. as of 31st March, 2023 from 4.1 per cent. as of 31st December, 2022, mainly as a result of the Stage 3 new entries in the retail portfolio, and the update in the definition of credit impaired asset implemented in Chile in 2022. This operating segment’s non-performing loan coverage ratio (as defined herein) decreased to 99 per cent. as of 31st March, 2023, from 101 per cent. as of 31st December, 2022.

### ***Rest of Business***

This operating segment mainly includes the wholesale activity carried out by the Group in Europe (excluding Spain), the United States and (through BBVA branches located therein) Asia.

The U.S. dollar depreciated 1.9 per cent. against the euro as of 31st March, 2023 compared to 31st December, 2022, adversely affecting the business activity of the Rest of Business operating segment as of 31st March, 2023 expressed in euros.

Cash, cash balances at central banks and other demand deposits as of 31st March, 2023 amounted to €4,135 million, a 3.0 per cent. increase compared with the €4,015 million recorded as of 31st December, 2022.

Financial assets at fair value for this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of 31st March, 2023 amounted to €6,652 million, a 30.7 per cent. increase compared with the €5,090 million recorded as of 31st December, 2022, mainly due to the increased activity of BBVA Securities Inc., the Group’s broker-dealer in the United States, which led to an increase in loans and advances recorded under “Financial assets held for trading”.

Financial assets at amortised cost of this operating segment as of 31st March, 2023 amounted to €39,167 million, a 3.1 per cent. decrease compared with the €40,425 million recorded as of 31st December, 2022. Within this heading, loans and advances to customers of this operating segment as of 31st March, 2023 amounted to €35,946 million, a 3.8 per cent. decrease compared with the €37,375 million recorded as of 31st December, 2022, mainly due to decreased activity in the branches located in Europe and Asia, partially offset by increased activity in the New York branch.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st March, 2023 amounted to €5,942 million, a 35.1 per cent. increase compared with the €4,397 million recorded as of 31st December, 2022, mainly due to an increase in the activity of the broker-dealer BBVA Securities Inc.

Customer deposits at amortised cost of this operating segment as of 31st March, 2023 amounted to €10,070 million, a 2.5 per cent. increase compared with the €9,827 million recorded as of 31st December, 2022, mainly as a result of the increase in time deposits from wholesale customers at the New York branch and in Asia.

Off-balance sheet funds of this operating segment as of 31st March, 2023 amounted to €510 million, a 1.9 per cent. decrease compared with the €520 million recorded as of 31st December, 2022.

The non-performing loan ratio (as defined in “Spain” above) of this operating segment was 0.5 per cent. as of 31st March, 2023 and 0.4 per cent. as of 31st December, 2022. This operating segment’s non-performing loan coverage ratio (as defined herein) decreased to 101 per cent. as of 31st March, 2023, from 131 per cent. as of 31st December, 2022.

## Organisational Structure

For information on the composition of the Group as of 31st December, 2022, see Note 1.1 to the 2022 Consolidated Financial Statements.

The companies comprising the Group are principally domiciled in the following countries: Argentina, Belgium, Chile, Colombia, France, Germany, Italy, Mexico, Netherlands, Peru, Portugal, Romania, Spain, Switzerland, Turkey, the United Kingdom, the United States of America and Uruguay. In addition, BBVA has an active presence in Asia.

Below is a simplified organisational chart of BBVA’s most significant subsidiaries as of 31st December, 2022.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power (in percentages)	BBVA Ownership	Total Assets (1) (in millions of euros)
BBVA MEXICO	MEXICO	Bank	100.00	100.00	125,080
GARANTI BBVA <sup>(2)</sup>	TURKEY	Bank	85.97	85.97	55,725
BBVA PERU	PERU	Bank	92.24 <sup>(3)</sup>	46.12	23,866
BBVA COLOMBIA S.A.	COLOMBIA	Bank	95.47	95.47	17,548
BBVA SEGUROS S.A. DE SEGUROS Y REASEGUROS	SPAIN	Insurance	99.96	99.96	14,663
BANCO BBVA ARGENTINA S.A.	ARGENTINA	Bank	66.55	66.55	10,095
BBVA SEGUROS MÉXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	Insurance	100.00	100.00	8,253
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	Insurance	100.00	100.00	7,192
GARANTIBANK BBVA INTERNATIONAL N.V. <sup>(2) (4)</sup>	THE NETHERLANDS	Bank	85.97	100.00	5,078
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.	URUGUAY	Bank	100.00	100.00	3,800

(1) Information for non-EU subsidiaries has been calculated using the prevailing exchange rates on 31st December, 2022.

(2) On May 18, 2022, BBVA closed its voluntary takeover bid for the entire share capital of Garanti BBVA, which resulted in BBVA increasing its stake in Garanti BBVA from 49.85% to 85.97%. See “Capital Expenditures – 2022 – Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş. (Garanti BBVA)”.

(3) Subject to certain exceptions

(4) BBVA owns 85.97 per cent. of Garanti BBVA, which in turn owns 100 per cent. of GarantiBank International N.V.

## Selected Consolidated Financial Data

The historical financial information set forth below has been selected from, and should be read together with, the Consolidated Financial Statements, which are incorporated by reference herein.

## Consolidated statement of income data

For the three months ended 31st March, 2023	For the year ended 31st December, 2022	2021	2020
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	(in millions of euros)			
Net interest income .....	5,642	19,124	14,686	14,592
Profit (loss).....	1,994	6,763	5,618	2,060
Profit (loss) attributable to owners of the parent...	1,846	6,358	4,653	1,305

### Consolidated balance sheet data

	As of 31st March, 2023	As at 31st December, 202220212020		
	(in millions of euros)			
Total assets.....	739,564	712,092	662,885	733,797
Financial assets at amortised cost .....	427,259	414,421	372,676	367,668
Customers' deposits at amortised cost.....	395,880	394,404	349,761	342,661
Debt certificates .....	57,853	58,717	59,159	66,311
Non-controlling interests .....	3,680	3,623	4,853	5,471
Total equity .....	51,471	50,517	48,760	50,020

### DIRECTORS AND SENIOR MANAGEMENT

BBVA is managed by a Board of Directors which, in accordance with its current by-laws (*Estatutos*), must consist of no less than 5 and no more than 15 members. All members of the Board of Directors are elected to serve three-year terms. BBVA's Board of Directors Regulations state that the Board of Directors must try to ensure that there is an ample majority of non-executive directors over the number of executive directors on the Board of Directors.

BBVA's corporate governance system is based on the distribution of functions between the Board of Directors and the following specialised Board Committees: the Executive Committee (*Comisión Delegada Permanente*); the Audit Committee; the Appointments and Corporate Governance Committee; the Remuneration Committee; the Risk and Compliance Committee; and the Technology and Cybersecurity Committee. BBVA's Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee. The Executive Committee will deal with those matters of the Board of Directors that the Board agrees to delegate to it, in accordance with the law, the Bylaws, the Board of Directors' Regulations or its own Regulations approved by the Board of Directors.

#### Board of Directors

The Board of Directors of BBVA currently comprises 15 members. The business address of the directors of BBVA is Calle Azul, 4, 28050 Madrid.

BBVA may, from time to time, enter into transactions in the ordinary course of its business, and on an arm's-length basis, with the directors.

BBVA's Board of Directors Regulations includes rules which are designed to prevent situations where a potential conflict of interest may arise. These Regulations provide, among other matters, that directors must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to the appointment or removal of positions of the management body. Accordingly, there are no potential conflicts of interest between the private interests or other duties of the directors and their duties to BBVA.

The following table sets forth the names of the members of the Board of Directors as of the date of this Offering Circular, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and employment history.

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
Carlos Torres Vila <sup>(1)</sup> <sup>(6)</sup>	1966	Chair	4th May, 2015	18th March, 2022	Chair of the Board of Directors of BBVA since December 2018. Chair of the Executive Committee and of the Technology and Cybersecurity Committee of the Board of Directors of BBVA. Director at the following Group companies: Grupo Financiero BBVA México, S.A. de C.V. and BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México. Chief Executive Officer of BBVA from May 2015 to December 2018. He started at BBVA in September 2008 holding senior management posts such as Head of Digital Banking from March 2014 to May 2015 and Head of Strategy & Corporate Development from January 2009 to March 2014. He previously held positions of responsibility in other companies, such as Chief Financial Officer and Corporate Director of Strategy and member of the Executive Committee of Endesa, as well as elected partner at McKinsey & Company.
Onur Genç <sup>(1)</sup>	1974	Chief Executive Officer	20th December, 2018	18th March, 2022	Chief Executive Officer of BBVA since December 2018. Director at the following Group companies: Grupo Financiero BBVA México, S.A. de C.V. and BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México. President and CEO of BBVA USA and BBVA's Country Manager in the United States from January 2017 to December 2018, Deputy CEO at Garanti BBVA between 2015 and 2017 and Executive Vice President for retail and private banking at Garanti BBVA between 2012 and 2015. He has also held positions of responsibility in different McKinsey & Company offices, having been a Senior Partner and Manager of its Turkish office.

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
José Miguel Andrés Torrecillas <sup>(1)</sup> (2) (3) (8)	1955	Deputy Chair (Independent Director)	13th March, 2015	20th April, 2021	Deputy Chair of the Board of Directors of BBVA since April 2019. Chair of the Audit Committee and of the Appointments and Corporate Governance Committee of the Board of Directors of BBVA. Chair of Ernst & Young Spain from 2004 to 2014, where he was a partner since 1987 and also held a series of senior offices, including Managing Partner of the Banking Group from 1989 to 2004, General Managing Partner for Audit and Advisory Services at Ernst & Young Spain from 2001 to 2004, and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013. He has been director of Zardoya Otis, S.A. from 2015 to 2022. He has been a member of various organisations such as the ROAC (Official Registry of Auditors), the REA (Registry of Economic Auditors), the Governing Board of the Spanish Institute of Financial Analysts, Empresa y Sociedad Foundation, Spanish Institute of Chartered Accountants, Advisory Board of the Institute of Internal Auditors; and of the Institute of Chartered Accountants in England & Wales (the ICAEW).
Jaime Félix Caruana Lacorte <sup>(1)</sup> (2) (5)	1952	Independent Director	16th March, 2018	20th April, 2021	Member of the Group of Thirty (G-30), member of the board of trustees of the Spanish Aspen Institute Foundation, President of the International Center for Monetary and Banking Studies' (ICMB) Foundation Board and Member of the China Banking and Insurance Regulatory Commission's (CBIRC) International Advisory Committee. General Manager of the Bank of International Settlements (BIS) between 2009 and 2017, Head of the Monetary and Capital Markets Department and Financial



<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
					Counselor of the General Manager at the International Monetary Fund (IMF) between 2006 and 2009, Chair of the Basel Committee on Banking Supervision between 2003 and 2006, and Governor of the Bank of Spain and member of the Governing Council of the European Central Bank between 2000 and 2006.
Sonia Lilia Dulá <sup>(2) (5) (*)</sup>	1961	Independent Director	17th March, 2023	Not applicable	Independent director at Huntsman Corporation, Acciona and Acciona Energía, as well as a life member of the Council on Foreign Relations. She has held positions of responsibility in international financial institutions, being responsible for the capital markets area for Latin America at Goldman Sachs (1992-1995) and for the Wealth Banking division for Latin America (2010-2013) and for the Corporate Banking and Investment area also for Latin America (2013-2018) in Bank of America Merrill Lynch. She also has extensive experience in the telecommunications sector, in which she founded and directed various companies in the sector (1996-2006), such as Telemundo Studios Mexico, Internet Group of Brazil, Obsidiana and Grupo Latino de Radio. Likewise, she has been a member of the board of directors of different entities, such as Bestinver, Grupo Prisa, Millicom or Hemisphere Media.
Raúl Catarino Galamba de Oliveira <sup>(3) (5) (6) (7)</sup>	1964	Independent Director	13th March, 2020	17th March, 2023	Lead Director of BBVA since April 2022. Chair of the Risk and Compliance Committee of the Board of Directors of BBVA. Independent Chair of the Board of Directors of CTT-Correios de Portugal, S.A. and non-executive director of José de Mello Saúde and José de Mello Capital. His career path has been mainly linked to McKinsey & Company, where he was appointed partner in 1995, director of the global

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
					practice of financial services in 2000, Managing Partner for Spain and Portugal between 2005 and 2011, Managing Partner of Global Risk practice between 2013 and 2016, member of the Global Shareholders' Council from 2005 to 2011, member of the Global Partner Election and Evaluation Committees between 2001 and 2017, member of the Remuneration Committee from 2005 to 2013 and Chair of the Global Learning Board from 2006 to 2011.
Belén Garijo López <sup>(1) (3) (4)</sup>	1960	Independent Director	16th March, 2012	20th April, 2021	Chair of the Remuneration Committee of the Board of Directors of BBVA. Chair of the Executive Board and CEO of Merck Group, member of the Board of Directors of L'Oréal and, since 2011, Chair of the International Senior Executive Committee (ISEC) of PhRMA (Pharmaceutical Research and Manufacturers of America). Previously, she has held various positions of responsibility at Abbott Laboratories (1989–1996), Rhône-Poulenc (1996–1999), Aventis Pharma (1999–2004), Sanofi Aventis (2004–2011) and Merck (since 2011).
Connie Hedegaard Koksang <sup>(2)</sup>	1960	Independent Director	18th March, 2022	Not applicable	Independent director at Danfoss A/S and non-executive director at Cadeler A/S. She participates on an ongoing basis in international forums and organisations and in foundations such as member of the Supervisory Board at the European Climate Foundation, Chair of the OECD's Round Table on Sustainable Development, member of the Climate and Environment Advisory Council of the European Investment Bank (EIB), Chair of the Board of Trustees at the KR Foundation, Chair of CONCITO, Chair of the European Commission's Mission Adaptation to Climate Change, including Social

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
					Change, Chair of the Board at Aarhus University, and member of the Sustainability Council at Volkswagen and advisor to the Board of Gazelle Wind Power. She has been non-executive director of Nordex SE from 2016 to 2022. She has held various positions in the public sector in Denmark and the European Union, such as EU Commissioner for Climate Action, Danish Minister for Climate and Energy, Minister for Environment, and Minister for Nordic Cooperation.
Lourdes Máiz Carro <sup>(2)</sup> (4)	1959	Independent Director	14th March, 2014	17th March, 2023	Independent director at ACS. Secretary of the Board of Directors and Head of Legal Services at Iberia, Líneas Aéreas de España from 2001 until 2016; as well as Director of several companies, including Renfe, GIF (Gerencia de Infraestructuras Ferroviarias – Railway Infrastructure Administrator, now ADIF), the ICO (Instituto de Crédito Oficial – Official Credit Institution), Aldeasa and Banco Hipotecario. Joined the Spanish State Counsel Corps ( <i>Cuerpo de Abogados del Estado</i> ) in 1992 and held various senior positions in the Public Administration, including Director of the Cabinet of the Assistant Secretary of Public Administration, Director of the Cabinet of the Assistant Secretary of Education; General Director of Administrative Organization, Personnel and IT, General Director of the Sociedad Estatal de Participaciones Patrimoniales (SEPPA) within the Ministry of Economy and Finance and Technical General Secretary of the Ministry of Agriculture, Fisheries and Food.

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
José Maldonado Ramos <sup>(1) (3)</sup>	1952	External Director	28th January, 2000	20th April, 2021	Appointed Director and General Secretary of BBVA in January 2000. Took early retirement as Bank executive in December 2009. Previously, he was Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (Endiasa); Astilleros Españoles, S.A.; and Iberia, Líneas Aéreas de España, S.A.
Ana Cristina Peralta Moreno <sup>(2) (4)</sup>	1961	Independent Director	16th March, 2018	20th April, 2021	Independent director of Grenergy Renovables, S.A. and of Inmobiliaria Colonial, SOCIMI, S.A. She was an independent member of the Board of Directors at Deutsche Bank SAE from 2014 to 2018 and of Banco Etcheverría, S.A. from 2013 to 2014, as well as independent director of Grupo Lar Holding Residencial, S.A.U. and Senior Advisor at Oliver Wyman Financial Services. General Director of Risks and member of the Management Committee of Banco Pastor, S.A. between 2008 and 2011. Before that, she held several positions at Bankinter, including Chief Risk Officer and member of the Management Committee between 2004 and 2008.
Juan Pi Llorens <sup>(3) (5) (6)</sup>	1950	Independent Director	27th July, 2011	20th April, 2021	Non-executive chair of the Board of Directors of Ecolumber S.A., and non-executive director of the following Oesía Group companies: Oesía Networks, S.L., Tecnobit, S.L.U., UAV Navigation, S.L and Instert Tecnología y Comunicaciones, S.A.U. He had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM EMEA from 2005 to 2008, Vice President of Technology & Systems Group at IBM EMEA from 2008 to 2010 and Vice President of the Finance Services Sector at GMU (Growth Markets Units)

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
					in China from 2009 to 2011. He was executive Chair of IBM Spain between 1998 and 2001.
Ana Leonor Revenga Shanklin <sup>(4)</sup> <sup>(5)</sup> <sup>(6)</sup>	1963	Independent Director	13th March 2020	17th March, 2023	Senior Fellow at the Brookings Institution and Chair of the ISEAK Foundation Board of Trustees since 2018 and Associate Professor at the Walsh School of Foreign Service at Georgetown University from 2019 to 2021. Member of the Board of Trustees of the BBVA Microfinance Foundation and of the Advisory Council of ESADE EcPol - Center for Economic Policy and Political Economy since 2019. She has held several positions of responsibility at the World Bank, including Senior Director Global of the Poverty and Equity practice between 2014 and 2016 and Deputy Chief Economist between 2016 and 2017.
Carlos Vicente Salazar Lomelín <sup>(4)</sup>	1951	External Director	13th March 2020	17th March, 2023	Independent director of Sukarne, S.A. de C.V. since 2017, of Alsea, S.A.B. de C.V. since 2019, and of CYDSA Corporativo, S.A. de C.V. since 2022. Director of the following Group companies: Grupo Financiero BBVA México, S.A. de C.V., BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, BBVA Seguros México, S.A. de C.V. Grupo Financiero BBVA México, BBVA Pensiones México, S.A. de C.V. Grupo Financiero BBVA México and BBVA Seguros Salud México, S.A. de C.V. Grupo Financiero BBVA México. Chair of the Consejo Coordinador Empresarial de México (the Mexican Business Coordinating Council) from 2019 to 2022. His career path has been linked to the Grupo Fomento Económico Mexicano S.A.B. de C.V. (Femsa) until 2019, having held roles such as General Manager of Cervecería

<b>Name</b>	<b>Birth Year</b>	<b>Current Position</b>	<b>Date Nominated</b>	<b>Date Re-elected</b>	<b>Principal Business Activities and Employment History</b>
					Cuauhtémoc-Moctezuma, Manager of Coca-Cola Femsa and General Manager of Femsa.
Jan Paul Marie Francis Verplancke <sup>(4)</sup> <sup>(6)</sup>	1963	Independent Director	16th March, 2018	20th April, 2021	Advisor to the internal advisory board at Abdul Latif Jameel and CEO of Vestracó, S.à.R.L. In his professional career, he served as Chief Information Officer and Group Head of Technology and Banking Operations of Standard Chartered Bank between 2004 and 2015, Vice President of Technology and Chief Information Officer, in the EMEA region of Dell (1999-2004) as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss (1994 -1999).

(\*) At the date of this Offering Circular, the authorisation by the European Central Bank of Sonia Lilia Dulá's suitability to carry out the role of director of the Bank is pending.

- (1) Member of the Executive Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Appointments and Corporate Governance Committee.
- (4) Member of the Remuneration Committee.
- (5) Member of the Risk and Compliance Committee.
- (6) Member of the Technology and Cybersecurity Committee.
- (7) Lead Director.
- (8) Deputy Chair.

### Major Shareholders and Share Capital

On 18th April 2019, Blackrock, Inc. reported to the CNMV that it had an indirect holding of BBVA common stock totalling 5.917 per cent., of which 5.480 per cent. are voting rights attributed to shares and 0.437 per cent. are voting rights held through financial instruments.

As of 12th June, 2023, no other person, corporation or government beneficially owned, directly or indirectly, three per cent. or more of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to BBVA, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person.

As of 12h June, 2023, there were 782,082 registered holders of BBVA's shares, with an aggregate of 5,965,473,005 shares, of which 718 shareholders with registered addresses in the United States held a total of 1,457,584,951 shares (including shares represented by American Depositary Shares evidenced by American Depositary Receipts (ADRs)). Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders.

## Legal Proceedings

Spanish judicial authorities are investigating the activities of Cenyt. Such investigation includes the provision of services by Cenyt to BBVA. On 29th July, 2019, BBVA was named as an investigated party (*investigado*) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. On 3rd February, 2020, BBVA was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings. Certain current and former officers and employees of the Group, as well as former directors, have also been named as investigated parties in connection with this investigation. BBVA has been and continues to be proactively collaborating with the Spanish judicial authorities, including sharing with the courts the relevant information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As of the date of this Offering Circular, no formal accusation against BBVA has been made.

This criminal judicial proceeding is in the pre-trial phase. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group's reputation caused thereby.

The Group operates in legal and regulatory environments that expose it to potentially significant legal and regulatory actions and proceedings, including legal claims and proceedings, civil and criminal regulatory proceedings, governmental and judicial investigations and proceedings, tax proceedings and other proceedings in jurisdictions around the world. Legal and regulatory actions and proceedings are subject to many uncertainties, and their outcomes, including the timing thereof, the amount of fines or settlements or the form of any settlements arising therefrom, or changes in business practices the Group may need to introduce as a result thereof, any of which may be material and are often difficult to predict, particularly in the early stages of a particular legal or regulatory matter.

As of the date of this Offering Circular, and in addition to as described above, the Bank and its subsidiaries are involved in a number of legal and regulatory actions and proceedings in various jurisdictions around the world (including, among others, Spain, Mexico and the United States), the adverse resolution of which may also adversely impact the Group. See “*Risk Factors—Legal, Regulatory, Tax and Compliance Risks— Legal Risks—The Group is party to a number of legal and regulatory actions and proceedings*”.

The Group can provide no assurance that the legal and regulatory actions and proceedings to which it is subject, or to which it may become subject in the future or otherwise affected by, will not, if resolved adversely, result in a material adverse effect on the Group's business financial position or results of operations.

## CONDITIONS OF THE PREFERRED SECURITIES

*The following is the text of the Conditions of the Preferred Securities (save for the paragraphs of italicised text in Conditions 2, 3 and 12).*

The Preferred Securities (as defined below) are issued by Banco Bilbao Vizcaya Argentaria, S.A. (the **Bank**) by virtue of the resolutions passed by (i) the shareholders meeting (*Junta General Ordinaria de Accionistas*) of the Bank, held on 20th April, 2021 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 2nd February, 2022 and in accordance with the First Additional Provision of Law 10/2014, of 26th June, on regulation, supervision and solvency of credit institutions (*Ley 10/2014, de 26 junio, de ordenación, supervisión y solvencia de entidades de crédito*) (as amended from time to time, **Law 10/2014**) and the CRR (as defined below).

The Preferred Securities will be issued following the granting before a Spanish Notary Public and the registration with the Commercial Registry of Vizcaya of a public deed relating to the issuance of the Preferred Securities on or before the Closing Date (as defined below).

Paragraphs in italics within these Conditions are a summary of certain procedures of Euroclear Bank SA/NV (**Euroclear**) and Clearstream Banking S.A. (**Clearstream, Luxembourg** and, together with Euroclear, the **European Clearing Systems**) and certain other information applicable to the Preferred Securities. The European Clearing Systems may, from time to time, change their procedures.

