

Prospectus dated 16th July, 2020



Banco Bilbao Vizcaya Argentaria, S.A.
(incorporated with limited liability under the laws of Spain)

**Series 10 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible
Perpetual Preferred Tier 1 Green Securities
Issue price: 100 per cent.**

The Series 10 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Green Securities of €200,000 liquidation preference each (the **Preferred Securities**) were issued by Banco Bilbao Vizcaya Argentaria, S.A. (the **Bank** or **BBVA**) on 15th July, 2020 (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) 15th January, 2026 (the **First Reset Date**) at the rate of 6.00 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, converted to a quarterly rate in accordance with market convention, equal to the aggregate of 6.456 per cent. per annum and the 5-year Mid-Swap Rate (as defined in the terms and conditions of the Preferred Securities (the **Conditions**)) for the relevant Reset Period. Subject as provided in the Conditions, such Distributions will be payable quarterly in arrear on 15th January, 15th April, 15th July and 15th October 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 at any time on or after the First Reset Date, 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 in accordance with Articles 77 and 78 of 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).

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 2.3) 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 (as defined in the Conditions). 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 Prospectus), 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 have been rated Ba2 by Moody's Investors Services España, S.A. (**Moody's**) and BB by Fitch Ratings España, S.A.U. (**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 Union (the **EU**) and is registered under Regulation (EC) No. 1060/2009 (as amended) (the **CRA Regulation**). As such, each of Moody's and Fitch is included in the list of credit rating agencies published by the European Securities and Markets Authority on its website in accordance with such 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 document constitutes a listing prospectus (the **Prospectus**) for the purposes of Article 3 of Regulation (EU) 2017/1129 of the European Parliament and of the Council of the EU (the **Prospectus Regulation**) and has been prepared in accordance with, and including the information required by, Annexes 2, 11 (sections 3.1 and 3.2), 15 and 18 of Commission Delegated Regulation (EU) No 2019/980 (the **Delegated Regulation**). This Prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the **CNMV**) in its capacity as competent authority under the Prospectus Regulation. The CNMV only approves this Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Approval by the CNMV should not be considered as endorsement of the Bank or of the quality of the Preferred Securities. Investors should make their own assessment as to the suitability of investing in the Preferred Securities.

Application has been made for the Preferred Securities to be admitted to listing and trading on the Spanish AIAF Fixed Income Securities Market (**AIAF**). If a qualified investors platform were to be developed by AIAF, it is the intention of the Bank for the Preferred Securities to be quoted on such platform. 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 Prospectus, ICE Benchmark Administration Limited is included in the register of administrators and benchmarks established and maintained by the European Securities and Markets Authority (**ESMA**) pursuant to Article 36 of Regulation (EU) No. 2016/1011 (the **Benchmarks Regulation**).

An investment in the Preferred Securities involves certain risks. For a discussion of these risks see "Risk Factors" beginning on page 15.

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 retail clients in any jurisdiction of the European Economic Area (the EEA) or in the United Kingdom (UK), as defined in the rules set out in Directive 2014/65/EU (as amended, MiFID II). Prospective investors are referred to the section headed "Prohibition on marketing and sales to retail investors" on pages 3 to 5 of this Prospectus for further information.

MiFID II professionals/ECPs-only/No PRIIPs KID/FCA PI RESTRICTION – Manufacturer target market (MiFID II 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, characteristic 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 are not 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
J.P. MORGAN

BNP PARIBAS
**SOCIÉTÉ GÉNÉRALE CORPORATE &
INVESTMENT BANKING**

BANKIA

Co-Managers

BANKINTER

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

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 Prospectus refers does not form part of this Prospectus and has not been scrutinised or approved by the CNMV.

*Banco Bilbao Vizcaya Argentaria, S.A. (in its capacity as a joint bookrunner, the **Joint Lead Manager**), Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, J.P. Morgan Securities plc, Société Générale (**the Joint Bookrunners**), Bankia, S.A. and Bankinter, S.A. (**the Co-Managers**, and together with the Joint Bookrunners and 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 Prospectus 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 Prospectus 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 Prospectus 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 Prospectus.

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 Prospectus 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 or any of their respective affiliates as to the accuracy, completeness, reasonableness, verification or sufficiency of the information set out in this Prospectus.

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 Prospectus 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 Prospectus 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 Prospectus and the offering and delivery of Preferred Securities in certain jurisdictions may be restricted by law. Persons into whose possession this Prospectus 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 Prospectus, 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; references to **Turkish lira** or **TL** refer to the lawful currency for the time being of the Republic of Turkey; and references to the EU include the UK, 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 Prospectus unless otherwise specified.

This Prospectus 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 Prospectus 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 Prospectus, it should obtain independent professional advice.

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, characteristic and objectives of clients which are retail clients (as defined in MiFID II) and accordingly the Preferred Securities shall not be offered or sold to any 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.