### 1. Definitions

- 1.1 For the purposes of the Preferred Securities, the following expressions shall have the following meanings:

**5-year Mid-Swap Rate** means, in relation to a Reset Date and the Reset Period commencing on that Reset Date:

- (a) the rate for the Reset Date of the annual mid-swap rate for euro swap transactions maturing on the last day of such Reset Period, expressed as a percentage, which currently appears on the relevant Screen Page (under the heading "EURIBOR BASIS – EUR" and above the caption "11AM FRANKFURT" as of the Closing Date) as of 11.00 a.m. (Central European Time) on the Reset Determination Date; or
- (b) if such rate does not appear on the relevant Screen Page at such time on such Reset Determination Date, the Reset Reference Bank Rate for such Reset Period, unless a Benchmark Event has occurred, in which case the Original Reference Rate shall be determined pursuant to Condition 4.13;

**5-year Mid-Swap Rate Quotations** means the bid and offered rates for the annual fixed leg (calculated on a 30/360 day count basis) of a fixed-for-floating euro interest rate swap transaction which:

- (a) has a term of 5 years commencing on the relevant Reset Date; and
- (b) is in a Representative Amount,

where the floating leg (calculated on an Actual/360 day count basis) is equivalent to (i) the rate for deposits in euro for a six month-period commencing on the relevant Reset Date offered by the principal Eurozone office of major banks in the Eurozone interbank market to prime banks in the Eurozone interbank market at the time the relevant 5-year Mid-Swap Rate Quotation is provided by the relevant Reference Banks or (ii) to the extent that an industry-accepted substitute or successor rate for the rate in (i) has been established, including the rate



that would have been used for the floating leg of the mid-swap rate that was to appear on the relevant Screen Page at the relevant time if it had appeared at such time (as determined by BBVA in its sole discretion), such substitute or successor rate;

**Accounting Currency** means EUR or such other primary currency used in the presentation of the Group's accounts from time to time;

**Additional Common Shares** has the meaning given in Condition 6.5;

**Additional Tier 1 Capital** means Additional Tier 1 capital (*capital de nivel 1 adicional*) as provided under Applicable Banking Regulations;

**Additional Tier 1 Instrument** means any instrument of the Bank qualifying as Additional Tier 1 Capital, in whole or in part;

**Adjustment Spread** means either a spread, or the formula or methodology for calculating a spread and the spread resulting from such calculation, which spread may in either case be positive or negative or zero and is to be applied to the Successor Rate or the Alternative Rate (as the case may be) where the Original Reference Rate is replaced with the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

- (A) in the case of a Successor Rate, is formally recommended, or formally provided as an option for parties to adopt, in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or
- (B) in the case of a Successor Rate if no such spread, formula or methodology is formally recommended or provided as an option by any Relevant Nominating Body or in the case of an Alternative Rate, is in customary market usage in the international debt capital market for transactions which reference the Original Reference Rate, where such rate has been replaced by the Alternative Rate,

or if no such recommendation or option has been made (or made available), or the Benchmark Calculation Agent, acting in good faith and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines there is no such spread, formula or methodology in customary market usage, the spread, formula or methodology which the Benchmark Calculation Agent, following consultation with an Independent Adviser, and acting in good faith and a commercially reasonable manner, determines in its sole discretion:

- (A) is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be); or
- (B) if the Benchmark Calculation Agent so determines that no such industry standard is recognised or acknowledged, to be appropriate, having regard to the objective, so far as is reasonably practicable in the circumstances, of reducing or eliminating any economic prejudice or benefit (as the case may be) to Holders, as a result of the replacement of the Original Reference Rate with the Successor Rate or the Alternative Rate (as the case may be),

and in either such case, which the Benchmark Calculation Agent, following consultation with an Independent Adviser and acting in good faith and in a commercially reasonable manner, determines is required to be so applied;

**Agency Agreement** means the agency agreement dated 21st June, 2023 relating to the Preferred Securities;

**Agent Bank** means Deutsche Bank AG, London Branch and includes any successor agent bank appointed in accordance with the Agency Agreement;

**Agents** means the agents appointed in accordance with the Agency Agreement;

**Alternative Rate** means an alternative benchmark or screen rate which the Benchmark Calculation Agent determines in accordance with Condition 4.13 is used in place of the Original Reference Rate in customary market usage in the international debt capital markets for the purposes of determining rates of interest (or the relevant component part thereof) in euro;

**Applicable Banking Regulations** means, at any time, the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank and/or the Group including, without limitation to the generality of the foregoing, CRD V, the BRRD, the SRM Regulation and those laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect in Spain (whether or not such requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group);

**Benchmark Calculation Agent** means such party as is appointed by the Bank to act as Benchmark Calculation Agent, which party may include the Bank or an affiliate of the Bank and shall be a leading bank or financial institution, or another party of recognised standing and with appropriate expertise to make the determinations and/or calculations to be made by the Benchmark Calculation Agent;

**Benchmark Event** means:

- (A) the Original Reference Rate ceasing to be published for at least five Business Days or ceasing to exist or be administered;
- (B) the later of (a) the making of a public statement by the administrator of the Original Reference Rate that it will, by a specified date, cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate) and (b) the date falling six months prior to such specified date;
- (C) the making of a public statement by the supervisor of the administrator of the Original Reference Rate that the Original Reference Rate has been permanently or indefinitely discontinued, is prohibited from being used or is no longer representative or will no longer be representative, or that its use is subject to restrictions or adverse consequences or, where such discontinuation, prohibition, restrictions or adverse consequences are to apply from a specified date after the making of any public statement to such effect, the later of the date of the making of such public statement and the date falling six months prior to such specified date; or
- (D) it has or will prior to the next Reset Determination Date become unlawful for the Agent Bank, any Agent or the Bank to determine any Distribution Rate and/or calculate any payments using the Original Reference Rate (including, without limitation, under Regulation (EU) No. 2016/1011 (including as it forms part of United Kingdom domestic law by virtue of the European Union (Withdrawal) Act 2018), if applicable);

**BRRD** means Directive 2014/59/EU of the European Parliament and of the Council of 15th May, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms or such other directive as may come into effect in place thereof, as implemented into Spanish law by Law 11/2015 and RD 1012/2015, as amended, replaced or supplemented from time to time, including as amended by Directive 2019/879/EU of the European Parliament and of the Council of 20th May, 2019 and including any other relevant implementing regulatory provisions;

**Business Day** means a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in Madrid and London;

**Capital Event** means a change (or any pending change which the Regulator considers sufficiently certain) in Spanish law or Applicable Banking Regulations that results (or would result) in any of the outstanding aggregate Liquidation Preference of the Preferred Securities ceasing to be included in, or counting towards, the Group's or the Bank's Tier 1 Capital;

**Capital Reduction** means the adoption, in accordance with Article 418.3 of the Spanish Corporations Law, by a general shareholders' meeting of the Bank of a resolution of capital reduction by reimbursement of cash contributions (*restitución de aportaciones*) to shareholders by way of a reduction in the nominal value of the shares of such shareholders in the capital of the Bank. A resolution of capital reduction for the redemption of any Common Shares previously repurchased by the Bank will not be considered a Capital Reduction for the purposes of these Conditions;

**Capital Reduction Conversion** has the meaning given in Condition 6.2;

**Capital Reduction Notice** has the meaning given in Condition 6.2, which notice shall specify the Election Period and the procedures for Holders to deliver an Election Notice;

**Capital Reduction Notice Date** means the date on which a Capital Reduction Notice is given in accordance with Condition 6.2;

**Cash Dividend** means (i) any Dividend which is to be paid or made in cash (in whatever currency), but other than falling within paragraph (b) of the definition of "Spin-Off"; and (ii) any Dividend determined to be a Cash Dividend pursuant to paragraph (a) of the definition of "Dividend", but a Dividend falling within paragraph (c) or (d) of the definition of "Dividend" shall be treated as being a Non-Cash Dividend;

**CET1 Capital** means, at any time, the common equity tier 1 capital of the Bank or the Group, respectively, as calculated by the Bank in accordance with Chapter 2 (Common Equity Tier 1 capital) of Title I (Elements of Own Funds) of Part Two (Own Funds and Eligible Liabilities) of the CRR and/or Applicable Banking Regulations at such time, including any applicable transitional, phasing in or similar provisions;

**CET1 ratio** means, at any time, with respect to the Bank or the Group, as the case may be, the reported ratio (expressed as a percentage) of the aggregate amount (in the Accounting Currency) of the CET1 Capital of the Bank or the Group, respectively, at such time divided by the Risk Weighted Assets Amount of the Bank or the Group, respectively, at such time, all as calculated by the Bank;

**Clearing System Preferred Securities** means, for so long as any of the Preferred Securities is represented by a Global Preferred Security held by or on behalf of a European Clearing System, any particular Liquidation Preference of the Preferred Securities shown in the records of a European Clearing System as being held by a Holder;

**Closing Date** means 21st June, 2023;

**Closing Price** means, in respect of a Common Share and in relation to any Dealing Day, the price per Common Share quoted by the Relevant Stock Exchange as the closing price or closing auction price of a Common Share on such Dealing Day;

**CNMV** means the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*);

**Common Shares** means ordinary shares in the capital of the Bank, each of which confers on the holder one vote at general meetings of the Bank and is credited as fully paid up;

**Conversion** means a Trigger Conversion or a Capital Reduction Conversion, as the case may be;

**Conversion Event** means a Trigger Event or a Capital Reduction, as the case may be;

**Conversion Notice** means a Trigger Event Notice or a Capital Reduction Notice, as the case may be;

**Conversion Notice Date** means the Trigger Event Notice Date or the Capital Reduction Notice Date, as the case may be;

**Conversion Price** means, in respect of a Conversion Notice Date, if the Common Shares are:

- (a) then admitted to trading on a Relevant Stock Exchange, the higher of:
  - (i) the Reference Market Price of a Common Share;
  - (ii) the Floor Price; and
  - (iii) the nominal value of a Common Share (being €0.49 on the Closing Date),in each case on that Conversion Notice Date; or
- (b) not then admitted to trading on a Relevant Stock Exchange, the higher of (ii) and (iii) above;

**Conversion Settlement Date** means the date on which the relevant Common Shares are to be delivered on Conversion, which shall be as soon as practicable and in any event not later than one month following (or such other period as Applicable Banking Regulations may require) the Conversion Notice Date;

**Conversion Shares** has the meaning given in Condition 6.3;

**CRD V** means any or any combination of the CRD Directive, the CRR, and any CRD Implementing Measures;

**CRD Directive** means Directive 2013/36/EU of the European Parliament and of the Council of 26th June, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC, as amended or replaced from time to time, including as amended by Directive 2019/878/EU of the European Parliament and Council of 20th May, 2019;

**CRD Implementing Measures** means any regulatory capital rules implementing the CRD Directive or the CRR which may from time to time be introduced, including, but not limited

to, delegated or implementing acts (regulatory technical standards) adopted by the European Commission, national laws and regulations, and regulations and guidelines issued by the Regulator, the European Banking Authority or any other relevant authority, which are applicable to the Bank (on a standalone basis) or the Group (on a consolidated basis) including, without limitation, Law 10/2014 and any other regulation, circular or guidelines implementing or developing Law 10/2014;

**CRR** means Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26th June, 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, as amended or replaced from time to time, including as amended by CRR II;

**CRR II** means Regulation (EU) No. 876/2019 of the European Parliament and of the Council of 20th May, 2019 amending, among other things, CRR as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, and reporting and disclosure requirements and Regulation (EU) No 648/2012, as amended or replaced from time to time;

**Current Market Price** means, in respect of a Common Share at a particular date, the average of the daily Volume Weighted Average Price of a Common Share on each of the 5 consecutive Dealing Days ending on the Dealing Day immediately preceding such date, rounding the resulting figure to the nearest cent (half a cent being rounded upwards) (the **Relevant Period**); provided that if at any time during the Relevant Period the Volume Weighted Average Price shall have been based on a price ex-Dividend (or ex-any other entitlement) and during some other part of that period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement), then:

- (a) if the Common Shares to be issued and delivered do not rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Common Shares shall have been based on a price cum-Dividend (or cum-any other entitlement) shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Common Share as at the date of the first public announcement relating to such Dividend or entitlement; or
- (b) if the Common Shares to be issued and delivered do rank for the Dividend (or entitlement) in question, the Volume Weighted Average Price on the dates on which the Common Shares shall have been based on a price ex-Dividend (or ex-any other entitlement) shall for the purposes of this definition be deemed to be the amount thereof increased by an amount equal to the Fair Market Value of any such Dividend or entitlement per Common Share as at the date of the first public announcement relating to such Dividend or entitlement,

and provided further that:

- (i) if on each of the Dealing Days in the Relevant Period the Volume Weighted Average Price shall have been based on a price cum-Dividend (or cum-any other entitlement) in respect of a Dividend (or other entitlement) which has been declared or announced but the Common Shares to be issued and delivered do not rank for that Dividend (or other entitlement) the Volume Weighted Average Price on each of such dates shall for the purposes of this definition be deemed to be the amount thereof reduced by an amount equal to the Fair Market Value of any such Dividend or entitlement per Common Share as at the date of first public announcement relating to such Dividend or entitlement; and

- (ii) if the Volume Weighted Average Price of a Common Share is not available on one or more of the Dealing Days in the Relevant Period (disregarding for this purpose the proviso to the definition of Volume Weighted Average Price), then the average of such Volume Weighted Average Prices which are available in the Relevant Period shall be used (subject to a minimum of two such prices) and if only one, or no, such Volume Weighted Average Price is available in the Relevant Period the Current Market Price shall be determined in good faith by an Independent Adviser;

**Dealing Day** means a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is open for business and on which Common Shares, Securities, Spin-Off Securities, options, warrants or other rights (as the case may be) may be dealt in (other than a day on which the Relevant Stock Exchange or relevant stock exchange or securities market is scheduled to or does close prior to its regular weekday closing time);

**Delivery Notice** means a notice in the form for the time being currently available from the specified office of any Paying and Conversion Agent or in such form as may be acceptable to the European Clearing Systems from time to time, which contains the relevant account and related details for the delivery of any Common Shares and all relevant certifications and/or representations as may be required by applicable law and regulations (or is deemed to constitute the confirmation thereof), and which are required to be delivered in connection with a Conversion of the Preferred Securities and the delivery of the Common Shares;

**Distributable Items** means the profits and reserves (if any) available for the payment of a Distribution at any given time together with any other distributions and payments to be made from such profits and reserves, in each case in accordance with Applicable Banking Regulations then in force, and including as such term is further defined in CRD V, as interpreted and applied in accordance with Applicable Banking Regulations;

**Distribution** means the non-cumulative cash distribution in respect of the Preferred Securities and a Distribution Period, determined in accordance with Condition 4;

**Distribution Payment Date** means each of 21st March, 21st June, 21st September and 21st December in each year;

**Distribution Period** means the period from (and including) one Distribution Payment Date (or, in the case of the first Distribution Period, the Closing Date) to (but excluding) the next Distribution Payment Date;

**Distribution Rate** means the rate at which the Preferred Securities accrue Distributions in accordance with Condition 4;

**Dividend** means any dividend or distribution to Shareholders in respect of the Common Shares (including a Spin-Off) whether of cash, assets or other property (and for these purposes a distribution of assets includes without limitation an issue of Common Shares or other Securities credited as fully or partly paid up by way of capitalisation of profits or reserves), and however described and whether payable out of share premium account, profits, retained earnings or any other capital or revenue reserve or account, and including a distribution or payment to Shareholders upon or in connection with a reduction of capital, provided that:

- (a) where:
  - (i) a Dividend in cash is announced which is to be, or may at the election of a Shareholder or Shareholders be, satisfied by the issue or delivery of Common Shares or other property or assets, or where a capitalisation of profits or reserves is announced which is to be, or may at the election of a Shareholder

or Shareholders be, satisfied by the payment of cash, then the Dividend in question shall be treated as a Cash Dividend of an amount equal to the greater of (A) the Fair Market Value of such cash amount and (B) the Current Market Price of such Common Shares as at the first date on which the Common Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, as the case may be, the Fair Market Value of such other property or assets as at the date of the first public announcement of such Dividend or capitalisation or, in any such case, if later, the date on which the number of Common Shares (or amount of such other property or assets, as the case may be) which may be issued and delivered is determined; or

- (ii) there shall be any issue of Common Shares by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) where such issue is or is expressed to be in lieu of a Dividend (whether or not a Cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Dividend in question shall be treated as a Cash Dividend of an amount equal to the Current Market Price of such Common Shares as at the first date on which the Common Shares are traded ex- the relevant Dividend on the Relevant Stock Exchange or, as the case may be, the record date or other due date for establishment of entitlement in respect of the relevant capitalisation or, in any such case, if later, the date on which the number of Common Shares to be issued and delivered is determined;
- (b) any issue of Common Shares falling within Conditions 6.4.1 or 6.4.2 shall be disregarded;
- (c) a purchase or redemption or buy back of share capital of the Bank by or on behalf of the Bank in accordance with any general authority for such purchases or buy backs approved by a general meeting of Shareholders and otherwise in accordance with the limitations prescribed under the Spanish Corporations Law for dealings generally by a company in its own shares shall not constitute a Dividend and any other purchase or redemption or buy back of share capital of the Bank by or on behalf of the Bank or any member of the Group shall not constitute a Dividend unless, in the case of a purchase or redemption or buy back of Common Shares by or on behalf of the Bank or any member of the Group, the weighted average price per Common Share (before expenses) on any one day (a Specified Share Day) in respect of such purchases or redemptions or buy backs (translated, if not in the Share Currency, into the Share Currency at the Prevailing Rate on such day) exceeds by more than 5 per cent. the average of the daily Volume Weighted Average Price of a Common Share on the 5 Dealing Days immediately preceding the Specified Share Day or, where an announcement (excluding, for the avoidance of doubt for these purposes, any general authority for such purchases, redemptions or buy backs approved by a general meeting of Shareholders or any notice convening such a meeting of Shareholders) has been made of the intention to purchase, redeem or buy back Common Shares at some future date at a specified price or where a tender offer is made, on the 5 Dealing Days immediately preceding the date of such announcement or the date of first public announcement of such tender offer (and regardless of whether or not a price per Common Share, a minimum price per Common Share or a price range or a formula for the determination thereof is or is not announced at such time), as the case may be, in which case such purchase, redemption or buy back shall be deemed to constitute a Dividend in the Share Currency in an amount equal to the amount by which the aggregate price paid (before expenses) in respect of such Common Shares purchased, redeemed or bought back by the Bank or, as the case may be, any member of the

Group (translated where appropriate into the Share Currency as provided above) exceeds the product of (i) 105 per cent. of the daily Volume Weighted Average Price of a Common Share determined as aforesaid and (ii) the number of Common Shares so purchased, redeemed or bought back;

- (d) if the Bank or any member of the Group shall purchase, redeem or buy back any depositary or other receipts or certificates representing Common Shares, the provisions of paragraph (c) above shall be applied in respect thereof in such manner and with such modifications (if any) as shall be determined in good faith by an Independent Adviser; and
- (e) where a dividend or distribution is paid or made to Shareholders pursuant to any plan implemented by the Bank for the purpose of enabling Shareholders to elect, or which may require Shareholders, to receive dividends or distributions in respect of the Common Shares held by them from a person other than (or in addition to) the Bank, such dividend or distribution shall for the purposes of these Conditions be treated as a dividend or distribution made or paid to Shareholders by the Bank, and the foregoing provisions of this definition, and the provisions of these Conditions, including references to the Bank paying or making a dividend, shall be construed accordingly;

**Election Notice** has the meaning given in Condition 6.2;

**Eligible Persons** means those Holders or persons (being duly appointed proxies or representatives of such Holders) that are entitled to attend and vote at a meeting of the Holders, for the purposes of which no person shall be entitled to vote at any such meeting in respect of Preferred Securities held by or for the benefit, or on behalf, of the Bank or any of its Subsidiaries;

**equity share capital** means, in relation to any entity, its issued share capital excluding any part of that capital which, in respect of dividends and capital, does not carry any right to participate beyond a specific amount in a distribution;

**EUR, € and euro** means the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the Functioning of the European Union, as amended;

**Existing Shareholders** has the meaning given in the definition of “Newco Scheme”;

**Extraordinary Resolution** has the meaning given in Condition 10;

**Fair Market Value** means, with respect to any property on any date, the fair market value of that property as determined by an Independent Adviser in good faith provided that (a) the Fair Market Value of a Cash Dividend shall be the amount of such Cash Dividend; (b) the Fair Market Value of any other cash amount shall be the amount of such cash; (c) where Securities, Spin-Off Securities, options, warrants or other rights are publicly traded on a stock exchange or securities market of adequate liquidity (as determined by an Independent Adviser in good faith), the Fair Market Value (i) of such Securities or Spin-Off Securities shall equal the arithmetic mean of the daily Volume Weighted Average Prices of such Securities or Spin-Off Securities and (ii) of such options, warrants or other rights shall equal the arithmetic mean of the daily closing prices of such options, warrants or other rights, in the case of both (i) and (ii) above during the period of 5 Dealing Days on the relevant stock exchange or securities market commencing on such date (or, if later, the first such Dealing Day such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded) or such shorter period as such Securities, Spin-Off Securities, options, warrants or other rights are publicly traded; and (d) where Securities, Spin-Off Securities, options, warrants or other rights are not publicly traded on a stock exchange or securities market of adequate liquidity (as aforesaid),



the Fair Market Value of such Securities, Spin-Off Securities, options, warrants or other rights shall be determined by an Independent Adviser in good faith, on the basis of a commonly accepted market valuation method and taking account of such factors as it considers appropriate, including the market price per Common Share, the dividend yield of a Common Share, the volatility of such market price, prevailing interest rates and the terms of such Securities, Spin-Off Securities, options, warrants or other rights, including as to the expiry date and exercise price (if any) thereof. Such amounts shall, in the case of (a) above, be translated into the Share Currency (if such Cash Dividend is declared or paid or payable in a currency other than the Share Currency) at the rate of exchange used to determine the amount payable to Shareholders who were paid or are to be paid or are entitled to be paid the Cash Dividend in the Share Currency; and in any other case, shall be translated into the Share Currency (if expressed in a currency other than the Share Currency) at the Prevailing Rate on that date. In addition, in the case of (a) and (b) above, the Fair Market Value shall be determined on a gross basis and disregarding any withholding or deduction required to be made for or on account of tax, and disregarding any associated tax credit;

**First Call Date** means 21st June, 2028;

**First Reset Date** means 21st December, 2028;

**Floor Price** means €3.75, subject to adjustment in accordance with Condition 6.4;

**Further Preferred Securities** means any similar securities or instruments to the Preferred Securities which securities or instruments are contingently convertible into Common Shares other than at the option of the holders thereof;

**Global Preferred Security** means the global Preferred Security representing the Preferred Securities;

**Group** means the Bank together with its consolidated Subsidiaries;

**Holders** means the holders of the Preferred Securities;

**Iberclear** means the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U.*);

**Independent Adviser** means, in the case of any determination or calculation pursuant to or relating to Condition 6 or Condition 4.13, an independent financial institution of international repute or other independent adviser of recognised standing with appropriate expertise appointed by the Bank for the purposes of such Condition at its own expense;

**Initial Margin** means 5.544 per cent. per annum;

**Insolvency Law** means the restated text of the Insolvency Law approved by Royal Legislative Decree 1/2020, of 5th May (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) as amended, replaced or supplemented from time to time;

**Law 10/2014** means Law 10/2014 of 26th June on the organisation, supervision and solvency of credit entities (*Ley 10/2014, de 26 de junio, de ordenación, supervisión y solvencia de entidades de crédito*), as amended, replaced or supplemented from time to time, including as amended by Royal Decree Law 7/2021 of 27th April on the transposition of European Union directives in matters of credit institutions, among others;

**Law 11/2015** means Law 11/2015, of 18th June, on the recovery and resolution of credit institutions and investment firms (*Ley 11/2015, de 18 de junio, de recuperación y resolución*

*de entidades de crédito y empresas de servicios de inversión*), as amended, replaced or supplemented from time to time including as amended by Royal Decree Law 7/2021 of 27th April on the transposition of European Union directives in matters of credit institutions, among others;

**Liquidation Distribution** means the Liquidation Preference per Preferred Security plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date of payment of the Liquidation Distribution;

**Liquidation Preference** means €200,000 per Preferred Security;

**MDA** means, at any time, any maximum distributable amount required to be calculated at such time in accordance with (a) Article 48 of Law 10/2014 and any provision developing Article 48 of Law 10/2014, and any other provision of Spanish law transposing or implementing Article 141 of the CRD Directive and/or (b) Applicable Banking Regulations;

**MREL-MDA** means, at any time, the lower of any maximum distributable amount required to be calculated, if applicable, at such time in accordance with Article 16.a) of BRRD, as implemented in Spain by Article 16 bis of Law 11/2015;

**Newco** has the meaning given in the definition of “Newco Scheme”;

**Newco Scheme** means a scheme of arrangement or analogous proceeding (**Scheme of Arrangement**) which effects the interposition of a limited liability company (**Newco**) between the Shareholders of the Bank immediately prior to the Scheme of Arrangement (the **Existing Shareholders**) and the Bank, provided that:

- (i) only ordinary shares of Newco or depositary or other receipts or certificates representing ordinary shares of Newco are issued to Existing Shareholders;
- (ii) immediately after completion of the Scheme of Arrangement the only shareholders of Newco or, as the case may be, the only holders of depositary or other receipts or certificates representing ordinary shares of Newco, are Existing Shareholders and the Voting Rights in respect of Newco are held by Existing Shareholders in the same proportions as their respective holdings of such Voting Rights immediately prior to the Scheme of Arrangement;
- (iii) immediately after completion of the Scheme of Arrangement, Newco is (or one or more wholly-owned Subsidiaries of Newco are) the only ordinary shareholder (or shareholders) of the Bank;
- (iv) all Subsidiaries of the Bank immediately prior to the Scheme of Arrangement (other than Newco, if Newco is then a Subsidiary) are Subsidiaries of the Bank (or of Newco) immediately after completion of the Scheme of Arrangement; and
- (v) immediately after completion of the Scheme of Arrangement, the Bank (or Newco) holds, directly or indirectly, the same percentage of the ordinary share capital and equity share capital of those Subsidiaries as was held by the Bank immediately prior to the Scheme of Arrangement;

**Non-Cash Dividend** means any Dividend which is not a Cash Dividend, and shall include a Spin-Off;

**Original Reference Rate** means the 5-year Mid-Swap Rate (provided that if, following one or more Benchmark Events, such originally specified benchmark or screen rate (or any Successor Rate or Alternative Rate which has replaced it) has been replaced by a (or a further) Successor Rate or Alternative Rate and a Benchmark Event subsequently occurs in respect of such Successor Rate or Alternative Rate, the term “Original Reference Rate” shall include any such Successor Rate or Alternative Rate);

**outstanding** means, in relation to the Preferred Securities, all the Preferred Securities issued other than those Preferred Securities:

- (a) that have been redeemed pursuant to Condition 7 or otherwise pursuant to the Conditions or cancelled pursuant to the exercise of any Spanish Statutory Loss-Absorption Power;
- (b) following a Conversion Event in respect of which all the remaining obligations of the Bank have been duly performed in relation thereto;
- (c) that have been purchased and cancelled under Condition 8;
- (d) which claims have become void under Condition 14; and
- (e) that have been mutilated or defaced, or are alleged to have been lost, stolen or destroyed, and have been replaced pursuant to clause 5 of the Agency Agreement,

provided that for each of the following purposes, namely:

- (i) the right to attend and vote at any meeting of Holders; and
- (ii) the determination of how many and which Preferred Securities are for the time being outstanding for the purposes of Condition 10,

those Preferred Securities (if any) which are for the time being held by or for the benefit of the Bank or any of its Subsidiaries shall (unless and until ceasing to be so held) be deemed not to remain outstanding;

**Parity Securities** means any instrument issued or guaranteed by the Bank (including the guarantee thereof), which instrument or guarantee, respectively, ranks *pari passu* with the Preferred Securities upon the insolvency of the Bank;

**Paying and Conversion Agents** means the Principal Paying Agent and any other paying and conversion agent appointed in accordance with the Agency Agreement and includes any successors thereto appointed from time to time in accordance with the Agency Agreement;

**Payment Business Day** means a T2 Business Day and, in the case of Preferred Securities in definitive form only, a day on which commercial banks and foreign exchange markets settle payments and are open for general business (including dealing in foreign exchange and foreign currency deposits) in the relevant place of presentation;

**Preferred Securities** means these Series 11 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities issued by the Bank on the Closing Date;

**Prevailing Rate** means, in respect of any currencies on any day, the spot rate of exchange between the relevant currencies prevailing as at 12 noon (London time) on that date as appearing on or derived from the Reference Page or, if such a rate cannot be determined at such time, the rate prevailing as at 12 noon (London time) on the immediately preceding day on which such rate can be so determined or, if such rate cannot be so determined by reference

to the Reference Page, the rate determined in such other manner as an Independent Adviser in good faith shall prescribe;

**Principal Paying Agent** means Deutsche Bank AG, London Branch (or any successor Principal Paying Agent appointed by the Bank from time to time and notice of whose appointment is published in the manner specified in Condition 13);

**Qualifying Preferred Securities** has the meaning given in Condition 11.2;

**RD 1012/2015** means Royal Decree 1012/2015 of 6th November by virtue of which Law 11/2015 is developed and Royal Decree 2606/1996 of 20th December on credit entities' deposit guarantee fund is amended (*Real Decreto 1012/2015, de 6 de noviembre, por el que se desarrolla la Ley 11/2015, de 18 de junio, de recuperación y resolución de entidades de crédito y empresas de servicios de inversión, y por el que se modifica el Real Decreto 2606/1996, de 20 de diciembre, sobre fondos de garantía de depósitos de entidades de crédito*), as amended, replaced or supplemented from time to time;

**RD 1065/2007** means Royal Decree 1065/2007 of 27th July, as amended by Royal Decree 1145/2011 of 29th July, as amended, replaced or supplemented from time to time;

**Recognised Stock Exchange** means an organised, regularly operating, recognised stock exchange or securities market;

**Redemption Price** means, per Preferred Security, the Liquidation Preference plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date fixed for redemption of the Preferred Securities;

**Reference Banks** means 5 leading swap dealers in the Eurozone interbank market as selected by the Bank;

**Reference Date** means, in relation to a Retroactive Adjustment, the date as of which the relevant Retroactive Adjustment takes effect or, in any such case, if that is not a Dealing Day, the next following Dealing Day;

**Reference Market Price** means, in respect of a Common Share at a particular date, the arithmetic mean of the Closing Price per Common Share on each of the 5 consecutive Dealing Days on which such Closing Price is available ending on the Dealing day immediately preceding such date, rounding the resulting figure to the nearest cent (half a cent being rounded upwards);

**Reference Page** means the relevant page on Bloomberg or Reuters or such other information service provider that displays the relevant information;

**Regulated Entity** means any entity eligible for resolution under the laws of Spain;

**Regulator** means the European Central Bank, *Banco de España* or the Relevant Spanish Resolution Authority, as applicable, or such other or successor authority having primary bank supervisory authority with respect to prudential matters or the exercise of resolution powers in relation to the Bank and/or the Group;

**Relevant Spanish Resolution Authority** means the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*), the Single Resolution Board, the Bank of Spain, the CNMV or any other entity with the authority to exercise any of the resolution tools and powers contained in the Applicable Banking Regulations;

**Relevant Nominating Body** means, in respect of a benchmark or screen rate (as applicable):

- (A) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or
- (B) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities, or (d) the Financial Stability Board or any part thereof;

**Relevant Stock Exchange** means the Spanish Stock Exchanges or, if at the relevant time the Common Shares are not at that time listed and admitted to trading on the Spanish Stock Exchanges, the principal stock exchange or securities market on which the Common Shares are then listed, admitted to trading, quoted or accepted for dealing;

**Representative Amount** means an amount that is representative for a single transaction in the relevant market at the relevant time with an acknowledged dealer of good credit in the swap market;

**Reset Date** means the First Reset Date and every fifth anniversary thereof;

**Reset Determination Date** means, in relation to each Reset Date, the second Business Day immediately preceding such Reset Date;

**Reset Period** means the period from (and including) a Reset Date to (but excluding) the next succeeding Reset Date;

**Reset Reference Bank Rate** means, in relation to a Reset Date and the Reset Period commencing on that Reset Date, the percentage determined on the basis of the arithmetic mean of the 5-year Mid-Swap Rate Quotations provided by the Reference Banks at approximately 11.00 a.m. (Central European Time) on the Reset Determination Date for such Reset Date. The Bank will request the principal office of each Reference Bank to provide a quotation of its rate. If three or more quotations are provided, the Reset Reference Bank Rate for such Reset Period will be the percentage reflecting the arithmetic mean of the quotations, eliminating the highest quotation (or, in the event of equality, one of the highest) and the lowest quotation (or, in the event of equality, one of the lowest). If only two quotations are provided, it will be the arithmetic mean of the quotations provided. If only one quotation is provided, it will be the quotation provided. If no quotations are provided, the Reset Reference Bank Rate for the Reset Period will be (i) in the case of each Reset Period other than the Reset Period commencing on the First Reset Date, the 5-year Mid-Swap Rate in respect of the immediately preceding Reset Period or (ii) in the case of the Reset Period commencing on the First Reset Date, 3.129 per cent. per annum;

**Retroactive Adjustment** has the meaning given in Condition 6.5;

**Risk Weighted Assets Amount** means at any time, with respect to the Bank or the Group, as the case may be, the aggregate amount (in the Accounting Currency) of the risk weighted assets of the Bank or the Group, respectively, calculated in accordance with CRR and/or Applicable Banking Regulations at such time;

**Scheme of Arrangement** has the meaning given in the definition of “Newco Scheme”;

**Screen Page** means the display page on the relevant Reuters information service designated as the “ICESWAP2” page, or such other page as may replace that page on that information service, or on such other equivalent information service as may be nominated by the person providing or sponsoring such information, for the purpose of displaying equivalent or comparable rates to the 5-year Mid-Swap Rate;

**Securities** means any securities including, without limitation, shares in the capital of the Bank, or options, warrants or other rights to subscribe for or purchase or acquire shares in the capital of the Bank;

**Selling Agent** has the meaning given in Condition 6.10;

**Settlement Shares Depository** means a reputable financial institution, trust company or similar entity (which could be the Bank) appointed by the Bank on or prior to any date when a function ascribed to the Settlement Shares Depository in these Conditions is required to be performed, to perform such functions and who will hold Conversion Shares in Iberclear or any of its participating entities in a designated custody account for the benefit of the Holders and otherwise on terms consistent with these Conditions;

**Share Currency** means euro or such other currency in which the Common Shares are quoted or dealt in on the Relevant Stock Exchange at the relevant time or for the purposes of the relevant calculation or determination;

**Shareholders** means the holders of Common Shares meaning the persons in whose names the relevant Common Shares are for the time being registered in the Spanish Central Registry or, as the case may be, the relevant Iberclear Member accounting book (or, in the case of a joint holding, the first such named holder);

**Spanish Central Registry** means the central registry of the Spanish clearance and settlement system managed by Iberclear;

**Spanish Corporations Law** means the consolidated text of the Corporate Enterprises Act (*Ley de Sociedades de Capital*), approved by the Royal Legislative Decree 1/2010, of 2nd July, as amended from time to time;

**Spanish Statutory Loss-Absorption Powers** means any write-down, conversion, transfer, modification, cancellation, or suspension power existing from time to time under, and exercised in compliance with, any laws, regulations, rules or requirements in effect in Spain, relating to the recovery and resolution of credit entities and/or transposition of the BRRD, including, but not limited to (i) Law 11/2015, (ii) RD 1012/2015, (iii) SRM Regulation, and (iv) any other instruments, rules or standards made or implemented in connection with either (i), (ii), (iii) or the BRRD, pursuant to which any obligation of a Regulated Entity (or other affiliate of such Regulated Entity) can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such Regulated Entity or any other person (or suspended for a temporary period);

**Spanish Stock Exchanges** means the Madrid, Barcelona, Bilbao and Valencia stock exchanges and the Automated Quotation System – Continuous Market (*SIBE – Sistema de Interconexión Bursátil Español – Mercado Continuo*);

**Spin-Off** means:

- (a) a distribution of Spin-Off Securities by the Bank to Shareholders as a class; or
- (b) any issue, transfer or delivery of any property or assets (including cash or shares or other securities of or in or issued or allotted by any entity) by any entity (other than

the Bank) to Shareholders as a class or, in the case of or in connection with a Newco Scheme, Existing Shareholders as a class (but excluding the issue and allotment of ordinary shares (or depositary or other receipts or certificates representing such ordinary shares) by Newco to Existing Shareholders as a class), pursuant in each case to any arrangements with the Bank or any member of the Group;

**Spin-Off Securities** means equity share capital of an entity other than the Bank or options, warrants or other rights to subscribe for or purchase equity share capital of an entity other than the Bank;

**SRM Regulation** means Regulation (EU) No. 806/2014 of the European Parliament and the Council of 15th July, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No. 1093/2010, as amended or replaced from time to time;

**SSM Regulation** means Council Regulation (EU) No. 1024/2013 of 15th October, 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, as amended or replaced from time to time, including as amended by Regulation (EU) No. 877/2019 of the European Parliament and Council of 20th May, 2019;

**Subsidiary** means any entity over which the Bank may have, directly or indirectly, control in accordance with Article 42 of the Spanish Commercial Code (*Código de Comercio*) or Applicable Banking Regulations;

**Successor Rate** means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body;

**T2 Business Day** means any day on which the Trans-European Automated Real Time Gross Settlement Express Transfer System or any successor or replacement for that system is open;

**Tax Event** means that as a result of any change in, or amendment to, the laws or regulations applicable in Spain or any change in the application or binding official interpretation or administration of any such laws or regulations, which change or amendment, or change in the application or binding official interpretation or administration, becomes effective on or after the Closing Date (a) the Bank would not be entitled to claim a deduction in computing its taxation liabilities in Spain in respect of any Distribution to be made on the next Distribution Payment Date or the value of such deduction to the Bank would be materially reduced, or (b) the Bank would be required to pay additional amounts pursuant to Condition 12 below, or (c) the applicable tax treatment of the Preferred Securities would be materially affected;

**Tier 1 Capital** means at any time, with respect to the Bank or the Group, as the case may be, the Tier 1 capital (*capital de nivel 1*) of the Bank or the Group, respectively, as calculated by the Bank in accordance with Chapters 1, 2 and 3 (Tier 1 capital, Common Equity Tier 1 capital and Additional Tier 1 capital) of Title I (Elements of Own Funds) of Part Two (Own Funds and Eligible Liabilities) of the CRR and/or Applicable Banking Regulations at such time, including any applicable transitional, phasing in or similar provisions;

**Tier 2 Capital** means Tier 2 capital (*capital de nivel 2*) as provided under Applicable Banking Regulations;

**Tier 2 Instrument** means any instrument of the Bank qualifying as Tier 2 Capital, in whole or in part;

**Trigger Conversion** has the meaning given in Condition 6.1;

**Trigger Event** means if, at any time, the CET1 ratio is less than 5.125 per cent. as determined by the Bank;

**Trigger Event Notice** has the meaning given in Condition 6.1;

**Trigger Event Notice Date** means the date on which a Trigger Event Notice is given in accordance with Condition 6.1;

**Volume Weighted Average Price** means, in respect of a Common Share, Security or, as the case may be, a Spin-Off Security on any Dealing Day, the order book volume-weighted average price of a Common Share, Security or, as the case may be, a Spin-Off Security published by or derived (in the case of an Common Share) from the Reference Page or (in the case of a Security (other than Common Shares) or Spin-Off Security) from the principal stock exchange or securities market on which such Securities or Spin-Off Securities are then listed or quoted or dealt in, if any or, in any such case, such other source as shall be determined in good faith to be appropriate by an Independent Adviser on such Dealing Day, provided that if on any such Dealing Day such price is not available or cannot otherwise be determined as provided above, the Volume Weighted Average Price of a Common Share, Security or a Spin-Off Security, as the case may be, in respect of such Dealing Day shall be the Volume Weighted Average Price, determined as provided above, on the immediately preceding Dealing Day on which the same can be so determined or as an Independent Adviser might otherwise determine in good faith to be appropriate;

**Voting Rights** means the right generally to vote at a general meeting of Shareholders of the Bank (irrespective of whether or not, at the time, stock of any other class or classes shall have, or might have, voting power by reason of the happening of any contingency); and

**Waived Set-Off Rights** means any and all rights or claims of any holder of a Preferred Security against the Bank for deduction, set-off, netting, compensation, retention or counterclaim arising directly or indirectly under or in connection with any Preferred Security.

- 1.2 References to any act or statute or any provision of any act or statute shall be deemed also to refer to any statutory modification or re-enactment thereof or any statutory instrument, order or regulation made thereunder or in accordance therewith or under or in accordance with such modification or re-enactment.
- 1.3 References to any issue or offer or grant to Shareholders or Existing Shareholders **as a class** or **by way of rights** shall be taken to be references to an issue or offer or grant to all or substantially all Shareholders or Existing Shareholders, as the case may be, other than Shareholders or Existing Shareholders, as the case may be, to whom, by reason of the laws of any territory or requirements of any recognised regulatory body or any other stock exchange or securities market in any territory or in connection with fractional entitlements, it is determined not to make such issue or offer or grant.
- 1.4 In making any calculation or determination of Reference Market Price, Current Market Price or Volume Weighted Average Price, such adjustments (if any) shall be made as an Independent Adviser determines in good faith appropriate to reflect any consolidation or subdivision of the Common Shares or any issue of Common Shares by way of capitalisation of profits or reserves, or any like or similar event.
- 1.5 For the purposes of Condition 6.4 only (a) references to the **issue** of Common Shares or Common Shares being **issued** shall, if not otherwise expressly specified in these Conditions, include the transfer and/or delivery of Common Shares, whether newly issued and allotted or previously existing or held by or on behalf of the Bank or any member of the Group, and (b) Common Shares held by or on behalf of the Bank or any member of the Group (and which, in the case of Conditions 6.4.4 and 6.4.6, do not rank for the relevant right or other entitlement)



shall not be considered as or treated as in issue or issued or entitled to receive any Dividend, right or other entitlement.

## **2. Form**

The Preferred Securities will be issued in bearer form.

*It is intended that a global Preferred Security representing the Preferred Securities will be delivered by the Bank to a common depositary for the European Clearing Systems. As a result, accountholders should note that they will not themselves receive definitive Preferred Securities but instead Preferred Securities will be credited to their securities account with the relevant European Clearing System. It is anticipated that only in exceptional circumstances (such as the closure of the European Clearing Systems, the non-availability of any alternative or successor clearing system, removal of the Preferred Securities from the European Clearing Systems or failure to comply with the terms and conditions of the Preferred Securities by the Bank) will definitive Preferred Securities be issued directly to such accountholders.*

## **3. Status and Waived Set-Off Rights**

3.1 The obligations of the Bank under the Preferred Securities are subject to, and may be limited by, the exercise of any Spanish Statutory Loss-Absorption Powers.

3.2 Unless previously converted into Common Shares pursuant to Condition 6, the obligations of the Bank under the Preferred Securities constitute direct, unconditional, unsecured and subordinated obligations of the Bank and, in the case of insolvency (*concurso de acreedores*) of the Bank, in accordance with Article 281.1 of the Insolvency Law and Additional Provision 14.3 of Law 11/2015 but only to the extent permitted by the Insolvency Law (as amended, replaced or supplemented from time to time) or any other applicable laws relating to or affecting the enforcement of creditors' rights in Spain and subject to any other ranking that may apply as a result of any mandatory provision of law (or otherwise), for so long as the Preferred Securities constitute an Additional Tier 1 Instrument of the Bank, rank:

3.2.1 junior to (A) any claim in respect of any unsubordinated obligations of the Bank (including where the relevant claim subsequently becomes subordinated pursuant to Article 281.1.1° of the Insolvency Law), and (B) any claim in respect of any other subordinated obligations of the Bank, present and future, other than under any outstanding Additional Tier 1 Instrument of the Bank (other than, to the extent permitted by law, any Parity Securities, whether so ranking by law or their terms);

3.2.2 *pari passu* with each other and with all other claims in respect of contractually subordinated obligations of the Bank under any outstanding Additional Tier 1 Instruments, present and future (and, to the extent permitted by law, *pari passu* with any other Parity Securities, whether so ranking by law or their terms); and

3.2.3 senior to the Common Shares or any other subordinated obligations of the Bank which by law rank junior to the Preferred Securities (including, to the extent permitted by law, any contractually subordinated obligations of the Bank expressed by their terms to rank junior to the Preferred Securities).

*See "Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Preferred Securities – The Preferred Securities may be subject to the exercise of the Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority. Other powers contained in Law 11/2015 and the SRM Regulation could materially affect the rights of the Holders of the Preferred Securities under, and the value of, any Preferred Securities" and "Capital Adequacy, Regulatory Framework and Capitalisation of the Group – Regulatory Framework – Resolution".*

- 3.3 No holder of the Preferred Securities may at any time exercise or claim any Waived Set-Off Rights against any right, claim or liability of the Bank or that the Bank may have or acquire against such holder, directly or indirectly and howsoever arising (and including all such rights, claims and liabilities (including any non-contractual obligations) arising under or in relation to any and all agreements or other instruments of any kind, whether or not relating to such Preferred Security) and each holder of any Preferred Security shall be deemed to have waived all Waived-Set-Off Rights to the fullest extent permitted by applicable law in relation to all such actual and potential rights, claims and liabilities. Notwithstanding the preceding sentence, if any amount payable by the Bank in respect of, or arising under or in connection with, any Preferred Security to any holder of such Preferred Security is discharged by set-off or netting, such holder shall, subject to applicable law, immediately pay an amount equal to the amount of such discharge to the Bank and, until such time as payment is made, shall hold an amount equal to such amount in trust for the Bank and, accordingly, any such discharge shall be deemed not to have taken place.

Nothing in this Condition 3.3 is intended to provide, or shall be construed as acknowledging, any Waived Set-Off Rights or that any such Waived Set-Off Right is or would be available to any holder of any Preferred Security but for this Condition 3.3.

#### **4. Distributions**

- 4.1 The Preferred Securities accrue Distributions:

- 4.1.1 in respect of the period from (and including) the Closing Date to (but excluding) the First Reset Date at the rate of 8.375 per cent. per annum; and
- 4.1.2 in respect of each Reset Period, at the rate per annum equal to the aggregate of the Initial Margin and the 5-year Mid-Swap Rate (quoted on an annual basis) for such Reset Period, converted to a quarterly rate in accordance with market convention (rounded to four decimal places, with 0.00005 rounded down), all as determined by the Agent Bank on the relevant Reset Determination Date.

Subject as provided in Conditions 4.3, 4.4 and 4.5 below, such Distributions will be payable quarterly in arrear on each Distribution Payment Date.

If a Distribution is required to be paid in respect of a Preferred Security on any other date, it shall be calculated by the Agent Bank by applying the Distribution Rate to the Liquidation Preference in respect of each Preferred Security, multiplying the product by (a) the actual number of days in the period from (and including) the date from which Distributions began to accrue (the **Accrual Date**) to (but excluding) the date on which Distributions fall due divided by (b) the actual number of days from (and including) the Accrual Date to (but excluding) the next following Distribution Payment Date multiplied by four, and rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

- 4.2 The Bank will be discharged from its obligations to pay Distributions on the Preferred Securities by payment to the Principal Paying Agent for the account of the Holders on the relevant Distribution Payment Date. Subject to any applicable fiscal or other laws and regulations, each such payment in respect of the Preferred Securities will be made in euro by transfer to an account capable of receiving euro payments, as directed by the Principal Paying Agent.

If any date on which any payment is due to be made on the Preferred Securities would otherwise fall on a date which is not a Payment Business Day, the payment will be postponed to the next Payment Business Day and the Holder shall not be entitled to any interest or other payment in respect of any such delay.

- 4.3 The Bank may elect, in its sole and absolute discretion, to cancel the payment of any Distribution in whole or in part at any time and for any (or no) reason.
- 4.4 Payments of Distributions in any financial year of the Bank shall be made only out of Distributable Items of the Bank.

To the extent that (i) the Bank has insufficient Distributable Items to make Distributions on the Preferred Securities scheduled for payment in the then current financial year and any interest payments or distributions that have been paid or made or are scheduled or required to be paid or made out of Distributable Items of the Bank in the then current financial year, in each case excluding any portion of such payments already accounted for in determining the Distributable Items of the Bank, and/or (ii) the Regulator, in accordance with Article 68 of Law 10/2014 and/or Article 16 of the SSM Regulation and/or with Applicable Banking Regulations then in force, requires the Bank to cancel the relevant Distribution in whole or in part, then the Bank will, without prejudice to the right above to cancel the payment of all such Distributions on the Preferred Securities, make partial or, as the case may be, no payment of the relevant Distribution on the Preferred Securities.

- 4.5 No payments will be made on the Preferred Securities (whether by way of a repayment of the Liquidation Preference, the payment of any Distribution or otherwise) if and to the extent that such payment would cause a breach of any regulatory restriction or prohibition on payments on Additional Tier 1 Instruments pursuant to Applicable Banking Regulations (including, without limitation, any such restriction or prohibition relating to any MDA or MREL-MDA applicable to the Bank and/or the Group).
- 4.6 Distributions on the Preferred Securities will be non-cumulative. Accordingly, if any Distribution (or part thereof) is not made in respect of the Preferred Securities as a result of any election of the Bank to cancel such Distribution pursuant to Condition 4.3 above or the limitations on payment set out in Conditions 4.4 and 4.5 above, then the right of the Holders to receive the relevant Distribution (or part thereof) in respect of the relevant Distribution Period will be extinguished and the Bank will have no obligation to pay such Distribution (or part thereof) accrued for such Distribution Period or to pay any interest thereon, whether or not Distributions on the Preferred Securities are paid in respect of any future Distribution Period.
- 4.7 No such election to cancel the payment of any Distribution (or part thereof) pursuant to Condition 4.3 above or non-payment of any Distribution (or part thereof) as a result of the limitations on payment set out in Conditions 4.4 and 4.5 above will constitute (i) an event of default, (ii) any breach of any obligation of the Bank under the Preferred Securities or (iii) the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank or in any way limit or restrict the Bank from making any distribution or equivalent payment in connection with any instrument ranking junior to the Preferred Securities (including, without limitation, any CET1 Capital of the Bank or the Group) or in respect of any other Parity Security or other Securities, except to the extent Applicable Banking Regulations otherwise provide.

If the Bank does not pay a Distribution or part thereof on the relevant Distribution Payment Date, such non-payment shall evidence the cancellation of such Distribution (or relevant part thereof) in accordance with this Condition 4 or, as appropriate, the Bank's exercise of its discretion to cancel such Distribution (or relevant part thereof) in accordance with this Condition 4, and accordingly, such Distribution shall not in any such case be due and payable.

- 4.8 Save as described in this Condition 4, the Preferred Securities will confer no right to participate in the profits of the Bank.

- 4.9 Payments in respect of the Preferred Securities will be subject in all cases to (i) any fiscal or other laws and regulations applicable thereto in the place of payment, but without prejudice to the provisions of Condition 12 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (the **Code**) or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 12) any law implementing an intergovernmental approach thereto.
- 4.10 All references in these Conditions to Distributions shall be deemed to include, as applicable, any additional amounts payable pursuant to Condition 12 in respect thereof, including the automatic application of the same restrictions as to payment and considerations relating to cancellation as may apply to the corresponding Distribution.
- 4.11 The Agent Bank will, at or as soon as practicable after the relevant time on each Reset Determination Date at which the Distribution Rate is to be determined, determine the Distribution Rate for the relevant Reset Period. The Agent Bank will cause the Distribution Rate for each Reset Period to be notified to the Bank and any stock exchange or other relevant authority on which the Preferred Securities are for the time being listed or by which they have been admitted to listing and notice thereof to be published in accordance with Condition 13 as soon as possible after its determination but in no event later than the fourth Business Day after each Reset Determination Date.
- 4.12 All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 4 by the Agent Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on the Bank, the Principal Paying Agent, the Agent Bank, the other Paying and Conversion Agents and all Holders and (in the absence of wilful default, bad faith or manifest error) no liability to the Bank or the Holders shall attach to the Agent Bank in connection with the exercise or non-exercise by it of its powers, duties and discretions pursuant to such provisions.
- 4.13 By its acquisition of the Preferred Securities, each Holder (which for these purposes includes each holder of a beneficial interest in the Preferred Securities) will be deemed to have expressly consented to the application of the provisions of this Condition 4.13. Without any requirement for any further consent or approval of the Holders (whether pursuant to Condition 11 or otherwise) and notwithstanding the other provisions in this Condition 4, if the Bank or the Benchmark Calculation Agent (in consultation with the Bank, where the Benchmark Calculation Agent is a party other than the Bank, or, if the Benchmark Calculation Agent deems it appropriate, an Independent Adviser) determines that a Benchmark Event has occurred in relation to the Original Reference Rate when any Distribution Rate (or any component part thereof) remains to be determined by reference to the Original Reference Rate, then the following provisions of this Condition 4.13 shall apply.

(a) *Successor Rate or Alternative Rate*

If the Benchmark Calculation Agent, acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its sole discretion that:

- (A) there is a Successor Rate, then such Successor Rate shall (subject to adjustment as provided in Condition 4.13(b)) subsequently be used in place of the Original Reference Rate to determine the relevant Distribution Rate (or the relevant component part thereof) for all relevant future Distributions (subject to the further operation of this Condition 4.13); or

- (B) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate shall (subject to adjustment as provided in Condition 4.13(b)) subsequently be used in place of the Original Reference Rate to determine the relevant Distribution Rate (or the relevant component part thereof) for all relevant future Distributions (subject to the further operation of this Condition 4.13).

(b) *Adjustment Spread*

If the Benchmark Calculation Agent, acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its sole discretion that an Adjustment Spread is required to be applied to the Successor Rate or the Alternative Rate (as the case may be), then the Benchmark Calculation Agent shall, if necessary, calculate such Adjustment Spread and apply such Adjustment Spread to the Successor Rate or the Alternative Rate (as the case may be) for each subsequent determination of a relevant Distribution Rate (or a component part thereof) by reference to such Successor Rate or Alternative Rate (as applicable).

(c) *Benchmark Amendments*

If any Successor Rate, Alternative Rate or Adjustment Spread is determined in accordance with this Condition 4.13 and the Benchmark Calculation Agent, acting in good faith and in a commercially reasonable manner, and by reference to such sources as it deems appropriate, which may include consultation with an Independent Adviser, determines in its sole discretion (A) that amendments to these Conditions and/or the Agency Agreement are necessary to ensure the proper operation of such Successor Rate, Alternative Rate and/or Adjustment Spread (such amendments, the Benchmark Amendments) and (B) the terms of the Benchmark Amendments, then the Bank and the Agent Bank and/or the Benchmark Calculation Agent, as applicable, shall, subject to giving notice thereof in accordance with Condition 4.13(e), without any requirement for the consent or approval of Holders (whether pursuant to Condition 11 or otherwise), agree to the necessary modifications to these Conditions and/or the Agency Agreement to give effect to such Benchmark Amendments with effect from the date specified in such notice.

In connection with any such modifications in accordance with this Condition 4.13(c), the Bank shall comply with the rules of any stock exchange on which the Preferred Securities are for the time being listed or admitted to trading. Notwithstanding any other provision of this Condition 4.13, no Successor Rate, Alternative Rate or Adjustment Spread will be adopted, nor will any other amendment to the Conditions be made to effect the Benchmark Amendments, if and to the extent that, in the determination of the Bank, the same could reasonably be expected to prejudice the treatment of the Preferred Securities as the Group's or the Bank's Tier 1 Capital.

(d) *Benchmark Calculation Agent and any Independent Adviser*

In the event the Benchmark Calculation Agent determines it appropriate, in its sole discretion, to consult with an Independent Adviser in connection with any determination to be made by the Benchmark Calculation Agent pursuant to this Condition 4.13, the Bank shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, for the purposes of any such consultation.

An Independent Adviser appointed pursuant to this Condition 4.13 shall act in good faith in a commercially reasonable manner but shall have no relationship of agency or

trust with the Holders and (in the absence of fraud) shall have no liability whatsoever to the Benchmark Calculation Agent or the Holders for any determination made by it or for any advice given to the Benchmark Calculation Agent in connection with any determination made by the Benchmark Calculation Agent pursuant to this Condition 4.13 or otherwise in connection with the Preferred Securities.

If the Benchmark Calculation Agent consults with an Independent Adviser as to the occurrence of any Benchmark Event and/or whether there is a Successor Rate or an Alternative Rate and/or any Adjustment Spread is required to be applied and/or in relation to the quantum of, or any formula or methodology for determining such Adjustment Spread and/or whether any Benchmark Amendments are necessary and/or in relation to the terms of any such Benchmark Amendments, a written determination of that Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error, and (in the absence of fraud) the Benchmark Calculation Agent shall have no liability whatsoever to any Holders in respect of anything done, or omitted to be done, in relation to that matter in accordance with any such written determination or otherwise in connection with the Preferred Securities.

(e) *Notice*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments, determined under this Condition 4.13 will be notified promptly by the Bank to the Agents and, in accordance with Condition 13, the Holders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

(f) *Survival of Original Reference Rate Provisions*

Without prejudice to the obligations of the Benchmark Calculation Agent and the Bank under this Condition 4.13, the Original Reference Rate and the fallback provisions otherwise provided for in these Conditions will continue to apply unless and until the Benchmark Calculation Agent has determined the Successor Rate or the Alternative Rate (as the case may be), and any Adjustment Spread and Benchmark Amendments, in accordance with the relevant provisions of this Condition 4.13.

(g) Notwithstanding any other provision of Condition 4.13, the Agent Bank shall not be obliged to concur with the Bank in respect of any Benchmark Amendments which, in the reasonable opinion of the Agent Bank would have the effect of increasing the obligations or duties, or decreasing the rights or protections, of the Agent Bank in the Agency Agreement and/or those contained herein.

(h) Notwithstanding any provision of these Conditions, if in the sole opinion of the Agent Bank, there is any uncertainty between two or more alternative courses of action in making any determination or calculation provided for by the terms of a Benchmark Amendment, the Agent Bank shall promptly notify the Bank thereof and the Bank shall following consultation with the Benchmark Calculation Agent direct the Agent Bank in writing as to which alternative course of action to adopt. If the Agent Bank is not promptly provided with such direction or is otherwise unable (other than due to its own gross negligence, wilful default or fraud) to make such calculation or determination for any reason, it shall notify the Bank thereof and the Agent Bank shall be under no obligation to make such calculation or determination and (in the absence of such gross negligence, wilful default or fraud) shall not incur any liability for not doing so.

## 5. Liquidation Distribution

- 5.1 Subject as provided in Condition 5.2 below, in the event of any voluntary or involuntary liquidation or winding-up of the Bank, the Preferred Securities (unless previously converted into Common Shares pursuant to Condition 6 below) will confer an entitlement to receive out of the assets of the Bank available for distribution to Holders, the Liquidation Distribution. Such entitlement will arise before any distribution of assets is made to holders of Common Shares or any other instrument of the Bank ranking junior to the Preferred Securities.
- 5.2 If, before such liquidation or winding-up of the Bank described in Condition 5.1, a Conversion Event occurs but the relevant conversion of the Preferred Securities into Common Shares pursuant to Condition 6 below is still to take place at such time, the entitlement conferred by the Preferred Securities for the purposes of Condition 5.1 will be an entitlement to receive out of the relevant assets of the Bank a monetary amount equal to that which holders of such Preferred Securities would have received on any distribution of the assets of the Bank if such conversion had taken place immediately prior to such liquidation or winding-up or otherwise in accordance with applicable law at such time.
- 5.3 After payment of the relevant entitlement in respect of a Preferred Security as described in Conditions 5.1 and 5.2, such Preferred Security will confer no further right or claim to any of the remaining assets of the Bank.

## 6. Conversion

- 6.1 If the Trigger Event occurs at any time on or after the Closing Date, then the Bank will:
- (a) notify the Regulator and Holders in accordance with Condition 13 below or otherwise with the rules and regulations of any applicable stock exchange or other relevant authority (together, a **Trigger Event Notice**);
  - (b) not make any further Distribution on the Preferred Securities, including any accrued and unpaid Distributions, which shall be cancelled by the Bank in accordance with Condition 4 above; and
  - (c) irrevocably and mandatorily (and without any requirement for the consent or approval of Holders) convert all the Preferred Securities into Common Shares (a **Trigger Conversion**) to be delivered on the relevant Conversion Settlement Date.

The Bank shall further notify Holders of the expected Conversion Settlement Date and of the Conversion Price in accordance with Condition 13 not more than 10 Business Days following the Trigger Event Notice Date.

Any failure by the Bank to give a Trigger Event Notice or otherwise notify the Holders as provided in this Condition 6.1 will not in any way impact on the effectiveness of, or otherwise invalidate, any Trigger Conversion or give Holders any rights as a result of such failure.

Holders shall have no claim against the Bank in respect of (i) any Liquidation Preference of Preferred Securities converted into Common Shares or (ii) any accrued and unpaid Distributions cancelled or otherwise unpaid, in each case pursuant to any Trigger Conversion.

A Trigger Event will not constitute (i) an event of default, (ii) any breach of any obligation of the Bank under the Preferred Securities or (iii) the occurrence of any event related to the insolvency of the Bank or entitle Holders to take any action to cause the liquidation, dissolution or winding up of the Bank.

For the purposes of determining whether the Trigger Event has occurred, the Bank will (i) calculate the CET1 ratio based on information (whether or not published) available to management of the Bank, including information internally reported within the Bank pursuant to its procedures for ensuring effective ongoing monitoring of the capital ratios of the Bank and the Group and (ii) calculate and publish the CET1 ratio on at least a quarterly basis. The Bank's calculation shall be binding on the Holders.

6.2 Subject as provided in Condition 7.7 below, if a Capital Reduction occurs at any time on or after the Closing Date, then the Bank will:

- (a) notify the Regulator and Holders in accordance with Condition 13 below or otherwise with the rules and regulations of any applicable stock exchange or other relevant authority (together, a **Capital Reduction Notice**); and
- (b) subject as provided below, irrevocably and mandatorily (and without any requirement for the consent or approval of Holders) convert all the Preferred Securities into Common Shares (a **Capital Reduction Conversion**) to be delivered on the relevant Conversion Settlement Date and on such Conversion Settlement Date pay to the Holders, as applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the Conversion Settlement Date.

Holders shall have no claim against the Bank in respect of any Liquidation Preference of Preferred Securities converted into Common Shares pursuant to any Capital Reduction Conversion.

Notwithstanding the foregoing provisions of this Condition 6.2, if the Bank gives a Capital Reduction Notice, each Holder will have the right to elect that its Preferred Securities shall not be converted in accordance with this Condition 6.2, in which case the Preferred Securities of such Holder shall remain outstanding and no payment of any accrued and unpaid Distributions on such Preferred Securities shall be made to that Holder pursuant to subparagraph (b) above (although without prejudice to any future payment of such Distributions or any other Distributions that may accrue in respect of those Preferred Securities pursuant to Condition 4). To exercise such right, a Holder must complete, sign and deposit at the specified office of any Paying and Conversion Agent a duly completed and signed notice of election (an **Election Notice**), in the form for the time being current, obtainable from the specified office of any Paying and Conversion Agent together with the relevant Preferred Securities on or before the 10th Business Day immediately following the Capital Reduction Notice Date (the period from (and including) the Capital Reduction Notice Date to (and including) such 10th Business Day, the **Election Period**). In the case of any Clearing System Preferred Securities, an Election Notice may be delivered within the Election Period by the Holder of such Clearing System Preferred Securities giving notice to the Principal Paying Agent of such election in accordance with the standard procedures of Euroclear and Clearstream, Luxembourg (which may include notice being given on such Holder's instruction by Euroclear or Clearstream, Luxembourg to the Principal Paying Agent by electronic means) in a form acceptable to Euroclear and Clearstream, Luxembourg from time to time.

Any Election Notice shall be irrevocable. Each Paying and Conversion Agent shall notify the Principal Paying Agent within two Business Days of the end of such Election Period of the Election Notices received during the Election Period and the Principal Paying Agent shall notify the Bank of the details of the relevant Holders that have duly submitted an Election Notice within the Election Period and the Preferred Securities of such Holders by no later than the immediately following Business Day.



Notwithstanding any of the above, any Preferred Securities that remain outstanding and are not converted pursuant to this Condition 6.2 may still be the subject of Conversion on the occurrence of the Trigger Event pursuant to Condition 6.1 above.

- 6.3 Subject as provided in the second paragraph of Condition 6.11, the number of Common Shares to be issued on Conversion in respect of each Preferred Security to be converted (the **Conversion Shares**) shall be determined by dividing the Liquidation Preference of such Preferred Security by the Conversion Price in effect on the Conversion Notice Date.

The obligation of the Bank to issue and deliver Conversion Shares to a Holder on the Conversion Settlement Date shall be satisfied by the delivery of the Conversion Shares to the Settlement Shares Depository on behalf of that Holder in accordance with Condition 6.10. Receipt of the Conversion Shares by the Settlement Shares Depository shall discharge the Bank's obligations in respect of the Preferred Securities converted (other than, where applicable, the Bank's obligation under Condition 6.2(b) to make payment of an amount equal to any accrued and unpaid Distributions, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4).

Holders shall have recourse to the Bank only for the issue and delivery of Conversion Shares pursuant to these Conditions and a Holder shall have no further recourse to the Bank following any such delivery to the Settlement Shares Depository. After the delivery of any Conversion Shares to the Settlement Shares Depository pursuant to these Conditions, the relevant Holders shall have recourse to the Settlement Shares Depository only and exclusively for the purposes of the delivery to them of such Conversion Shares or, in the circumstances described in Condition 6.10, any cash amounts to which such Holders are entitled under Condition 6.10.

If a Conversion Event occurs, the Preferred Securities will be converted in whole and not in part as provided in this Condition 6.

The Preferred Securities are not convertible into Common Shares at the option of Holders at any time and are not redeemable in cash as a result of a Conversion Event.

- 6.4 Upon the happening of any of the events described below, the Floor Price shall be adjusted as follows:

- 6.4.1 If and whenever there shall be a consolidation, reclassification/redesignation or subdivision affecting the number of Common Shares, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to such consolidation, reclassification/redesignation or subdivision by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Common Shares in issue immediately before such consolidation, reclassification/redesignation or subdivision, as the case may be; and
- B is the aggregate number of Common Shares in issue immediately after, and as a result of, such consolidation, reclassification/redesignation or subdivision, as the case may be.

Such adjustment shall become effective on the date the consolidation, reclassification/redesignation or subdivision, as the case may be, takes effect.

- 6.4.2 If and whenever the Bank shall issue any Common Shares credited as fully paid to Shareholders by way of capitalisation of profits or reserves (including any share premium account or capital redemption reserve) other than (i) where any such Common Shares are or are to be issued instead of the whole or part of a Dividend in cash which the Shareholders would or could otherwise have elected to receive, (ii) where the Shareholders may elect to receive a Dividend in cash in lieu of such Common Shares or (iii) where any such Common Shares are or are expressed to be issued in lieu of a Dividend (whether or not a cash Dividend equivalent or amount is announced or would otherwise be payable to Shareholders, whether at their election or otherwise), the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to such issue by the following fraction:

$$\frac{A}{B}$$

where:

- A is the aggregate number of Common Shares in issue immediately before such issue; and
- B is the aggregate number of Common Shares in issue immediately after such issue.

Such adjustment shall become effective on the date of issue of such Common Shares.

- 6.4.3 (a) If and whenever the Bank shall pay or make any Extraordinary Dividend to Shareholders, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Common Share on the Effective Date; and
- B is the portion of the Fair Market Value of the aggregate Extraordinary Dividend attributable to one Common Share, with such portion being determined by dividing the Fair Market Value of the aggregate Extraordinary Dividend by the number of Common Shares entitled to receive the relevant Dividend.

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Extraordinary Dividend can be determined.

**Effective Date** means, in respect of this Condition 6.4.3(a), the first date on which the Common Shares are traded ex-the relevant Cash Dividend on the Relevant Stock Exchange.

**Extraordinary Dividend** means any Cash Dividend which is expressly declared by the Bank to be a capital distribution, extraordinary dividend, extraordinary distribution, special dividend, special distribution or return of value to Shareholders or any analogous or similar term (including any

distribution made as a result of any Capital Reduction), in which case the Extraordinary Dividend shall be such Cash Dividend.

- (b) If and whenever the Bank shall pay or make any Non-Cash Dividend to Shareholders, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

A is the Current Market Price of one Common Share on the Effective Date; and

B is the portion of the Fair Market Value of the aggregate Non-Cash Dividend attributable to one Common Share, with such portion being determined by dividing the Fair Market Value of the aggregate Non-Cash Dividend by the number of Common Shares entitled to receive the relevant Non-Cash Dividend (or, in the case of a purchase, redemption or buy back of Common Shares or any depositary or other receipts or certificates representing Common Shares by or on behalf of the Bank or any member of the Group, by the number of Common Shares in issue immediately following such purchase, redemption or buy back, and treating as not being in issue any Common Shares, or any Common Shares represented by depositary or other receipts or certificates, purchased, redeemed or bought back).

Such adjustment shall become effective on the Effective Date or, if later, the first date upon which the Fair Market Value of the relevant Non-Cash Dividend is capable of being determined as provided herein.

Effective Date means, in respect of this Condition 6.4.3(b), the first date on which the Common Shares are traded ex-the relevant Dividend on the Relevant Stock Exchange or, in the case of a purchase, redemption or buy back of Common Shares or any depositary or other receipts or certificates representing Common Shares by or on behalf of the Bank or any member of the Group, the date on which such purchase, redemption or buy back is made (or, in any such case if later, the first date upon which the Fair Market Value of the relevant Dividend is capable of being determined as provided herein) or in the case of a Spin-Off, the first date on which the Common Shares are traded ex-the relevant Spin-Off on the Relevant Stock Exchange.

- (c) For the purposes of the above, Fair Market Value shall (subject as provided in paragraph (a) of the definition of "Dividend" and in the definition of "Fair Market Value") be determined as at the Effective Date.
- (d) In making any calculations for the purposes of this Condition 6.4.3, such adjustments (if any) shall be made as an Independent Adviser may determine in good faith to be appropriate to reflect (i) any consolidation or sub-division of any Common Shares or (ii) the issue of Common Shares by way of capitalisation of profits or reserves (or any like or similar event) or (iii) any increase in the number of Common Shares in issue in the Relevant Year in question.

- 6.4.4 If and whenever the Bank shall issue Common Shares to Shareholders as a class by way of rights, or the Bank or any member of the Group or (at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity shall issue or grant to Shareholders as a class by way of rights, any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Common Shares, or any Securities which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or the right to acquire, any Common Shares (or shall grant any such rights in respect of existing Securities so issued), in each case at a price per Common Share which is less than 95 per cent. of the Current Market Price per Common Share on the Effective Date, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Common Shares in issue on the Effective Date;
- B is the number of Common Shares which the aggregate consideration (if any) receivable for the Common Shares issued by way of rights, or for the Securities issued by way of rights, or for the options or warrants or other rights issued or granted by way of rights and for the total number of Common Shares deliverable on the exercise thereof, would purchase at such Current Market Price per Common Share; and
- C is the number of Common Shares to be issued or, as the case may be, the maximum number of Common Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights or upon conversion or exchange or exercise of rights of subscription or purchase or other rights of acquisition in respect thereof at the initial conversion, exchange, subscription, purchase or acquisition price or rate,

provided that if at the Effective Date such number of Common Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of this Condition 6.4.4, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

**Effective Date** means, in respect of this Condition 6.4.4, the first date on which the Common Shares are traded ex-rights, ex-options or ex-warrants on the Relevant Stock Exchange.

- 6.4.5 If and whenever the Bank or any member of the Group or (at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity shall issue any Securities (other than Common Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire any Common Shares or Securities which by their terms carry (directly or indirectly) rights of conversion into, or exchange or subscription for, or rights to

otherwise acquire, Common Shares) to Shareholders as a class by way of rights or grant to Shareholders as a class by way of rights any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Securities (other than Common Shares or options, warrants or other rights to subscribe for or purchase or otherwise acquire Common Shares or Securities which by their term carry (directly or indirectly) rights of conversion into, or exchange or subscription for, rights to otherwise acquire, Common Shares), the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Common Share on the Effective Date; and
- B is the Fair Market Value on the Effective Date of the portion of the rights attributable to one Common Share.

Such adjustment shall become effective on the Effective Date.

**Effective Date** means, in respect of this Condition 6.4.5, the first date on which the Common Shares are traded ex-the relevant Securities or ex-rights, ex-option or ex-warrants on the Relevant Stock Exchange.

- 6.4.6 If and whenever the Bank shall issue (otherwise than as mentioned in Condition 6.4.4 above) wholly for cash or for no consideration any Common Shares (other than Common Shares issued on conversion of the Preferred Securities or on the exercise of any rights of conversion into, or exchange or subscription for or purchase of, or right to otherwise acquire Common Shares) or if and whenever the Bank or any member of the Group or (at the direction or request or pursuance to any arrangements with the Bank or any member of the Group) any other company, person or entity shall issue or grant (otherwise than as mentioned in Condition 6.4.4 above) wholly for cash or for no consideration any options, warrants or other rights to subscribe for or purchase or otherwise acquire any Common Shares (other than the Preferred Securities, which term shall for this purpose include any Further Preferred Securities), in each case at a price per Common Share which is less than 95 per cent. of the Current Market Price per Common Share on the date of the first public announcement of the terms of such issue or grant, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

- A is the number of Common Shares in issue immediately before the issue of such Common Shares or the grant of such options, warrants or rights;
- B is the number of Common Shares which the aggregate consideration (if any) receivable for the issue of such Common Shares or, as the case may be, for the Common Shares to be issued or otherwise made available upon the exercise of any such options, warrants or rights, would purchase at such Current Market Price per Common Share on the Effective Date; and

C is the number of Common Shares to be issued pursuant to such issue of such Common Shares or, as the case may be, the maximum number of Common Shares which may be issued upon exercise of such options, warrants or rights calculated as at the date of issue of such options, warrants or rights,

provided that if at the Effective Date such number of Common Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time, then for the purposes of Condition 6.4.6, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

**Effective Date** means, in respect of this Condition 6.4.6, the date of issue of such Common Shares or, as the case may be, the grant of such options, warrants or rights.

6.4.7 If and whenever the Bank or any member of the Group or (at the direction or request of or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity (otherwise than as mentioned in Conditions 6.4.4, 6.4.5 or 6.4.6 above) shall issue wholly for cash or for no consideration any Securities (other than the Preferred Securities, which term for this purpose shall include any Further Preferred Securities) which by their terms of issue carry (directly or indirectly) rights of conversion into, or exchange or subscription for, purchase of, or rights to otherwise acquire, Common Shares (or shall grant any such rights in respect of existing Securities so issued) or Securities which by their terms might be reclassified/redesignated as Common Shares, and the consideration per Common Share receivable upon conversion, exchange, subscription, purchase, acquisition or redesignation is less than 95 per cent. of the Current Market Price per Common Share on the date of the first public announcement of the terms of issue of such Securities (or the terms of such grant), the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Common Shares in issue immediately before such issue or grant (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, purchase of, or rights to otherwise acquire Common Shares which have been issued, purchased or acquired by the Bank or any member of the Group (or at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) for the purposes of or in connection with such issue, less the number of such Common Shares so issued, purchased or acquired);

B is the number of Common Shares which the aggregate consideration (if any) receivable for the Common Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to such Securities or, as the case may be, for the Common Shares to be issued or to arise from any such reclassification/redesignation would purchase at such Current Market Price per Common Share; and

C is the maximum number of Common Shares to be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such right of subscription attached thereto at the initial conversion, exchange, subscription, purchase or acquisition price or rate or, as the case may be, the maximum number of Common Shares which may be issued or arise from any such reclassification/redesignation,

provided that if at the Effective Date such number of Common Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or, as the case may be, such Securities are reclassified/redesignated or at such other time as may be provided), then for the purposes of this Condition 6.4.7, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition or, as the case may be, reclassification/redesignation had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

**Effective Date** means, in respect of this Condition 6.4.7, the date of issue of such Securities or, as the case may be, the grant of such rights.

6.4.8 If and whenever there shall be any modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to any such Securities (other than the Preferred Securities, which term shall for this purpose include any Further Preferred Securities) as are mentioned in Condition 6.4.7 above (other than in accordance with the terms (including terms as to adjustment) applicable to such Securities upon issue) so that following such modification the consideration per Common Share receivable has been reduced and is less than 95 per cent. of the Current Market Price per Common Share on the date of the first public announcement of the proposals for such modification, the Floor Price shall be adjusted by multiplying the Floor Price in force immediately prior to the Effective Date by the following fraction:

$$\frac{A + B}{A + C}$$

where:

A is the number of Common Shares in issue immediately before such modification (but where the relevant Securities carry rights of conversion into or rights of exchange or subscription for, or purchase or acquisition of, Common Shares which have been issued, purchased or acquired by the Bank or any member of the Group (or at the direction or request or pursuant to any arrangements with the Bank or any member of the Group) for the purposes of or in connection with such Securities, less the number of such Common Shares so issued, purchased or acquired);

B is the number of Common Shares which the aggregate consideration (if any) receivable for the Common Shares to be issued or otherwise made available upon conversion or exchange or upon exercise of the right of subscription, purchase or acquisition attached to the Securities so modified would purchase at such Current Market Price per Common Share or, if lower, the existing

conversion, exchange, subscription, purchase or acquisition price or rate of such Securities; and

- C is the maximum number of Common Shares which may be issued or otherwise made available upon conversion or exchange of such Securities or upon the exercise of such rights of subscription, purchase or acquisition attached thereto at the modified conversion, exchange, subscription, purchase or acquisition price or rate but giving credit in such manner as an Independent Adviser in good faith shall consider appropriate for any previous adjustment under this Condition 6.4.8 or Condition 6.4.7 above,

provided that if at the Effective Date such number of Common Shares is to be determined by reference to the application of a formula or other variable feature or the occurrence of any event at some subsequent time (which may be when such Securities are converted or exchanged or rights of subscription, purchase or acquisition are exercised or at such other time as may be provided) then for the purposes of this Condition 6.4.8, "C" shall be determined by the application of such formula or variable feature or as if the relevant event occurs or had occurred as at the Effective Date and as if such conversion, exchange, subscription, purchase or acquisition had taken place on the Effective Date.

Such adjustment shall become effective on the Effective Date.

**Effective Date** means, in respect of this Condition 6.4.8, the date of modification of the rights of conversion, exchange, subscription, purchase or acquisition attaching to such Securities.

- 6.4.9 If and whenever the Bank or any member of the Group or (at the direction or request of or pursuant to any arrangements with the Bank or any member of the Group) any other company, person or entity shall offer any Securities in connection with which Shareholders as a class are entitled to participate in arrangements whereby such Securities may be acquired by them (except where the Floor Price falls to be adjusted under Conditions 6.4.2, 6.4.3, 6.4.4, 6.4.5 or 6.4.6 above or Condition 6.4.10 below (or would fall to be so adjusted if the relevant issue or grant was at less than 95 per cent. of the Current Market Price per Common Share on the relevant Dealing Day under Condition 6.4.5 above) the Floor Price shall be adjusted by multiplying the Floor Price in force immediately before the Effective Date by the following fraction:

$$\frac{A - B}{A}$$

where:

- A is the Current Market Price of one Common Share on the Effective Date; and  
B is the Fair Market Value on the Effective Date of the portion of the relevant offer attributable to one Common Share.

Such adjustment shall become effective on the Effective Date.

**Effective Date** means, in respect of this Condition 6.4.9, the first date on which the Common Shares are traded ex-rights on the Relevant Stock Exchange.

- 6.4.10 If the Bank determines that a reduction to the Floor Price should be made for whatever reason, the Floor Price will be reduced (either generally or for a specified



period as notified to Holders) in such manner and with effect from such date as the Bank shall determine and notify to the Holders.

Notwithstanding the foregoing provisions:

- (a) where the events or circumstances giving rise to any adjustment pursuant to this Condition 6.4 have already resulted or will result in an adjustment to the Floor Price or where the events or circumstances giving rise to any adjustment arise by virtue of any other events or circumstances which have already given or will give rise to an adjustment to the Floor Price or where more than one event which gives rise to an adjustment to the Floor Price occurs within such a short period of time that, in the opinion of the Bank, a modification to the operation of the adjustment provisions is required to give the intended result, such modification shall be made to the operation of the adjustment provisions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to give the intended result; and
- (b) such modification shall be made to the operation of these Conditions as may be determined in good faith by an Independent Adviser to be in its opinion appropriate to ensure that (i) an adjustment to the Floor Price or the economic effect thereof shall not be taken into account more than once and (ii) the economic effect of a Dividend is not taken into account more than once.

For the purpose of any calculation of the consideration receivable or price pursuant to Conditions 6.4.4, 6.4.6, 6.4.7 and 6.4.8, the following provisions shall apply:

- (i) the aggregate consideration receivable or price for Common Shares issued for cash shall be the amount of such cash;
- (ii) (A) the aggregate consideration receivable or price for Common Shares to be issued or otherwise made available upon the conversion or exchange of any Securities shall be deemed to be the consideration or price received or receivable for any such Securities; (B) the aggregate consideration receivable or price for Common Shares to be issued or otherwise made available upon the exercise of rights of subscription attached to any Securities or upon the exercise of any options, warrants or rights shall be deemed to be that part (which may be the whole) of the consideration or price received or receivable for such Securities or, as the case may be, for such options, warrants or rights which are attributed by the Bank to such rights of subscription or, as the case may be, such options, warrants or rights or, if no part of such consideration or price is so attributed, the Fair Market Value of such rights of subscription or, as the case may be, such options, warrants or rights as at the relevant Effective Date as referred to in Conditions 6.4.4, 6.4.6, 6.4.7 or 6.4.8, as the case may be, plus in the case of each of (A) and (B) above, the additional minimum consideration receivable or price (if any) upon the conversion or exchange of such Securities, or upon the exercise of such rights or subscription attached thereto or, as the case may be, upon exercise of such options, warrants or rights; and (C) the consideration receivable or price per Common Share upon the conversion or exchange of, or upon the exercise of such rights of subscription attached to, such Securities or, as the case may be, upon the exercise of such options, warrants or rights shall be the aggregate consideration or price referred to in (A) or (B) above (as the case may be) divided by the number of Common Shares to be issued upon such conversion or exchange or exercise at the initial conversion, exchange or subscription price or rate;
- (iii) if the consideration or price determined pursuant to (i) or (ii) above (or any component thereof) shall be expressed in a currency other than the Share Currency, it shall be converted into the Share Currency at the Prevailing Rate on the relevant

Effective Date (in the case of (i) above) or the relevant date of first public announcement (in the case of (ii) above);

- (iv) in determining the consideration or price pursuant to the above, no deduction shall be made for any commissions or fees (howsoever described) or any expenses paid or incurred for any underwriting, placing or management of the issue of the relevant Common Shares or Securities or options, warrants or rights, or otherwise in connection therewith; and
- (v) the consideration or price shall be determined as provided above on the basis of the consideration or price received, receivable, paid or payable regardless of whether all or part thereof is received, receivable, paid or payable by or to the Bank or another entity.

- 6.5 If the Conversion Settlement Date in relation to the conversion of any Preferred Security shall be after the record date in respect of any consolidation, reclassification/redesignation or subdivision as is mentioned in Condition 6.4.1 above, or after the record date or other due date for the establishment of entitlement for any such issue, distribution, grant or offer (as the case may be) as is mentioned in Conditions 6.4.2, 6.4.3, 6.4.4, 6.4.5 or 6.4.9 above, or after the date of the first public announcement of the terms of any such issue or grant as is mentioned in Conditions 6.4.6 and 6.4.7 above or of the terms of any such modification as is mentioned in Condition 6.4.8 above, but before the relevant adjustment to the Floor Price (if applicable) becomes effective under Condition 6.4 above (such adjustment, a **Retroactive Adjustment**), then the Bank shall (conditional upon the relevant adjustment becoming effective) procure that there shall be issued and delivered to the Settlement Shares Depository, for onward delivery to Holders, in accordance with the instructions contained in the relevant Delivery Notices received by the Settlement Shares Depository, such additional number of Common Shares (if any) (the **Additional Common Shares**) as, together with the Common Shares issued on conversion of the Preferred Securities (together with any fraction of a Common Share not so delivered to any relevant Holder), is equal to the number of Common Shares which would have been required to be issued and delivered on such Conversion if the relevant adjustment to the Floor Price had been made and become effective immediately prior to the relevant Conversion Notice Date, provided that if the Settlement Shares Depository and/or the Holders, as the case may be, shall be entitled to receive the relevant Dividend in respect of the Common Shares to be issued or delivered to them, then no such Retroactive Adjustment shall be made in relation to such Dividend and Additional Common Shares shall not be issued and delivered to the Settlement Shares Depository and the Holders in relation thereto.
- 6.6 If any doubt shall arise as to whether an adjustment falls to be made to the Floor Price or as to the appropriate adjustment to the Floor Price, and following consultation between the Bank and an Independent Adviser, a written determination of such Independent Adviser in respect thereof shall be conclusive and binding on all parties, save in the case of manifest error.
- 6.7 No adjustment will be made to the Floor Price where Common Shares or other Securities (including rights, warrants and options) are issued, offered, exercised, allotted, purchased, appropriated, modified or granted to, or for the benefit of, employees or former employees (including directors holding or formerly holding executive or non-executive office or the personal service company of any such person) or their spouses or relatives, in each case, of the Bank or any member of the Group or any associated company or to a trustee or trustees to be held for the benefit of any such person, in any such case pursuant to any share or option or similar scheme.
- 6.8 On any adjustment, the resultant Floor Price, if a number of more decimal places than the initial Floor Price, shall be rounded down to such decimal place. No adjustment shall be made to the Floor Price where such adjustment (rounded down if applicable) would be less than 1 per cent. of the Floor Price then in effect. Any adjustment not required to be made and/or any

amount by which the Floor Price has been rounded down, shall be carried forward and taken into account in any subsequent adjustment, and such subsequent adjustment shall be made on the basis that the adjustment not required to be made had been made at the relevant time and/or, as the case may be, that the relevant rounding down had not been made.

Notice of any adjustments to the Floor Price shall be given by the Bank to Holders in accordance with Condition 13 below or otherwise with the rules and regulations of any applicable stock exchange or other relevant authority promptly after the determination thereof.

- 6.9 On any Conversion of the Preferred Securities, the Common Shares to be issued and delivered shall be issued and delivered subject to and as provided below and immediately on such Conversion the Preferred Securities shall cease to be outstanding for all purposes and shall be deemed cancelled.
- 6.10 On or prior to the Conversion Settlement Date, the Bank shall deliver to the Settlement Shares Depository, as set out below, such number of Common Shares as is required to satisfy in full the Bank's obligation to deliver Common Shares in respect of the Conversion of the aggregate amount of Preferred Securities outstanding on the Conversion Notice Date.

In order to obtain delivery of the relevant Common Shares upon any Conversion from the Settlement Shares Depository, the relevant Holder must deliver a duly completed Delivery Notice, together with the relevant Preferred Securities held by it (which shall include any Clearing System Preferred Securities), to the specified office of any Paying and Conversion Agent (including, in the case of any Clearing System Preferred Securities, the delivery of (i) such Delivery Notice to the Principal Paying Agent through the relevant European Clearing System and (ii) Preferred Securities to the specified account of such Paying and Conversion Agent in the relevant European Clearing System, each in accordance with the procedures of such European Clearing System) no later than 5 Business Days (in the relevant place of delivery) prior to the relevant Conversion Settlement Date (the **Notice Cut-off Date**).

The Principal Paying Agent shall give instructions to the Settlement Shares Depository for the relevant Common Shares to be delivered by the Settlement Shares Depository on the Conversion Settlement Date in accordance with the instructions given in the relevant Delivery Notice, provided that such duly completed Delivery Notice and the relevant Preferred Securities have been so delivered not later than the Notice Cut-off Date.

If a duly completed Delivery Notice and the relevant Preferred Securities are not delivered to a Paying and Conversion Agent as provided above on or before the Notice Cut-off Date, then at any time following the Notice Cut-off Date and prior to the 10th Business Day after the Conversion Settlement Date the Bank may in its sole and absolute discretion (and the relevant Holders of such Preferred Securities shall be deemed to agree thereto), elect to appoint a person (the **Selling Agent**) to procure that all Common Shares held by the Settlement Shares Depository in respect of which no duly completed Delivery Notice and Preferred Securities have been delivered on or before the Notice Cut-off Date as aforesaid shall be sold by or on behalf of the Selling Agent as soon as reasonably practicable. Subject to the deduction by or on behalf of the Selling Agent of any amount payable in respect of its liability to taxation and the payment of any capital, stamp, issue, registration and/or transfer taxes and duties (if any) and any fees or costs incurred by or on behalf of the Selling Agent in connection with the issue, allotment and sale thereof, the net proceeds of sale shall as soon as reasonably practicable be distributed rateably to the relevant Holders in accordance with Condition 4.2 or in such other manner and at such time as the Bank shall determine and notify to the relevant Holders.

Such payment shall for all purposes discharge the obligations of the Bank, the Settlement Shares Depository and the Selling Agent in respect of the relevant Conversion.

The Bank, the Settlement Shares Depository and the Selling Agent shall have no liability in respect of the exercise or non-exercise of any discretion or power pursuant to this Condition 6.10 or in respect of any sale of any Common Shares pursuant to these Conditions, whether for the timing of any such sale or the price at or manner in which any such Common Shares are sold or the inability to sell any such Common Shares.

If the Bank does not appoint the Selling Agent by the 10th Business Day after the Conversion Settlement Date, or if any Common Shares are not sold by the Selling Agent in accordance with this Condition 6.10, such Common Shares shall continue to be held by the Settlement Shares Depository until the relevant Holder delivers a duly completed Delivery Notice and the relevant Preferred Securities.

Any costs incurred by the Settlement Shares Depository or any parent, subsidiary or affiliate of the Settlement Shares Depository in connection with the holding by the Settlement Shares Depository of any Common Shares and any amount received in respect thereof shall be deducted by the Settlement Shares Depository from such amount prior to the delivery of such Common Shares and payment of such amount to the relevant Holder.

- 6.11 Any Delivery Notice shall be irrevocable. Failure to properly complete and deliver a Delivery Notice and deliver the relevant Preferred Securities may result in such Delivery Notice being treated as null and void, and the Bank shall be entitled to procure the sale of any applicable Common Shares to which the relevant Holder may be entitled in accordance with Condition 6.10. Any determination as to whether any Delivery Notice has been properly completed and delivered as provided in Condition 6.10 and this Condition 6.11 shall be made by the Bank in its sole discretion, acting in good faith, and shall, in the absence of manifest error, be conclusive and binding on the relevant Holders.

Fractions of Common Shares will not be issued on Conversion or pursuant to Condition 6.5 and no cash payment or other adjustment will be made in lieu thereof. Without prejudice to the generality of the foregoing, if one or more Delivery Notices are received by or on behalf of the Bank such that the number of Conversion Shares or Additional Common Shares to be delivered by the Bank are to be registered in the same name, the number of such Conversion Shares or Additional Common Shares to be delivered in respect thereof shall be calculated on the basis of the aggregate Liquidation Preference of such Preferred Securities being so converted and rounded down to the nearest whole number of Common Shares.

- 6.12 A Holder or Selling Agent must pay (in the case of the Selling Agent by means of deduction from the net proceeds of sale referred to in Condition 6.10 above) any taxes and capital, stamp, issue and registration and transfer taxes or duties arising on Conversion (other than any taxes or capital, issue and registration and transfer taxes or stamp duties payable in Spain by the Bank in respect of the issue and delivery of the Common Shares (including any Additional Common Shares) in accordance with a Delivery Notice delivered pursuant to these Conditions which shall be paid by the Bank) and such Holder or the Selling Agent (as the case may be) must pay (in the case of the Selling Agent, by way of deduction from the net proceeds of sale as aforesaid) all, if any, taxes arising by reference to any disposal or deemed disposal of a Preferred Security or interest therein.

If the Bank shall fail to pay any capital, stamp, issue, registration and transfer taxes and duties for which it is responsible as provided above, the Holder or the Selling Agent, as the case may be, shall be entitled (but shall not be obliged) to tender and pay the same and the Bank as a separate and independent obligation, undertakes to reimburse and indemnify each Holder or the Selling Agent, as the case may be, in respect of any payment thereof and any penalties payable in respect thereof.

- 6.13 The Common Shares (including any Additional Common Shares) issued on Conversion will be fully paid and will in all respects rank *pari passu* with the fully paid Common Shares in

issue on the relevant Conversion Notice Date or, in the case of Additional Common Shares, on the relevant Reference Date, except in any such case for any right excluded by mandatory provisions of applicable law and except that such Common Shares or, as the case may be, Additional Common Shares will not rank for (or, as the case may be, the relevant holder shall not be entitled to receive) any rights, distributions or payments the record date or other due date for the establishment of entitlement for which falls prior to the Conversion Notice Date or, as the case may be, the relevant Reference Date.

- 6.14 Notwithstanding any other provision of this Condition 6 and subject to compliance with the provisions of the Spanish Corporations Law and/or with any Applicable Banking Regulations, the Bank or any member of the Group may exercise such rights as it may from time to time enjoy to purchase or redeem or buy back any shares of the Bank (including Common Shares) or any depositary or other receipts or certificates representing the same without the consent of the Holders.

## **7. Optional Redemption**

- 7.1 The Preferred Securities are perpetual and are only redeemable in accordance with the following provisions of this Condition 7. The Preferred Securities are not redeemable at the option of the Holders at any time.
- 7.2 Subject to Conditions 7.3 and 7.4, the Preferred Securities shall not be redeemable prior to the First Call Date. All, and not some only, of the Preferred Securities may be redeemed at the option of the Bank, on any day falling in the period commencing on (and including) First Call Date and ending on (and including) the First Reset Date, and on any Distribution Payment Date thereafter, at the Redemption Price (meaning, per Preferred Security, the Liquidation Preference plus, if applicable, where not cancelled pursuant to, or otherwise subject to the limitations on payment set out in, Condition 4, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date fixed for redemption of the Preferred Securities) in accordance with Articles 77 and 78 of CRR and/or any other Applicable Banking Regulations in force at such time.
- 7.3 If, on or after the Closing Date, there is a Capital Event or a Tax Event, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, at any time, at the Redemption Price subject to the prior consent of the Regulator if required pursuant to Applicable Banking Regulations (and otherwise in accordance with Articles 77 and 78 of the CRR and/or any other Applicable Banking Regulations in force at the relevant time).
- 7.4 If, on or after the Closing Date, 75 per cent. or any higher percentage of the aggregate Liquidation Preference of the Preferred Securities has been purchased by, or on behalf of, the Bank or any other member of the Group, the Preferred Securities may be redeemed, in whole but not in part, at the option of the Bank, subject to the prior consent of the Regulator if required pursuant to Applicable Banking Regulations (and otherwise in accordance with Articles 77 and 78 of the CRR and/or any other Applicable Banking Regulations in force at the relevant time), at the Redemption Price.
- 7.5 The decision to redeem the Preferred Securities must be irrevocably notified by the Bank to Holders upon not less than 5 nor more than 30 calendar days' notice prior to the relevant redemption date in accordance with Condition 13 below or otherwise with the rules and regulations of any applicable stock exchange or other relevant authority.
- 7.6 The Bank may not give a notice of redemption pursuant to this Condition 7 if a Trigger Event has occurred. If any notice of redemption of the Preferred Securities is given pursuant to this Condition 7 and a Trigger Event occurs prior to such redemption, the relevant redemption notice shall be automatically rescinded and shall be of no force and effect, there shall be no

redemption of the Preferred Securities on the relevant redemption date and, instead, the Conversion of the Preferred Securities shall take place as provided under Condition 6.

- 7.7 If a Capital Reduction Notice has been given, the Bank may not give a notice of redemption pursuant to this Condition 7 until the end of the Election Period. If any notice of redemption has been given pursuant to this Condition 7 and a Capital Reduction occurs on or prior to the redemption date, the relevant Capital Reduction Notice shall be automatically rescinded and shall be of no force and effect, and there shall be no conversion of the Preferred Securities pursuant to Condition 6.2 and, instead, the redemption of the Preferred Securities shall take place as provided under this Condition 7. Accordingly, the provisions of Condition 6.2 shall not apply to any such Capital Reduction and Holders of the Preferred Securities shall be deemed to have irrevocably waived their rights under Article 418 of the Spanish Corporations Law in such circumstances.
- 7.8 Upon any redemption of the Preferred Securities pursuant to this Condition 7:
- (i) distributions on the Preferred Securities shall cease;
  - (ii) the Preferred Securities will no longer be considered outstanding; and
  - (iii) the Holders will no longer have any rights as holders of the Preferred Securities.
- 7.9 If the Bank improperly withholds or refuses to pay the Redemption Price of the Preferred Securities, Distributions will continue to accrue, subject as provided in Condition 4 above, at the rate specified from (and including) the redemption date to (but excluding) the date of actual payment of the Redemption Price.

## **8. Purchases of Preferred Securities**

The Bank, or any member of the Group, may purchase or otherwise acquire any of the outstanding Preferred Securities at any price in the open market or otherwise, in accordance with Articles 77 and 78 of the CRR and/or any other Applicable Banking Regulations in force at the relevant time.

Any Preferred Securities so acquired by the Bank or any member of the Group, shall cease to be outstanding for all purposes immediately on such acquisition (including any conversion of the Preferred Securities on the occurrence of any Conversion Event) and shall immediately be surrendered to a Paying Agent for cancellation.

## **9. Undertakings**

So long as any Preferred Security remains outstanding, the Bank will, save with the approval of an Extraordinary Resolution:

- (a) not make any issue, grant or distribution or take or omit to take any other action if the effect thereof would be that, on Conversion, Common Shares could not, under any applicable law then in effect, be legally issued as fully paid;
- (b) if any offer is to be made to all (or as nearly as may be practicable all) Shareholders (or all (or as nearly as may be practicable all) such Shareholders other than the offeror and/or any associates of the offeror) to acquire all or a majority of the issued Common Shares, or if a scheme is proposed with regard to such acquisition (other than a Newco Scheme), give notice of such offer or scheme to the Holders at the same time as any notice thereof is sent to the Shareholders (or as soon as practicable thereafter) that details concerning such offer or scheme may be obtained from the specified offices and/or the website of the Bank and, where such an offer or scheme

has been recommended by the board of directors of the Bank, or where such an offer has become or been declared unconditional in all respects or such scheme has become effective, use all reasonable endeavours to procure that a like offer or scheme is extended to the holders of any Common Shares issued during the period of the offer or scheme arising out of any Conversion and/or to the Holders;

- (c) in the event of a Newco Scheme, take (or will procure that there is taken) all necessary action to ensure that such amendments are made to these Conditions immediately after completion of the Scheme of Arrangement as are necessary to ensure that the Preferred Securities may be converted into or exchanged for ordinary shares in Newco (or depositary or other receipts or certificates representing ordinary shares of Newco) mutatis mutandis in accordance with and subject to these Conditions and the ordinary shares of Newco are:
  - (i) admitted to the Relevant Stock Exchange; or
  - (ii) listed and/or admitted to trading on another Recognised Stock Exchange,and the Holders irrevocably authorise the Bank to make such amendments to these Conditions without the need for any further authorisation from the Holders;
- (d) issue, allot and deliver Common Shares upon Conversion subject to and as provided in Condition 6;
- (e) use all reasonable endeavours to ensure that its issued and outstanding Common Shares and any Common Shares issued upon Conversion will be admitted to listing and trading on the Relevant Stock Exchange or will be listed and/or admitted to trading on another Recognised Stock Exchange;
- (f) at all times keep in force the relevant resolutions needed for issue, free from pre-emptive rights, sufficient authorised but unissued Common Shares to enable Conversion of the Preferred Securities, and all rights of subscription and exchange for Common Shares, to be satisfied in full; and
- (g) where the provisions of Condition 6 require or provide for a determination by an Independent Adviser or a role to be performed by a Settlement Shares Depository, use all reasonable endeavours promptly to appoint such person for such purpose.

## **10. Meetings of Holders**

### **10.1 Convening of Meetings, Quorum, Adjourned Meetings**

- 10.1.1 The Bank may at any time and, if required in writing by Holders holding not less than ten per cent. in aggregate Liquidation Preference of the Preferred Securities for the time being outstanding, shall convene a meeting of the Holders and, if the Bank fails for a period of seven days to convene the meeting, the meeting may be convened by the relevant Holders. Every meeting shall be held at a time and place (which need not be a physical place and instead may be by way of conference call, including by use of a videoconference platform) approved by the Principal Paying Agent.
- 10.1.2 At least 21 clear days' notice specifying the place, day and hour of the meeting shall be given to the Holders in the manner provided in Condition 13. The notice, which shall be in the English language, shall state generally the nature of the business to be transacted at the meeting and, in the case of an Extraordinary Resolution only, shall either (i) specify the terms of the Extraordinary Resolution to be proposed or (ii) inform Holders that the terms of the Extraordinary Resolution are available free of

charge from the Principal Paying Agent, provided that, in the case of (ii), such resolution is so available in its final form with effect on and from the date on which the notice convening such meeting is given as aforesaid. The notice shall (a) include statements as to the manner in which Holders are entitled to attend and vote at the meeting or (b) inform Holders that details of the voting arrangements are available free of charge from the Principal Paying Agent, provided that, in the case of (b), the final form of such details are so available with effect on and from the date on which the notice convening such meeting is given as aforesaid. A copy of the notice shall be sent by post to the Bank (unless the meeting is convened by the Bank).

10.1.3 The person (who may but need not be a Holder) nominated in writing by the Bank (the **Chairman**) shall be entitled to take the chair at each meeting but, if no nomination is made or if at any meeting the person nominated is not present within 15 minutes after the time appointed for holding the meeting, the Holders present shall choose one of their number to be Chairman failing which the Bank may appoint a Chairman. The Chairman of an adjourned meeting need not be the same person as was Chairman of the meeting from which the adjournment took place.

10.1.4 At any meeting one or more Eligible Persons present and holding or representing in the aggregate not less than 5 per cent. in Liquidation Preference of the Preferred Securities for the time being outstanding shall (except for the purpose of passing an Extraordinary Resolution) form a quorum for the transaction of business and no business (other than the choosing of a Chairman in accordance with Condition 10.1.3) shall be transacted at any meeting unless the required quorum is present at the commencement of business. The quorum at any meeting for passing an Extraordinary Resolution shall (subject as provided below) be one or more Eligible Persons present and holding or representing in the aggregate not less than 50 per cent. in Liquidation Preference of the Preferred Securities for the time being outstanding provided that at any meeting the business of which includes any of the following matters (each of which shall only be capable of being effected after having been approved by Extraordinary Resolution):

- (i) a reduction or cancellation of the Liquidation Preference of the Preferred Securities; or
- (ii) without prejudice to the provisions of Condition 4 (including, without limitation, the right of the Bank to cancel the payment of any Distributions on the Preferred Securities), a reduction or cancellation of the amount payable or modification of the payment date in respect of any Distributions or variation of the method of calculating the Distribution Rate; or
- (iii) a modification of the currency in which payments under the Preferred Securities are to be made; or
- (iv) a modification of the majority required to pass an Extraordinary Resolution; or
- (v) the sanctioning of any scheme or proposal described in Condition 10.2.8(vi); or
- (vi) alteration of this proviso or the proviso to Condition 10.1.5 below,

the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than two-thirds in Liquidation Preference of the Preferred Securities for the time being outstanding.



- 10.1.5 If within 15 minutes (or such longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the meeting shall, if convened by Holders or if the Bank was required by Holders to convene such meeting pursuant to Condition 10.1.1, be dissolved. In any other case it shall be adjourned to the same day in the next week (or if that day is a public holiday the next following business day) at the same time and place (except in the case of a meeting at which an Extraordinary Resolution is to be proposed in which case it shall be adjourned for a period being not less than 14 clear days nor more than 42 clear days and at a place appointed by the Chairman and approved by the Principal Paying Agent). If within 15 minutes (or a longer period not exceeding 30 minutes as the Chairman may decide) after the time appointed for any adjourned meeting a quorum is not present for the transaction of any particular business, then, subject and without prejudice to the transaction of the business (if any) for which a quorum is present, the Chairman may either dissolve the meeting or adjourn it for a period, being not less than 14 clear days (but without any maximum number of clear days) and to a place as may be appointed by the Chairman (either at or after the adjourned meeting) and approved by the Principal Paying Agent, and the provisions of this sentence shall apply to all further adjourned meetings.
- 10.1.6 At any adjourned meeting one or more Eligible Persons present (whatever the Liquidation Preference of the Preferred Securities so held or represented by them) shall (subject as provided below) form a quorum and shall (subject as provided below) have power to pass any Extraordinary Resolution or other resolution and to decide upon all matters which could properly have been dealt with at the meeting from which the adjournment took place had the required quorum been present provided that at any adjourned meeting the business of which includes any of the matters specified in the proviso to Condition 10.1.4 the quorum shall be one or more Eligible Persons present and holding or representing in the aggregate not less than one-third in Liquidation Preference of the Preferred Securities for the time being outstanding.
- 10.1.7 Notice of any adjourned meeting at which an Extraordinary Resolution is to be submitted shall be given in the same manner as notice of an original meeting but as if 10 clear days' notice were substituted for 21 clear days' notice as in Condition 10.1.2 and the notice shall state the relevant quorum. Subject to this it shall not be necessary to give any notice of an adjourned meeting.

## 10.2 Conduct of Business at Meetings

- 10.2.1 Every question submitted to a meeting shall be decided in the first instance by a show of hands and in the case of an equality of votes the Chairman shall both on a show of hands and on a poll have a casting vote in addition to the vote or votes (if any) to which he may be entitled as an Eligible Person.
- 10.2.2 At any meeting, unless a poll is (before or on the declaration of the result of the show of hands) demanded by the Chairman or the Bank or by any Eligible Person present (whatever the Liquidation Preference of the Preferred Securities held by him), a declaration by the Chairman that a resolution has been carried or carried by a particular majority or lost or not carried by a particular majority shall be conclusive evidence of the fact without proof of the number or proportion of the votes recorded in favour of or against the resolution.
- 10.2.3 Subject to Condition 10.2.5, if at any meeting a poll is demanded it shall be taken in the manner and, subject as provided below, either at once or after an adjournment as

the Chairman may direct and the result of the poll shall be deemed to be the resolution of the meeting at which the poll was demanded as at the date of the taking of the poll. The demand for a poll shall not prevent the continuance of the meeting for the transaction of any business other than the motion on which the poll has been demanded.

- 10.2.4 The Chairman may, with the consent of (and shall if directed by) any meeting, adjourn the meeting from time to time and from place to place. No business shall be transacted at any adjourned meeting except business which might lawfully (but for lack of required quorum) have been transacted at the meeting from which the adjournment took place.
- 10.2.5 Any poll demanded at any meeting on the election of a Chairman or on any question of adjournment shall be taken at the meeting without adjournment.
- 10.2.6 Any director or officer of the Bank and its lawyers and financial advisers may attend and speak at any meeting. Subject to this, but without prejudice to the proviso to the definition of **outstanding** in Condition 1, no person shall be entitled to attend and speak nor shall any person be entitled to vote at any meeting of the Holders or join with others in requiring the convening of a meeting unless he is an Eligible Person.
- 10.2.7 Subject as provided in Condition 10.2.6, at any meeting:
- (i) on a show of hands every Eligible Person present shall have one vote; and
  - (ii) on a poll every Eligible Person present shall have one vote in respect of each €1.00 or such other amount as the Principal Paying Agent shall in its absolute discretion specify of Liquidation Preference of Preferred Securities in respect of which he is an Eligible Person.
- 10.2.8 A meeting of the Holders shall, in addition to the powers set out above, have the following powers exercisable only by Extraordinary Resolution (subject to the provisions relating to quorum contained in Conditions 10.1.4 and 10.1.6):
- (i) power to approve any compromise or arrangement proposed to be made between the Bank and the Holders;
  - (ii) power to approve any abrogation, modification, compromise or arrangement in respect of the rights of the Holders against the Bank or against any of its property whether these rights arise under the Agency Agreement or the Preferred Securities or otherwise;
  - (iii) power to agree to any modification of the provisions contained in the Agency Agreement, these Conditions or the Preferred Securities, which is proposed by the Bank;
  - (iv) power to give any authority or approval which under the provisions of this Condition 10 or the Preferred Securities is required to be given by Extraordinary Resolution;
  - (v) power to appoint any persons (whether Holders or not) as a committee or committees to represent the interests of the Holders and to confer upon any committee or committees any powers or discretions which the Holders could themselves exercise by Extraordinary Resolution;

- (vi) power to approve any scheme or proposal for the exchange or sale of the Preferred Securities for, or the conversion of the Preferred Securities into, or the cancellation of the Preferred Securities in consideration of, shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities of the Bank or any other company formed or to be formed, or for or into or in consideration of cash, or partly for or into or in consideration of shares, stock, notes, bonds, debentures, debenture stock and/or other obligations and/or securities as stated above and partly for or into or in consideration of cash; and
- (vii) power to approve the substitution of any entity in place of the Bank (or any previous substitute) as the principal debtor in respect of the Preferred Securities.

### 10.3 Miscellaneous

- 10.3.1 Any resolution passed at a meeting of the Holders duly convened and held shall be binding upon all the Holders whether present or not present at the meeting and whether or not voting and each of them shall be bound to give effect to the resolution accordingly and the passing of any resolution shall be conclusive evidence that the circumstances justify its passing. Notice of the result of voting on any resolution duly considered by the Holders shall be published in accordance with Condition 13 by the Bank within 14 days of the result being known provided that non-publication shall not invalidate the resolution.
- 10.3.2 The expression **Extraordinary Resolution** when used in this Condition 10 means a resolution passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 10 by a majority consisting of not less than 75 per cent. of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, by a majority consisting of not less than 75 per cent. of the votes given on the poll.
- 10.3.3 Subject to Condition 10.2.1, to be passed at a meeting of the Holders duly convened and held in accordance with the provisions of this Condition 10, a resolution (other than an Extraordinary Resolution) shall require a majority of the persons voting on the resolution upon a show of hands or, if a poll was duly demanded, a majority of the votes given on the poll.
- 10.3.4 Minutes of all resolutions and proceedings at every meeting shall be made and duly entered in books to be from time to time provided for that purpose by the Bank and any minutes signed by the Chairman of the meeting at which any resolution was passed or proceedings had shall be conclusive evidence of the matters contained in them and, until the contrary is proved, every meeting in respect of the proceedings of which minutes have been made shall be deemed to have been duly held and convened and all resolutions passed or proceedings had at the meeting to have been duly passed or had.
- 10.3.5 For the purposes of calculating a period of **clear days**, no account shall be taken of the day on which a period commences or the day on which a period ends.
- 10.3.6 The initial provisions governing the manner in which Holders (including accountholders in the European Clearing Systems) may attend and vote at a meeting of the holders of Preferred Securities are set out in the Agency Agreement. The Principal Paying Agent may without the consent of the Bank or the Holders prescribe any other regulations regarding such manner of attendance and voting as the Principal Paying Agent may in its sole discretion think fit. Notice of any such regulations may

be given to Holders in accordance with Condition 13 and/or at the time of service of any notice convening a meeting.

## **11. Modification, substitution and variation**

11.1 The Principal Paying Agent and the Bank may agree, without the consent of the Holders, to:

- (a) any modification of the Preferred Securities or the Agency Agreement which is not, in the opinion of the Bank, prejudicial to the interests of the Holders; or
- (b) any modification of the Preferred Securities or the Agency Agreement which, in the opinion of the Bank, is of a formal, minor or technical nature or is made to correct a manifest error or to comply with mandatory provisions of the law.

Any such modification shall be binding on the Holders and any such modification shall be notified to the Holders in accordance with Condition 13 as soon as practicable thereafter.

11.2 By its acquisition of the Preferred Securities, each Holder (which for these purposes includes each holder of a beneficial interest in the Preferred Securities) will be deemed to have expressly consented to any modification of the Preferred Securities pursuant to this Condition 11.2. Without any requirement for any further consent or approval of the Principal Paying Agent or the Holders (whether pursuant to Condition 10 or otherwise) and without limiting and notwithstanding Condition 11.1 above, if a Capital Event or a Tax Event, as applicable, occurs and is continuing, the Bank may substitute or modify the terms of all (but not some only) of the Preferred Securities provided that any variation in the terms of the Preferred Securities resulting from such substitution or modification is not materially prejudicial to the interests of the Holders, so that the Preferred Securities are substituted for, or the terms and conditions of the Preferred Securities are varied to become again or remain, Qualifying Preferred Securities, at any time prior to the occurrence of either a Trigger Event or a Capital Reduction on giving not less than 5 nor more than 30 calendar days' notice to the Holders in accordance with Condition 13 (which notice shall be irrevocable and shall specify the date for such substitution or, as applicable, variation), and subject to the prior consent of the Regulator if required pursuant to Applicable Banking Regulations.

For the purposes of the foregoing paragraph, any variation in the ranking of the relevant Preferred Securities as set out in Condition 3 resulting from any such substitution or modification shall be deemed not to be prejudicial to the interests of the Holders where the ranking of such Preferred Securities following such substitution or modification is at least the same ranking as is applicable to such Preferred Securities under Condition 3 on the Closing Date of such Preferred Securities.

Any such notice shall specify the relevant details of the manner in which such substitution or variation shall take effect and where the Holders can inspect or obtain copies of the new terms and conditions of the Preferred Securities. Such substitution or variation will be effected without any cost or charge to the Holders.

Holders (which for the purpose of this Condition 11.2 includes each holder of a beneficial interest in the Preferred Securities) shall, by virtue of purchasing and holding any Preferred Securities, be deemed to accept any substitution or variation of the terms pursuant to this Condition 11.2 and to grant to the Bank and the Principal Paying Agent full power and authority to take any action and/or to execute and deliver any document in the name and/or on behalf of the Holders which is necessary or convenient to complete any such substitution or variation.

In these Conditions:

**Qualifying Preferred Securities** means, at any time, any securities or other instruments issued directly or indirectly by the Bank that:

- (a) contain terms which comply with the then current requirements to be included in, or count towards, the Group's and the Bank's Tier 1 Capital;
- (b) have at least the same ranking as is applicable to the Preferred Securities under Condition 3.1 on the Closing Date;
- (c) have the same denomination and aggregate outstanding Liquidation Preference, the same terms for the determination of any applicable Distributions, the same redemption rights as the Preferred Securities, the same dates for payment of Distributions as the Preferred Securities immediately prior to any substitution or variation pursuant to this Condition 11.2 and without resulting in terms that are materially less favourable to the Holders;
- (d) preserve any existing rights under the Preferred Securities to any accrued Distributions which have not been paid in respect of the period from (and including) the Distribution Payment Date last preceding the date of substitution or variation; and
- (e) are listed or admitted to trading on any stock exchange as selected by the Bank, if the Preferred Securities were listed or admitted to trading on a stock exchange immediately prior to the relevant substitution or variation pursuant to this Condition 11.2.

## **12. Taxation**

12.1 All payments of Distributions and other amounts payable in respect of the Preferred Securities by the Bank will be made free and clear of and without withholding or deduction for or on account of any present or future taxes, duties, assessments or governmental charges of whatever nature unless such withholding or deduction is required by law. In the event that any such withholding or deduction is imposed or levied by or on behalf of the Kingdom of Spain, or any political subdivision thereof or any authority or agency therein or thereof having power to tax (for the purposes of this Condition 12, **Spain**) in respect of payments of Distributions (but not any Liquidation Preference or other amount), the Bank shall (to the extent such payment can be made out of Distributable Items on the same basis as for payment of any Distribution in accordance with Condition 4) pay such additional amounts as will result in Holders receiving such amounts as they would have received in respect of such Distributions had no such withholding or deduction been required.

12.2 The Bank shall not be required to pay any additional amounts as referred to in Condition 12.1 in relation to any payment in respect of Preferred Securities:

- (a) to a Holder (or to a third party on behalf of a Holder) who is liable for such taxes, duties, assessments or governmental charges in respect of the Preferred Securities by reason of his having some connection with Spain other than the mere holding of Preferred Securities;
- (b) to a Holder (or to a third party on behalf of a Holder) who does not provide to the Bank or an agent acting on behalf of the Bank the information concerning such Holder's identity and tax residence as may be required in order to comply with any applicable procedures that may be implemented;
- (c) to a Holder (or to a third party on behalf of a Holder) if the Bank does not receive the relevant information as may be required by Spanish tax law, regulation or binding ruling, including a duly executed and completed certificate issued in accordance with

RD 1065/2007 or in case the current information procedures are modified, amended or supplemented by any Spanish law, regulation or binding ruling; or

- (d) to a Holder (or to a third party on behalf of a Holder) in case of Preferred Securities where such withholding tax is imposed on payments made to individuals with tax residence in Spain following the criteria held by the Spanish tax authorities under which the withholding tax regime set out in Royal Decree 439/2007 of 30th March prevails over that set out in RD 1065/2007.

- 12.3 For the purposes of this Condition 12, the **Relevant Date** means, in respect of any payment, the date on which such payment first becomes due, except that, if the full amount of the moneys payable has not been duly received by the Principal Paying Agent on or prior to such due date, it means the date on which, the full amount of such moneys having been so received and being available for payment to Holders, notice to that effect is duly given to the Holders in accordance with Condition 13 below.

*See "Taxation" for a fuller description of certain tax considerations relating to the Preferred Securities.*

### 13. Notices

Notices, including notice of any redemption of the Preferred Securities, will be valid if published in a leading English language daily newspaper published in London or such other English language daily newspaper with general circulation in Europe as the Bank may decide (which is expected to be the Financial Times). The Bank shall also ensure that notices are duly published in a manner which complies with the rules and regulations of any stock exchange or other relevant authority on which the Preferred Securities are for the time being listed. Any such notice will be deemed to have been given on the date of the first publication or, where required to be published in more than one newspaper, on the date of the first publication in all required newspapers.

Until such time as any definitive Preferred Securities are issued, there may, so long as any Global Preferred Securities representing the Preferred Securities are held in their entirety on behalf of Euroclear and/or Clearstream, Luxembourg, be substituted for such publication in such newspaper(s) the delivery of the relevant notice to Euroclear and/or Clearstream, Luxembourg for communication by them to the Holders except that for so long as any Preferred Securities are listed on a stock exchange or admitted to listing by another relevant authority and the rules of that stock exchange or relevant authority so require, such notice will be published in a daily newspaper of general circulation in the place or places required by those rules. Any such notice shall be deemed to have been given to the Holders on the day on which the said notice was given to Euroclear and/or Clearstream, Luxembourg.

### 14. Agents

In acting under the Agency Agreement and in connection with the Preferred Securities, the Agents act solely as agents of the Bank and do not assume any obligations towards or relationship of agency or trust for or with any of the Holders.

The initial Agents and their initial specified offices are listed in the Agency Agreement. The Bank reserves the right at any time to vary or terminate the appointment of any Agent and to appoint a successor principal paying agent, a successor agent bank, and additional or successor paying agents; provided, however, that the Bank will maintain a Principal Paying Agent and an Agent Bank.

Notice of any change in any of the Agents or in their specified offices shall promptly be given to the Holders in accordance with Condition 13 above.

## 15. Prescription

To the extent that Article 950 of the Spanish Commercial Code (*Código de Comercio*) applies to the Preferred Securities, claims relating to the Preferred Securities will become void unless such claims are duly made within three years of the relevant payment date.

## 16. Governing Law and Jurisdiction

- 16.1 The Preferred Securities and any non-contractual obligations arising out of or in connection with the Preferred Securities shall be governed by, and construed in accordance with, the common laws of the Kingdom of Spain (*Derecho común español*).
- 16.2 The Bank hereby irrevocably agrees for the benefit of the Holders that the courts of Spain in the city of Madrid are to have jurisdiction to settle any disputes which may arise out of or in connection with the Preferred Securities (including a dispute relating to any non-contractual obligations arising out of or in connection with the Preferred Securities) and that accordingly any suit, action or proceedings arising out of or in connection with the Preferred Securities (together referred to as **Proceedings**) may be brought in such courts. The Bank irrevocably waives any objection which it may have now or hereinafter to the laying of the venue of any Proceedings in the courts of Spain in the city of Madrid. To the extent permitted by law, nothing contained in this Condition 16 shall limit any right of any Holder (other than in relation to any Bail-in Dispute (as defined below)) to take Proceedings against the Bank in any other court of competent jurisdiction, nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other competent jurisdictions, whether concurrently or not.

In addition, the Spanish courts have exclusive jurisdiction to settle any Bail-in Dispute and accordingly each of the Bank and any Holder in relation to any dispute arising out of or in connection with the application of any Spanish Statutory Loss-Absorption Powers by the Relevant Spanish Resolution Authority (a **Bail-in Dispute**) submits to the exclusive jurisdiction of the Spanish courts. Each of the Bank and any Holder in relation to a Bail-in Dispute further waives any objection to the Spanish courts on the grounds that they are an inconvenient or inappropriate forum to settle any Bail-in Dispute.

## 17. Recognition of Spanish Statutory Loss-Absorption Powers

Notwithstanding any other term of the Preferred Securities or any other agreements, arrangements, or understandings between the Bank and any Holder, by its acquisition of the Preferred Securities, each Holder (which, for the purposes of this Condition 17 includes each holder of a beneficial interest in the Preferred Securities) acknowledges, accepts, consents to and agrees to be bound by:

- (a) the exercise and effect of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority, which may be imposed with or without any prior notice with respect to the Preferred Securities, and which may include and result in any of the following, or some combination thereof:
  - (A) the reduction or cancellation of all, or a portion, of the Amounts Due;
  - (B) the conversion of all, or a portion, of the Amounts Due into shares, other securities or other obligations of the Bank, the Group or another person (and the issue to or conferral on the Holder of such shares, securities or obligations), including by means of an amendment, modification or variation of the terms of the Preferred Securities;
  - (C) the cancellation of the Preferred Securities; and

- (D) the amendment or alteration of the maturity of the Preferred Securities or amendment of the Distributions payable on the Preferred Securities, or the date on which the Distributions becomes payable, including by suspending payment for a temporary period; and
- (b) the variation of the terms of the Preferred Securities, as deemed necessary by the Relevant Spanish Resolution Authority, to give effect to the exercise of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority.

*The exercise of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority pursuant to any relevant laws, regulations, rules or requirements in effect in Spain is not dependent on the application of this Condition 17.*

No such exercise of any Spanish Statutory Loss-Absorption Power or variation of the terms of the Preferred Securities shall give rise to any event of default or any other right of Holders to declare such Preferred Security due and payable.

In this Condition 17, **Amounts Due** means the principal amount of or outstanding amount, together with any accrued but unpaid interest, due on the Preferred Securities. References to such amount will include amounts that have become due and payable, but which have not been paid, prior to the exercise of any Spanish Statutory Loss-Absorption Power by the Relevant Spanish Resolution Authority.



## **USE OF PROCEEDS**

The net proceeds from the issue of Preferred Securities will be used for the Group's general corporate purposes. The Bank will request that the Preferred Securities qualify as Additional Tier 1 Capital own funds for the purposes of the Applicable Banking Regulations.

## TAXATION

### SPANISH TAXATION

*The following summary refers solely to certain Spanish tax consequences of the acquisition, ownership and disposition of the Preferred Securities and Common Shares. It does not purport to be a complete analysis of all tax consequences relating to the Preferred Securities and Common Shares and does not purport to deal with the tax consequences applicable to all categories of investors, some of which might be subject to special rules. Prospective investors should consult their own tax advisers as to the consequences under the tax laws of the country of which they are resident for tax purposes and the tax laws of Spain of acquiring, holding and disposing of Preferred Securities and Common Shares and receiving any payments under the Preferred Securities and Common Shares. This summary is based upon the law as in effect on the date of this Offering Circular and is subject to any change in law that may take effect after such date. References in this section to Holders include the beneficial owners of the Preferred Securities and Common Shares, where applicable.*

#### Acquisition of the Preferred Securities and Common Shares

The issue of, subscription for, transfer and acquisition of the Preferred Securities and Common Shares is exempt from Transfer and Stamp Tax (*Impuesto sobre Transmisiones Patrimoniales y Actos Jurídicos Documentados*) and Value Added Tax (*Impuesto sobre el Valor Añadido*).

#### Taxation on the income and transfer of the Preferred Securities and Common Shares

The tax treatment of the acquisition, holding and subsequent transfer of the Preferred Securities and Common Shares is summarised below and is based on the tax regime applicable pursuant to:

- (a) for individuals resident for tax purposes in Spain which are subject to the PIT (*Impuesto sobre la Renta de las Personas Físicas*), Law 35/2006 of 28th November, on the PIT and on the Partial Amendment of the Corporate Income Tax Law, the Non-Residents Income Tax Law and the Net Wealth Tax Law, and Royal Decree 439/2007, of 30th March promulgating the PIT Regulations, along with Law 19/1991 of 6th June approving the Wealth Tax Law (*Impuesto sobre el Patrimonio*), Law 29/1987, of 18th December on Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*) and Law 38/2022, for the establishment of temporary levies on energy and financial credit institutions and introducing a temporary solidarity tax on large fortunes, as amended;
- (b) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax (**CIT** or the **Corporate Income Tax Law**) (*“Impuesto sobre Sociedades”*), Law 27/2014 of 27th November and Royal Decree 634/2015, of 10th July promulgating the CIT Regulations; and
- (c) for individuals and entities who are not resident for tax purposes in Spain which are subject to Non-Resident Income Tax (**NRIT**) (*Impuesto sobre la Renta de los no Residentes*), Royal Legislative Decree 5/2004 of 5th March approving the consolidated text of the Non-Resident Income Tax Law, as amended (the **Non-Resident Income Tax Law**), Royal Decree 1776/2004 of 30th July approving the Non-Resident Income Tax Regulations as amended, Law 19/1991 of 6th June approving the Wealth Tax Law, Law 29/1987 of 18th December approving the Inheritance and Gift Tax Law and Law 38/2022, for the establishment of temporary levies on energy and financial credit institutions and introducing a temporary solidarity tax on large fortunes, as amended.

Consideration has also been given to Spanish legislation on the issuance of the Preferred Securities and debt securities (Law 10/2014) and RD 1065/2007.

## **Preferred Securities**

### ***Individuals with Tax Residency in Spain***

#### **Personal Income Tax (PIT)**

Income obtained by Holders who are PIT taxpayers, both as interest and income obtained in connection with the transfer, redemption or repayment of the Preferred Securities, shall be considered income on investments obtained from the assignment of an individual's capital to third parties, as defined in Section 25.2 of the PIT Law, and therefore will be taxed as savings income at the applicable rate (currently varying from 19 per cent. to 28 per cent.).

Pursuant to Article 44.5 of RD 1065/2007, if the Preferred Securities are registered with a clearing system outside of Spain, any income derived from the Preferred Securities will be paid by the Bank free of Spanish withholding tax provided that the relevant information about the Preferred Securities is submitted in the manner detailed in "*Tax Reporting Obligations of the Bank*". In addition, income obtained upon transfer, redemption or repayment of the Preferred Securities may also be paid free of Spanish withholding tax in certain circumstances.

Notwithstanding the above, withholding tax at the applicable rate of 19 per cent. may have to be deducted by other entities (such as depositaries, institutions, or financial entities), provided that such entities are resident for tax purposes in Spain or have a permanent establishment in Spanish territory.

In any event, individual Holders may credit the withholding against their PIT liability for the relevant fiscal year and may be refundable pursuant to Section 103 of the PIT Law.

#### **Wealth Tax**

Individuals with tax residency in Spain are currently subject to Wealth Tax to the extent that their net worth exceeds €700,000, without prejudice to any exemption which may apply and the laws and regulations in force in each autonomous region (*Comunidad Autónoma*), at the applicable rates, ranging between 0.2 per cent. and 3.5 per cent., on the value of the Preferred Securities which they hold as at the end of the relevant fiscal year.

In addition to Wealth Tax, there is a temporary "solidarity tax on major fortunes" that applies to the wealth of individuals in excess of €3,000,000 with rates from 1.7 per cent. to 3.5 per cent. The amount of this tax can be deducted from the amount of the Wealth Tax and would apply in 2023 and 2024.

#### **Inheritance and Gift Tax**

Individuals resident in Spain for tax purposes who acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy will be subject to Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and state rules. The effective tax rates currently range between 0 per cent. and 81.6 per cent., depending on relevant factors.

### ***Legal Entities with Tax Residency in Spain***

#### **Corporate Income Tax**

Both interest periodically received and income derived from the transfer, redemption or repayment of the Preferred Securities are subject to CIT (at the current general tax rate of 25 per cent.) in accordance with the rules for this tax.

Pursuant to Article 44.5 of RD 1065/2007, any income derived from the Preferred Securities will be paid by the Bank to Spanish CIT taxpayers (which for the sake of clarity, include Spanish tax resident investment funds and Spanish tax resident pension funds) free of Spanish withholding tax provided

that the relevant information about the Preferred Securities is submitted in the manner detailed in “*Tax Reporting Obligations of the Bank*”.

In the case of Preferred Securities held by Spanish resident entities and deposited with a Spanish resident entity acting as a depositary or custodian, income derived from the transfer, redemption or repayment may be subject to withholding tax, currently at a rate of 19 per cent. withholding that will be made to the depositary or custodian, unless the Preferred Securities comply with the exemption requirements specified in Article 61 of the CIT Regulations, as interpreted by the ruling n° 1500/2004 issued by the Spanish General Directorate for Taxes (*Dirección General de Tributos*) dated 27 July 2004, which requires that (i) the Preferred Securities are placed outside of Spain, in another OECD jurisdiction, and (ii) the Preferred Securities are admitted to trading in an organised market of an OECD jurisdiction other than Spain.

Amounts withheld, if any, may be credited by the relevant investors against their final CIT liability.

## **Wealth Tax**

Legal entities are not subject to Wealth Tax.

## **Inheritance and Gift Tax**

Legal entities resident in Spain for tax purposes (and NRIT taxpayers acting through a permanent establishment in Spain, as described below) which acquire ownership or other rights over the relevant securities by inheritance, gift or legacy are not subject to Spanish Inheritance and Gift Tax.

### ***Individuals and Legal Entities with no Tax Residency in Spain***

## **Non-Resident Income Tax**

### ***Investors with no Tax Residency in Spain, acting through a Permanent Establishment in Spain***

If the Preferred Securities form part of the assets affected to a permanent establishment in Spain of a person or legal entity that is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such Preferred Securities are, generally, the same as those set forth above for Spanish CIT taxpayers. See “—*Legal Entities with Tax Residency in Spain-Corporate Income Tax*”.

Ownership of the Preferred Securities by investors who are not resident in Spain for tax purposes will not in itself create the existence of a permanent establishment in Spain.

### ***Investors with no Tax Residency in Spain not acting through a permanent establishment in Spain***

Income obtained by Holders who are not tax resident in Spain acting for these purposes without a permanent establishment within Spain is exempt from NRIT, on the same terms laid down for income from Spanish public debt.

In order for the exemption to apply, it is necessary to comply with certain information obligations relating to the Preferred Securities, in the manner detailed under “*Tax Reporting Obligations of the Bank*” as laid down in Article 44 of RD 1065/2007. If these information obligations are not complied with in the manner indicated, the Bank will withhold at the rate applicable from time to time (currently 19 per cent.) and the Bank will not pay additional amounts.

In any case, please note that non-resident investors acting without a permanent establishment in Spain may benefit from a withholding tax exemption or reduced withholding tax rate pursuant to the Non-Resident Income Tax Law or an applicable Double Tax Treaty (**DTT**) signed by Spain, subject to certain requirements.

## **Wealth Tax**

Individuals resident in a country with which Spain has entered into a DTT in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights are located in Spain, or that can be exercised within the Spanish territory, exceed €700,000 would be subject to Wealth Tax at the applicable rates, ranging between 0.2 per cent. and 3.5 per cent., without prejudice to any exemption or reductions which may apply. Therefore, such individuals should take into account the value of the Preferred Securities which they hold as of 31st December in each year.

In accordance with Additional Provision 4 of the Wealth Tax Law as amended by Law 11/2021 of 9th July, non-resident taxpayers will be entitled to the application of specific regulations approved by the Autonomous Community where the greater value of the assets and rights they own and for which the tax is required is located, can be exercised or must be fulfilled in Spanish territory.

In addition to Wealth Tax, there is a temporary “solidarity tax on major fortunes” that applies to the wealth of individuals in excess of €3,000,000 with rates from 1.7 per cent. to 3.5 per cent. The amount of this tax can be deducted from the amount of the Wealth Tax and would apply in 2023 and 2024.

Legal entities are not subject to Wealth Tax.

## **Inheritance and Gift Tax**

The transfer of the Preferred Securities to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax in accordance with the applicable Spanish and State rules even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

If no DTT is applicable, individuals who do not have tax residency in Spain who acquire ownership or other rights over the Preferred Securities by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with Spanish legislation, to the extent that rights deriving from the Preferred Securities can be exercised within Spanish territory. According to the Second Additional Provision of Law 29/1987 of 18th December approving the Inheritance and Gift Tax Law, non-Spanish tax resident individuals may be subject to Spanish Inheritance and Gift Tax in accordance with the rules set forth in the relevant autonomous regions in accordance with the law. As such, prospective investors should consult their tax advisers.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Non-Resident Income Tax and without prejudice, in the latter event, to the provisions of any DTT that may apply.

## ***Tax Reporting Obligations of the Bank***

Article 44 of RD 1065/2007 sets out the reporting obligations applicable to preference shares and debt instruments issued under Law 10/2014. The procedures apply to interest deriving from preference shares and debt instruments to which Law 10/2014 refers, including debt instruments issued at a discount for a period equal to or less than twelve months.

According to the literal wording of Article 44.5 of RD 1065/2007, income derived from securities originally registered with the entities that manage clearing systems located outside Spain, that are recognised by Spanish law or by the law of another OECD country (such as Euroclear or Clearstream, Luxembourg), will be paid free of Spanish withholding tax provided that the Principal Paying Agent

appointed by the Bank submits a statement to the Bank, the form of which is included in the Agency Agreement, with the following information (a **Payment Statement**):

- identification of the securities;
- payment date;
- total amount of income paid on the relevant date; and
- total amount of the income corresponding to each clearing house located outside Spain.

In accordance with paragraph 6 of Article 44 of RD 1065/2007, the Principal Paying Agent should provide the Bank with the statement on the business day immediately prior to each interest payment date. The statement must reflect the situation at the close of business of that same day. In the event that on the date, the entities obliged to provide the declaration fail to do so, the Bank or the Principal Paying Agent on its behalf will make a withholding at the general rate of 19 per cent. on the total amount of the return on the relevant Preferred Securities otherwise payable to such entity.

The Bank has otherwise agreed that in the event withholding tax should be required by law, the Bank shall pay such additional amounts as would have been received had no such withholding or deduction been required, except as provided in Condition 12 and as otherwise described in this Offering Circular.

In the event that the currently applicable procedures are modified, amended or supplemented by, among other things, any Spanish law, regulation, interpretation or ruling of the Spanish tax authorities, the Bank will notify the Holders of such information procedures and their implications, as the Bank may be required to apply withholding tax on Distributions in respect of the Preferred Securities if the Holders do not comply with such information procedures.

**Prospective investors should note that the Bank does not accept any responsibility in relation to any failure in the delivery of a duly executed and completed Payment Statement by the Principal Paying Agent in connection with each payment of income under the Preferred Securities. Accordingly, the Bank will not be liable for any damage or loss suffered by any beneficial owner who would otherwise be entitled to an exemption from Spanish withholding tax but whose Distribution payments are nonetheless paid net of Spanish withholding tax because the Payment Statement was not duly delivered to the Bank. Moreover, the Bank will not pay any additional amounts with respect to any such withholding tax.**

## **Conversion of the Preferred Securities into Common Shares**

### ***Individuals with tax residency in Spain***

#### **Personal Income Tax**

Income obtained on the conversion of the Preferred Securities into Common Shares, computed as the difference between the market value of the Common Shares received and the acquisition or subscription value of the Preferred Securities delivered in exchange, will be considered as a return on investment obtained from the transfer of own capital to third parties in accordance with the provisions of Section 25.2 of the PIT Law.

The tax treatment will be as described above in relation to the Personal Income Tax treatment in respect of the Preferred Securities.

## **Corporate Income Tax**

Subject to the applicable accounting regulations, income derived from the conversion of the Preferred Securities into Common Shares will be computed as the difference between the market value of the Common Shares received and the book value of the Preferred Securities delivered in exchange. Such income will be subject to CIT at the current general rate of 25 per cent., in accordance with the rules for this tax.

The tax treatment will be as described above in relation to the Corporate Income Tax treatment in respect of the Preferred Securities.

### ***Individuals and Legal Entities with no Tax Residency in Spain***

#### **Non-Resident Income Tax**

##### ***Investors with no Tax Residency in Spain, acting through a Permanent Establishment in Spain***

Non-Spanish tax resident investors operating through a permanent establishment in Spain are subject to the same tax treatment that applies to Spanish CIT taxpayers.

##### ***Investors with no Tax Residency in Spain not acting through a permanent establishment in Spain***

Income obtained by non-Spanish tax resident investors on the conversion of the Preferred Securities into Common Shares will be exempt from such NRIT and from withholding tax on account of NRIT.

The tax treatment applicable to the income obtained will be as described above in relation to the Non-Resident Income Tax treatment in respect of the Preferred Securities.

#### **Common Shares**

### ***Individuals and Legal Entities with no Tax Residency in Spain***

#### **Non-Resident Income Tax**

##### ***Investors with no Tax Residency in Spain not acting through a permanent establishment in Spain***

##### ***Taxation of dividends***

Under Spanish law, dividends paid to a non-Spanish resident Holder in Spain not acting through a permanent establishment in Spain in respect of the Common Shares are subject to the Spanish Non-Resident Income Tax (**NRIT**), and therefore a 19 per cent. withholding tax is currently applied on the gross amount of dividends.

The Order of 13th April, 2000 establishes the procedure applicable to dividend payments made to Holders subject to the Spanish Non-Residents Income Tax.

However, when a DTT applies, the non-resident is entitled to the Treaty-reduced rate. To benefit from the Treaty-reduced rate, the non-resident must provide to the Bank or to the Spanish resident depositary, if any, through which its Common Shares are held, a certificate of tax residence issued by the tax authorities of the country of residence, within the meaning of the relevant DTT.

In addition, pursuant to the provisions set forth under article 14.1.h) of the Non-Resident Income Tax Law, non-Spanish corporate Holders with residence in the EU who (i) hold at least 5 per cent. of the share capital of a Spanish Company, and (ii) who hold the relevant shares for an uninterrupted period of at least one year (which requirement may be fulfilled after the dividend deriving from the relevant shares is received), may benefit from an exemption from NRIT on dividends deriving from the relevant shares, provided that the rest of conditions of article 14.1.h) NRIT are met.

As from 2021, the aforesaid exemption will only apply when the shareholder has at least a direct or indirect stake of 5 per cent. and, therefore, shareholders which have an acquisition value of their participation that exceeds €20 million will not be entitled to the exemption (without prejudice to the application of a grandfathering regime under specific conditions).

The aforesaid exemption will be applicable, subject to the compliance of similar requirements, to dividends distributed by a Spanish subsidiary to its EEA parent company provided that there is an effective exchange of tax information with such EEA parent company's country.

However, this exemption from NRIT will not apply if the majority of the voting rights in the parent company of the Spanish Company in which the relevant shareholding is acquired are held, directly or indirectly, by natural or legal persons which are non-resident in the EU or in a country of the EEA with an effective exchange information procedure according to Law 36/2006, of 29th November unless it can be demonstrated that the formation and performance of the relevant Spanish Company was and is carried out for valid economic reasons and substantial business reasons.

In addition, the aforesaid exemption will not be applicable if the dividend is obtained through a country or territory that is defined as a tax haven or a non-cooperative jurisdiction (*jurisdicción no cooperativa*) by Spanish regulations.

#### *Taxation of capital gains*

Capital gains realised by non-Spanish resident Holders not acting through a permanent establishment in Spain in respect of the Common Shares will be taxed under the rules provided by the Non-Resident Income Tax Law.

However, capital gains realised by a Holder will be exempt from Spanish Non-Residents Income Tax in the following cases:

- If such Holder is a resident of another EU Member State, it will be exempt from Spanish Non-Residents Income Tax on capital gains, provided that (i) the Bank's assets do not mainly consist of, directly or indirectly, Spanish real estate, (ii) in the case of individual taxpayers the seller has not maintained a direct or indirect holding of at least 25 per cent. of the Common Shares outstanding during the twelve months preceding the disposition of the latter, (iii) in the case of a non-resident entity, the sale falls within the exemption provided for in Article 21 of Law 27/2014 (in general terms and among other requirements, where that entity's ownership interest is at least 5 per cent.), and (iv) the gain is not obtained through a country or territory statutorily defined as a tax haven or a non-cooperative jurisdiction (*jurisdicción no cooperativa*). This exemption shall also apply to capital gains which have not been obtained through a permanent establishment in Spain by individuals and entities resident for tax purposes in Member States of the EEA (other than Spain), or permanent establishments of these resident in other Member States of the EEA (other than Spain), provided that the requirements set forth in the Non-Resident Income Tax Law are met.
- If the transfer of Common Shares in an official Spanish secondary stock market is made by any Holder who is resident in a country that has entered into a DTT with Spain containing an exchange of information clause (including the Treaty), the gain obtained will be exempt from taxation in Spain. This exemption is not applicable to capital gains obtained through a country or territory defined as a tax haven under applicable Spanish regulations.
- If such Holder benefits from a DTT that provides for taxation only in such non-Spanish resident Holder's country of residence.

In the event that a capital gain derived from the disposition of Common Shares is exempt from Spanish Non-Residents Income Tax, such Holder will be obliged to file with the Spanish tax authorities the corresponding 210 tax Form evidencing its entitlement to the exemption and providing



the Spanish tax authorities with a certificate of tax residence issued by the tax authorities of the country of residence, within the meaning of a DTT, if applicable.

### ***Investors with no Tax Residency in Spain, acting through a Permanent Establishment in Spain***

#### ***Taxation of dividends***

If the Common Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to income deriving from such ordinary shares are the same as those for legal entities with tax residency in Spain described below.

Ownership of the Common Shares by investors who are not resident for tax purposes in Spain will not in itself create the existence of a permanent establishment in Spain.

#### ***Taxation of capital gains***

If the Common Shares form part of the assets of a permanent establishment in Spain of a person or legal entity who is not resident in Spain for tax purposes, the tax rules applicable to capital gains derived from such ordinary shares are the same as those for legal entities with tax residency in Spain described below.

### ***Wealth Tax***

Individuals resident in a country with which Spain has entered into a DTT in relation to Wealth Tax would generally not be subject to such tax. Otherwise, non-Spanish resident individuals whose properties and rights located in Spain, or that can be exercised within the Spanish territory, exceed €700,000 would be subject to Wealth Tax at the applicable rates, ranging between 0.2 per cent. and 3.5 per cent., without prejudice to any reductions which may apply. Therefore, such individuals should take into account the value of the Common Shares which they hold as at 31st December in each year.

In accordance with Additional Provision 4 of the Wealth Tax Law as amended by Law 11/2021 of 9th July, non-resident taxpayers will be entitled to the application of specific regulations approved by the Autonomous Community where the greater value of the assets and rights they own and for which the tax is required is located, can be exercised or must be fulfilled in Spanish territory.

In addition to Wealth Tax, there is a temporary “solidarity tax on major fortunes” that applies to the wealth of individuals in excess of €3,000,000 with rates from 1.7 per cent. to 3.5 per cent. The amount of this tax can be deducted from the amount of the Wealth Tax and would apply in 2023 and 2024.

### ***Inheritance and Gift Tax***

The transfer of the Common Shares to individuals by inheritance, legacy or donation shall be subject to the general rules of Inheritance and Gift Tax in accordance with the applicable Spanish rules even if title passes outside Spain and neither the heir nor the beneficiary, as the case may be, is resident in Spain for tax purposes, without prejudice to the provisions of any DTT signed by Spain.

If no DTT is applicable, individuals who do not have tax residency in Spain who acquire ownership or other rights over the Common Shares by inheritance, gift or legacy will be subject to Inheritance and Gift Tax in accordance with Spanish legislation. Non-Spanish tax resident individuals are subject to Spanish Inheritance and Gift Tax according to the rules set forth in the relevant autonomous regions according to the law. As such, prospective shareholders should consult their tax advisers.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

In the event that the beneficiary is an entity other than a natural person, the income obtained shall be subject to Corporate Income Tax or Non-Resident Income Tax, as the case may be, and without prejudice, in the latter event, to the provisions of any DTT that may apply.

### ***Individuals with Tax Residency in Spain***

#### **Personal Income Tax**

##### ***(i) Taxation of dividends***

According to the PIT Law the following, amongst others, must be treated as gross capital income: income received by a Spanish shareholder in the form of dividends, consideration paid for attendance at shareholders' meetings, income from the creation or assignment of rights of use or enjoyment of the shares and any other income received in his position as shareholder.

Gross capital income is reduced by any administration and custody expenses (but not by those incurred in individualized portfolio management); the net amount is included in the relevant Spanish shareholder's savings taxable base at the applicable rate (currently varying from 19 per cent. to 28 per cent.).

The payment to Spanish shareholders of dividends or any other distribution will be generally subject to a withholding tax at the then-applicable rate (currently set at 19 per cent.). Such withholding tax is creditable from the PIT payable; if the amount of tax withheld is greater than the amount of the net PIT payable, the taxpayer is entitled to a refund of the excess withheld in accordance with the PIT Law.

##### ***Taxation of capital gains***

Gains or losses recorded by a shareholder subject to PIT as a result of the transfer of ordinary shares qualify for the purposes of the PIT Law as capital gains or losses and are subject to taxation according to the general rules applicable to capital gains. The amount of capital gains or losses is equal to the difference between the shares' acquisition value (plus any fees or taxes incurred) and the transfer value, which is the listed value of the shares as of the transfer date or, if higher, the agreed transfer price, less any fees or taxes incurred.

Capital gains or losses arising from the transfer of shares held by a Spanish shareholder are included in such Spanish savings taxable base at the applicable rate (currently varying from 19 per cent. to 28 per cent.).

Capital gains arising from the transfer of shares are not subject to withholding tax on account of PIT. Losses arising from the transfer of ordinary shares admitted to trading on certain official stock exchanges will not be treated as capital losses if ordinary shares of the same kind have been acquired during the period between two months before and two months after the date of the transfer which originated the loss. In these cases, the capital losses are included in the taxable base upon the transfer of the remaining ordinary shares by the taxpayer.

#### **Wealth Tax**

Individuals with tax residency in Spain are currently subject to Wealth Tax to the extent that their net worth exceeds €700,000, without prejudice to any exemption which may apply and the laws and regulations in force in each Autonomous Region, at the applicable rates, ranging between 0.2 per cent. and 3.5 per cent., on the value of the relevant securities which they hold as at the end of each year.

In addition to Wealth Tax, there is a temporary "solidarity tax on major fortunes" that applies to the wealth of individuals in excess of €3,000,000 with rates from 1.7 per cent. to 3.5 per cent. The amount of this tax can be deducted from the amount of the Wealth Tax and would apply in 2023 and 2024.

## **Inheritance and Gift Tax**

Individuals resident in Spain for tax purposes who acquire ownership or other rights over any relevant securities by inheritance, gift or legacy will be subject to the Spanish Inheritance and Gift Tax in accordance with the applicable Spanish regional and State rules. The effective tax rates currently range between 0 per cent. and 81.6 per cent., depending on relevant factors.

### ***Legal Entities with Tax Residency in Spain***

#### **Corporate Income Tax**

##### ***(i) Taxation of dividends***

Dividends from BBVA received by corporate Spanish shareholders, less any expenses inherent to holding the Common Shares, must be included in the CIT taxable base. The general CIT tax rate is 25 per cent.

Dividends in respect of the shares obtained by the shareholders that (i) hold, directly or indirectly, at least 5 per cent. in the issuer's stock; and (ii) hold such participation for at least one year prior to the relevant distribution date or commits to hold the participation for the time needed to complete such one-year holding period, may be 95 per cent. exempt from CIT on that dividend as a general rule.

As from 2021, the CIT exemption for dividends and interests in profits of a company is reduced from the full exemption (100 per cent.) to a 95 per cent. exemption in most cases. In practice, this means that dividends and interests in profits of a company obtained by CIT taxpayers will be taxed at an effective 1.25 per cent. rate (general 25 per cent. CIT rate on the 5 per cent. of the registered dividends and interests in profits of a company).

Additionally, as from 2021, the 95 per cent. exemption will only apply when the shareholder has at least a direct or indirect stake of 5 per cent. and therefore shareholders which have an acquisition value of their participation which exceeds €20 million will not be entitled to the exemption (without prejudice to the application of a grandfathering regime under specific conditions).

In case the conditions to apply this exemption applies to the relevant shareholder, and provided that the minimum one year holding period requirement is complied with on the distribution date in respect of the Common Shares, dividends will not be subject to withholding tax. Otherwise, dividends will be taxed at the applicable CIT tax rate of the taxpayer and a withholding will apply (currently set at 19 per cent.). This CIT withholding will be credited against the taxpayer's annual CIT due, and if the amount of tax withheld is greater than the amount of the annual CIT due, the taxpayer will be entitled to a refund of the excess withheld.

##### ***Taxation of capital gains***

Gains or losses arising from the sale of the Common Shares by a shareholder that is a Spanish CIT taxpayer must be included in its taxable base. The general CIT tax rate is 25 per cent. Gains arising from the sale of the Common Shares will not be subject to withholding tax on account of CIT.

For CIT payers that (i) hold, directly or indirectly, at least 5 per cent. in the issuer's stock; and (ii) hold such participation for at least one year prior to the relevant transfer, capital gains will be 95 per cent. exempt from CIT as a general rule. Otherwise, capital gains will be taxed at the CIT rate applicable to the relevant taxpayer.

As from 2021, the CIT exemption for capital gains is reduced from the full exemption (100 per cent.) to a 95 per cent. exemption in most cases. In practice, this means that capital gains obtained by CIT taxpayers would be taxed at an effective 1.25 per cent. rate (general 25 per cent. CIT rate on the 5 per cent. of the capital gains).

Additionally, as from 2021, the 95 per cent. exemption will only apply when the shareholder has at least a direct or indirect stake of 5 per cent. and therefore, shareholders which have an acquisition value of their participation that exceeds €20 million will not be entitled to the exemption (without prejudice to the application of a grandfathering regime under specific conditions).

CIT payers are urged to consult their tax advisers regarding compliance of the requirements for application of the aforesaid participation exemption.

Capital gains deriving from the disposal of the Common Shares will not be subject to withholding tax on account of CIT.

## **Wealth Tax**

Legal entities are not subject to Wealth Tax.

## **Inheritance and Gift Tax**

Legal entities resident in Spain for tax purposes (and NRIT taxpayers acting through a permanent establishment in Spain, as described below) which acquire ownership or other rights over the Common Shares by inheritance, gift or legacy are not subject to the Spanish Inheritance and Gift Tax.

## **THE PROPOSED FINANCIAL TRANSACTIONS TAX (FTT)**

On 14th February, 2013, the European Commission published a proposal (the **Commission's Proposal**) for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the **participating Member States**). However, Estonia has since stated that it will not participate.

The Commission's Proposal has very broad scope and could, if introduced, apply to certain dealings in the Preferred Securities (including secondary market transactions) in certain circumstances.

Under the Commission's Proposal the FTT could apply in certain circumstances to persons both within and outside of the participating Member States. Generally, it would apply to certain dealings in the Preferred Securities where at least one party is a financial institution, and at least one party is established in a participating Member State. A financial institution may be, or be deemed to be, "established" in a participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a participating Member State or (b) when the financial instrument, which is subject to the dealings, is issued in a participating Member State.

However, the Commission's Proposal remains subject to negotiation between participating Member States. It may therefore be altered prior to any implementation, the timing of which remains unclear. Additional EU Member States may decide to participate and participating Member States may decide not to participate.

## **THE SPANISH FINANCIAL TRANSACTIONS TAX (SPANISH FTT)**

The Spanish law which implements the Spanish FTT was approved on 7th October, 2020 (the **FTT Law**) and the FTT Law was published in the Spanish Official Gazette (*Boletín Oficial del Estado*) on 16th October, 2020. The Spanish FTT came into force three months after the publication of the FTT Law in the Spanish Official Gazette (that is, on 16th January, 2021).

Spanish FTT charges a 0.2 per cent. rate on specific acquisitions of listed shares issued by Spanish companies whose market capitalisation exceeds €1 billion on 1st December of the year prior to the acquisition, regardless of the jurisdiction of residence of the parties involved in the transaction.

The list of the Spanish companies with a market capitalisation exceeding €1 billion at 1 December of each year will be published on the Spanish tax authorities' website before 31st December each year.

For the purposes of transactions closed during 2023, the Spanish tax authorities issued a list of entities whose market capitalisation exceeded €1 billion as of 1st December, 2022, that will fall within the scope of the Spanish FTT and the Bank was included in such list. Therefore, onerous acquisitions of the Bank's shares carried out during 2023 would fall within the scope of the Spanish FTT.

According to the criterion of the Spanish tax authorities, the Spanish FTT would not apply in relation to the acquisition of the contingent convertible capital securities. Additionally, the conversion of the contingent convertible capital securities into ordinary shares falls within the Spanish FTT although it may be exempt of such tax if it consists in a primary market transaction. However, the Spanish FTT would apply (at a fixed rate of 0.2 per cent.) to other financial transactions involving the Bank's shares, regardless of the jurisdiction of residence of the parties involved in the transaction.

Prospective holders of the Preferred Securities are advised to seek their own professional advice in relation to the FTT.

## **SPANISH DIRECT REFUND FROM SPANISH TAX AUTHORITIES**

Beneficial owners entitled to receive income payments in respect of the Common Shares at the reduced withholding tax rate contained in any applicable DTT, but in respect of whom income payments have been made net of Spanish withholding tax at the general withholding tax rate, may apply directly to the Spanish tax authorities for any refund to which they may be entitled.

Beneficial owners may claim any excess amount withheld by the Bank from the Spanish Treasury following the 1st of February of the calendar year following the year in which the relevant payment date takes place, and within the first four years following the last day on which the Bank may pay any amount so withheld to the Spanish Treasury (which is generally the 20th calendar day of the month immediately following the relevant payment date), by filing with the Spanish tax authorities (i) the relevant Spanish tax form, (ii) proof of beneficial ownership, and (iii) a certificate of residence issued by the tax authorities of the country of tax residence of such beneficial owner, among other documents.

For further details, prospective Holders should consult their tax advisers.

## **U.S. FOREIGN ACCOUNT TAX COMPLIANCE ACT WITHHOLDING**

Pursuant to certain provisions of the U.S. Internal Revenue Code of 1986, commonly known as FATCA, a **foreign financial institution** (as defined by FATCA) may be required to withhold on certain payments it makes (**foreign passthru payments**) to persons that fail to meet certain certification, reporting or related requirements. The Bank is a foreign financial institution for these purposes. A number of jurisdictions (including Spain) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA (**IGAs**), which modify the way in which FATCA applies in their jurisdictions. Under the provisions of IGAs as currently in effect, a foreign financial institution in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA from payments that it makes. Certain aspects of the application of the FATCA provisions and IGAs to instruments such as the Preferred Securities, including whether withholding would ever be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred Securities, are uncertain and may be subject to change. Even if withholding would be required pursuant to FATCA or an IGA with respect to payments on instruments such as the Preferred Securities, such withholding would not apply prior to the date that is two years after the date on which final regulations defining "foreign passthru payments" are published in the U.S. Federal Register. Holders should consult their own tax advisers regarding how these rules may apply to their investment in the Preferred Securities.

## SUBSCRIPTION, SALE AND TRANSFER

The Managers have, pursuant to a subscription agreement dated 13th June, 2023 (the **Subscription Agreement**), agreed to subscribe or procure subscribers for the Preferred Securities at the issue price of 100 per cent. of the Liquidation Preference of the Preferred Securities, less the agreed commissions of €8,000,000 payable to the Managers (the **Purchase Price**) and in the case of BBVA, exclusively in its capacity as a Joint Bookrunner, to procure subscribers for the Preferred Securities at the issue price of 100 per cent. The Bank has also agreed to reimburse the Managers in respect of certain of its expenses, and has agreed to indemnify the Managers against certain liabilities, incurred in connection with the issue of the Preferred Securities. The Subscription Agreement may be terminated in certain circumstances prior to payment of the Purchase Price to the Bank.

### United States

The Preferred Securities and the Common Shares to be issued and delivered in the event of any Conversion have not been and will not be registered under the Securities Act or the securities laws of any state or other jurisdiction of the United States and may not be offered, sold or delivered within the United States or to, or for the account or benefit of, U.S. persons except in certain transactions exempt from or not subject to, the registration requirements of the Securities Act. Capitalised terms used in this paragraph have the meanings given to them under Regulation S.

The Preferred Securities are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and Treasury regulations promulgated thereunder.

Each Manager has agreed that, except as permitted by the Subscription Agreement, it will not offer, sell or deliver the Preferred Securities (a) as part of their distribution at any time or (b) otherwise until 40 days after the later of the commencement of the offering and the Closing Date (the **distribution compliance period**) within the United States or to, or for the account or benefit of, U.S. persons except in accordance with Regulation S of the Securities Act and that it will have sent to each distributor, dealer or person receiving a selling concession, fee or other remuneration to which it sells any Preferred Securities during the distribution compliance period a confirmation or other notice setting forth the restrictions on offers and sales of the Preferred Securities within the United States or to, or for the account or benefit of, U.S. persons. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

In addition, until 40 days after the commencement of the offering, an offer or sale of Preferred Securities within the United States by any dealer that is not participating in the offering may violate the registration requirements of the Securities Act.

In addition, under U.S. Treas. Reg. §1.163-5(c)(2)(i)(C) (the **C Rules**), Preferred Securities must be issued and delivered outside the United States and its possessions in connection with their original issue. Each of the Managers will represent that it has not offered, sold or delivered, and agrees that it will not offer, sell or deliver, directly or indirectly, Preferred Securities within the United States or its possessions in connection with their original issue. Further, in connection with the original issue of Preferred Securities, each of the Managers will represent that it has not communicated, and agree that it will not communicate, directly or indirectly, with a prospective purchaser if any of the Managers or such purchaser is within the United States or its possessions or otherwise involve any of the Managers' U.S. office in the offer or sale of Preferred Securities. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code and regulations thereunder, including the C Rules.

## Prohibition of Sales to EEA Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Preferred Securities to any retail investor in the EEA.

For these purposes:

- (i) the expression **retail investor** means a person who is one (or more) of the following:
  - (a) an EEA Retail Client; or
  - (b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; and
- (ii) the expression **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Preferred Securities.

## Spain

Each of the Managers has represented and agreed that the Preferred Securities must not be offered, distributed or sold in Spain in the primary market. However, the Preferred Securities may be sold to Spanish resident investors in circumstances that satisfy the requirements set forth in the ruling 1500/04 of the Directorate General for Taxation (*Dirección General de Tributos*) of 27th July, 2004.

Notwithstanding this, the Preferred Securities may not be offered, sold or otherwise made available at any time to any retail investor (as defined above) in Spain and any sales of the Preferred Securities in Spain according to the previous paragraph shall be made only to professional clients (*clientes profesionales*) or eligible counterparties (*contrapartes elegibles*) as defined in Articles 194 and 196, respectively, of the Spanish Securities Markets Law (*Ley 6/2023, de 17 de marzo, de los Mercados de Valores y de los Servicios de Inversión*).

No publicity of any kind shall be made in Spain.

## Italy

Each of the Managers has acknowledged that the offering of the Preferred Securities has not been registered pursuant to Italian securities legislation and, accordingly, no Preferred Securities may be offered, sold or delivered, nor may copies of this Offering Circular or of any other document relating to the Preferred Securities be distributed in Italy, except:

- (a) to qualified investors (*investitori qualificati*), as defined pursuant to Article 2 of the Prospectus Regulation and any applicable provision of Legislative Decree No. 58 of 24th February, 1998, as amended (the Financial Services Act) and/or Italian CONSOB regulations; or
- (b) in other circumstances which are exempted from the rules on public offerings pursuant to Article 1 of the Prospectus Regulation, Article 34-ter of CONSOB Regulation No. 11971 of 14th May, 1999, as amended from time to time, and the applicable Italian laws.

In any event, any offer, sale or delivery of the Preferred Securities or distribution of copies of this Offering Circular or any other document relating to the Preferred Securities in Italy under (a) or (b) above must:

- (i) be made by an investment firm, bank or financial intermediary permitted to conduct such activities in Italy in accordance with the Financial Services Act, CONSOB Regulation No. 20307 of 15th February, 2018 (as amended from time to time) and Legislative Decree No. 385 of 1st September, 1993, as amended (the **Banking Act**); and
- (ii) comply with any other applicable laws and regulations or requirement imposed by CONSOB, the Bank of Italy (including the reporting requirements, where applicable, pursuant to Article 129 of the Banking Act and the implementing guidelines of the Bank of Italy, as amended from time to time) and/or any other Italian authority.

## Belgium

Each Manager has represented and agreed that an offering of Preferred Securities may not be advertised to any individual in Belgium qualifying as a consumer within the meaning of Article I.1 of the Belgian Code of Economic Law, as amended from time to time (a **Belgian Consumer**) and that it has not offered, sold or resold, transferred or delivered, and will not offer, sell, resell, transfer or deliver, the Preferred Securities, and that it has not distributed, and will not distribute, any prospectus, memorandum, information circular, brochure or any similar documents in relation to the Preferred Securities, directly or indirectly, to any Belgian Consumer.

## United Kingdom

### Prohibition of Sales to UK Retail Investors

Each of the Managers has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Preferred Securities to any retail investor in the UK.

For these purposes:

- (i) the expression **retail investor** means a person who is one (or more) of the following:
  - a. a UK Retail Client; or
  - b. a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of UK MiFIR; and
- (ii) the expression **offer** includes the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Securities to be offered so as to enable an investor to decide to purchase or subscribe the Preferred Securities.

Each Manager has represented and agreed that:

- (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Preferred Securities in circumstances in which Section 21(1) of the FSMA does not apply to the Bank; and
- (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Preferred Securities in, from or otherwise involving the UK.



## Singapore

Each of the Managers has acknowledged that this Offering Circular has not been registered as a prospectus with the MAS. Accordingly, each of the Managers has represented and agreed that it has not offered or sold any Preferred Securities or caused the Preferred Securities to be made the subject of an invitation for subscription or purchase and will not offer or sell any Preferred Securities or cause the Preferred Securities to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Securities, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Preferred Securities are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

- (a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or
- (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contract (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Preferred Securities pursuant to an offer made under Section 275 of the SFA except:

- (a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(c)(ii);
- (b) where no consideration is or will be given for the transfer;
- (c) where the transfer is by operation of law;
- (d) as specified in Section 276(7) of the SFA; or
- (e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018 of Singapore.

**Notice of Product Classification by the Bank under Section 309B(1)(c) of the SFA** – In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 (the **CMP Regulations 2018**), the Bank has determined the classification of the Preferred Securities as prescribed capital markets products (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in the MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and the MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

## Hong Kong

Each Manager has represented and agreed that:

- (a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Preferred Securities other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) of Hong Kong (the **SFO**) and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the **C(WUMP)O**) or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and
- (b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Preferred Securities, which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Preferred Securities which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

### **Switzerland**

The offering of the Preferred Securities in Switzerland is exempt from requirement to prepare and publish a prospectus under the Swiss Financial Services Act (**FinSA**). This Offering Circular does not constitute a prospectus pursuant to the FinSA, and no such prospectus has been or will be prepared for or in connection with the offering of the Preferred Securities.

### **Canada**

The Preferred Securities are not and will not be qualified by prospectus for sale under the securities laws of any province or territory of Canada. No offer, sale or distribution of the Preferred Securities has been or will be made by BBVA (in its capacity as a joint bookrunner). The Managers has represented and agreed that it has not offered, sold or distributed and will not offer, sell or distribute any Preferred Securities, directly or indirectly, in Canada other than pursuant to an exemption from the prospectus requirements of Canadian securities laws and in compliance with the dealer registration requirements of Canadian securities laws or an exemption therefrom. Each Manager has also represented and agreed that it has not and will not distribute or deliver the Offering Circular, or any other offering material in connection with any offering of Preferred Securities in Canada, other than in compliance with the applicable securities laws.

### **General**

No action has been taken by the Bank or any of the Managers that would, or is intended to, permit an offer of the Preferred Securities in any country or jurisdiction where any such action for that purpose is required. Accordingly, each Manager has undertaken that it will not, directly or indirectly, offer or sell any Preferred Securities or distribute or publish any offering circular, prospectus, form of application, advertisement or other document or information in any country or jurisdiction except under circumstances that will, to the best of its knowledge and belief, result in compliance with any applicable laws and regulations and all offers and sales of Preferred Securities by it have been and will be made on the same terms.

## ADDITIONAL INFORMATION

1. The creation and issue of the Preferred Securities has been authorised by (i) the shareholders' meeting (*Junta General Ordinaria de Accionistas*) of the Bank, held on 20th April, 2021 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 2nd February, 2022.
2. Except as disclosed in the section entitled "*Description of Banco Bilbao Vizcaya Argentaria, S.A. – Legal Proceedings*" on page 95, none of the Bank or any of the Bank's subsidiaries is or has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Bank or any of the Bank's subsidiaries is aware) in the 12 months preceding the date of this Offering Circular which may have, or have had in the recent past, a significant effect on the financial position or profitability of the Bank or the Group.
3. Save as disclosed in note 6 on pages 16 to 21 (inclusive) and note 41 on page 36 to the 1Q23 Consolidated Interim Financial Statements, there has been no significant change in the financial or trading position of the Bank and its subsidiaries since 31st March, 2023 and there has been no material adverse change in the prospects of the Bank and its subsidiaries since 31st December, 2022.
4. For so long as any of the Preferred Securities are outstanding, copies of the following documents will be available at [www.bbva.com](http://www.bbva.com):
  - (a) the corporate bylaws (*estatutos sociales*) of the Bank (with an English translation thereof);
  - (b) the 1Q23 Consolidated Interim Financial Statements, and the Consolidated Financial Statements and Stand-Alone Financial Statements as of and for each of the years ended 31st December, 2020, 2021 and 2022; and
  - (c) this Offering Circular.

The information contained in such web page shall not be deemed to constitute a part of this Offering Circular, unless specifically incorporated by reference.
5. The Bank publishes quarterly unaudited consolidated interim financial statements which are available at [www.cnmv.es](http://www.cnmv.es) and [www.bbva.com](http://www.bbva.com). The Bank does not publish unconsolidated interim financial statements. The information contained in such web pages shall not be deemed to constitute a part of this Offering Circular, unless specifically incorporated by reference.
6. The Bank does not intend to provide any post-issuance information in relation to the issue of the Preferred Securities.
7. KPMG Auditores, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*), audited the Bank's Stand-Alone Financial Statements and Consolidated Financial Statements for the financial years ended 31st December, 2021 and 2020. The Stand-Alone Financial Statements have been prepared in accordance with the applicable regulatory framework for financial information in Spain (as identified in note 1.2 to the Stand-Alone Financial Statements) and, specifically, the accounting principles and criteria contained therein. The Consolidated Financial Statements have been prepared in accordance with IFRS-IASB.

On 18th March 2022, the general shareholders' meeting of the Bank approved the appointment of Ernst & Young, S.L. (EY), independent auditors on the *Registro Oficial de Auditores de Cuentas* under number S0530 whose address is Calle de Raimundo Fernández Villaverde, 65, 28003 Madrid, Spain, as the current independent auditors of the Group for the financial years ended 31st December, 2022, 2023 and 2024. EY audited the Bank's Stand-Alone Financial Statements and Consolidated Financial Statements for the financial year ended 31st December, 2022. The Stand-Alone Financial Statements have been prepared in accordance with the applicable regulatory framework for financial information in Spain (as identified in note 1.2 to the Stand-Alone Financial Statements) and, specifically, the accounting principles and criteria contained therein. The Consolidated Financial Statements have been prepared in accordance with IFRS-IASB.

8. The expenses related to the admission of the Preferred Securities to trading on the GEM are estimated to be €5,240.
9. The yield on the Preferred Securities until the First Reset Date is 8.375 per cent. per annum (on the basis of quarterly distribution payments), which is equivalent to a yield of 8.642 per cent. per annum (on the basis of an annual distribution payment).
10. The Preferred Securities have been accepted for clearance through the European Clearing Systems. The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855, Luxembourg. The ISIN for the Preferred Securities is XS2638924709 and the common code is 263892470. The European Clearing Systems are expected to follow certain procedures to facilitate the Bank and the Principal Paying Agent in the collection of the details referred to above. If any European Clearing System is, in the future, unable to facilitate the collection of such information, it may decline to allow the Preferred Securities to be cleared through such European Clearing System and this may affect the liquidity of the Preferred Securities. Provisions have been made for the Preferred Securities, in such a case, to be represented by definitive Preferred Securities (see "*Conditions of the Preferred Securities – Form, Status and Waived Set-Off Rights*"). The procedures agreed and fully described in the Agency Agreement may be amended to comply with Spanish laws and regulations and operational procedures of the European Clearing Systems.
11. The Common Shares are (i) in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) issued under Spanish Law and registered with Iberclear; (ii) listed on the Spanish Stock Exchanges, which are regulated markets for the purposes of MiFID II; and (iii) quoted on the Automated Quotation System – Continuous Market (*SIBE – Sistema de Interconexión Bursátil Español – Mercado Continuo*) of the Spanish Stock Exchanges. The ISIN for the Common Shares is ES0113211835. The CNMV is the body responsible for the supervision and inspection of Spanish securities markets and the activity of all those involved in them (including the Spanish Stock Exchanges). Information about the Spanish Stock Exchanges (including their date of establishment, how price information is published, daily trading volumes and as to the standing of the Spanish Stock Exchanges in Spain) and the past and future performance of the Common Shares and their volatility (including the frequency with which prices of the Common Shares are published) can be obtained from the respective websites of each of the Spanish Stock Exchanges at [www.bolsamadrid.es](http://www.bolsamadrid.es), [www.borsabcn.es](http://www.borsabcn.es), [www.bolsavalencia.es](http://www.bolsavalencia.es) and [www.bolsabilbao.es](http://www.bolsabilbao.es). The information contained in such web pages shall not be deemed to constitute a part of this Offering Circular.
12. The Managers and their affiliates have engaged, and may in the future engage, in investment banking and/or commercial banking transactions with, and may perform services for, the Bank and its affiliates in the ordinary course of business. Save as discussed in "*Subscription, Sale and Transfer*", so far as the Bank is aware, no person involved in the offer of the Preferred Securities has an interest material to the offer.



## **BANK**

### **Banco Bilbao Vizcaya Argentaria, S.A.**

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28050, Madrid  
Spain

## **PRINCIPAL PAYING AGENT AND AGENT BANK**

### **Deutsche Bank AG, London Branch**

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### **Citigroup Global Markets Europe AG**

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### **Goldman Sachs Bank Europe SE**

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## **LEGAL ADVISERS**

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as to the laws of England and Wales*

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## **AUDITORS**

*For the years ended 31st December, 2021 and  
2020*

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*For the year commencing on 1st January, 2022*

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