Prohibition of sales to EEA and UK retail investors – The Preferred Securities shall not be offered, sold or otherwise made available to any retail investor in the EEA or in the UK. A **retail investor** means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or (ii) a customer within the meaning of Directive (EU) 2016/97 (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 Regulation (EU) No. 1286/2014 (the **PRIIPs Regulation**) for offering or selling the Preferred Securities or otherwise making them available to retail investors in the EEA or 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 EEA or in the UK may be unlawful under the PRIIPs Regulation.

Prohibition on marketing and sales to retail investors

The Preferred Securities are complex financial instruments and are not a suitable or appropriate investment for all investors. 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 to retail investors (as defined above). 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.

*In particular, in June 2015, the UK Financial Conduct Authority (the **FCA**) published the Product Intervention (Contingent Convertible Instruments and Mutual Society Shares) Instrument 2015, which took effect from 1st October, 2015 (the **PI Instrument**). In addition, (i) on 1st January, 2018, the PRIIPs Regulation became directly applicable in all EEA member states (which for these purposes, includes the UK) and (ii) MiFID II was required to be implemented in EEA member states (which for these purposes, includes 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 the PI Instrument, the PRIIPs Regulation and MiFID II are referred to as the **Regulations**.*

The 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.

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 MiFID II);*
- (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 (as defined in MiFID II); or*
 - (II) communicate (including the distribution of this Prospectus) 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 client (in each case within the meaning of MiFID II).**

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 the PI Instrument; and

- (c) it will at all times comply with all applicable laws, regulations and regulatory guidance (whether inside or outside the EEA (which for these purposes, includes the UK) relating to the promotion, offering, distribution and/or sale of the Preferred Securities (or any beneficial interests therein), including (without limitation) MiFID II and any other applicable 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.*

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.

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) is eligible counterparties and professional clients only;*
- (ii) the target market assessment indicates that the Preferred Securities are incompatible with the knowledge, experience, needs, characteristic and objectives of clients which are retail clients (as defined in MiFID II) 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 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.*

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.

Product Classification Pursuant to Section 309B of the Securities and Futures Act (Chapter 289) of Singapore

*In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore 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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SUMMARY OF THE PREFERRED SECURITIES



Banco Bilbao Vizcaya Argentaria, S.A.

(incorporated with limited liability under the laws of Spain)

Series 10 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible

Perpetual Preferred Tier 1 Green Securities

Issue price: 100 per cent.

INTRODUCTION

This summary should be read as an introduction to the Prospectus. Any decision to invest in any Preferred Securities should be based on a consideration of this Prospectus as a whole, including any documents incorporated by reference. An investor in the Preferred Securities could lose all or part of the invested capital. Where a claim relating to information contained in the Prospectus is brought before a court, the plaintiff may, under national law where the claim is brought, be required to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to the Bank solely on the basis of this summary, including any translation of it, but only where the summary is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus or where it does not provide, when read together with the other parts of this Prospectus, key information in order to aid investors when considering whether to invest in the Preferred Securities.

The Preferred Securities described in this Summary are the €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Green Securities of €200,000 liquidation preference (the **Liquidation Preference**) each (with International Securities Identification Number (**ISIN**): ES0813211028, Common Code: 220449882) issued by Banco Bilbao Vizcaya Argentaria, S.A. (the **Bank** or **BBVA**). The Bank has its registered office at Plaza de San Nicolás 4, 48005 Bilbao, Spain and its main place of business at Calle Azul, 4, 28050, Madrid, Spain (telephone number: +34 91 374 6201). The (**LEI**) of BBVA is K8MS7FD7N5Z2WQ51AZ71.

The Prospectus has been approved by the Spanish National Securities Market Commission (*Comisión Nacional del Mercado de Valores*) (the **CNMV**) on 16th July, 2020 (Comisión Nacional del Mercado de Valores, Edison, 4, 28006 Madrid, Spain (telephone number:+34 900 535 015)).

KEY INFORMATION ON THE ISSUER

Who is the issuer of the Securities?

The Bank is a limited liability company (a *sociedad anónima* or S.A.) and was incorporated under the Spanish Corporations Law (as defined in the Conditions) on 1st October, 1988. The LEI of BBVA is K8MS7FD7N5Z2WQ51AZ71.

BBVA is a highly diversified international financial group, with strengths in the traditional banking businesses of retail banking, asset management, private banking and wholesale banking. It also has investments in some of Spain's leading companies. The Bank and its consolidated subsidiaries are referred to herein as the **Group**. The Group's current six operating segments are Spain, Turkey, Rest of Eurasia, Mexico, South America and United States. As of 31st December, 2019, the Group was composed of 288 consolidated entities and 54 entities accounted for using the equity method. The companies comprising the Group are principally domiciled in the following countries: Argentina, Belgium, Bolivia, Brazil, Chile, Colombia, France, Germany, Ireland, Italy, Mexico, Netherlands, Peru, Poland, Portugal, Spain, Switzerland, Turkey, United Kingdom (**UK**), United States of America, Uruguay and Venezuela. In addition, BBVA has an active presence in Asia.

On 18th April, 2019, Blackrock, Inc. communicated that it held an indirect interest of 5.917 per cent. in the Bank's share capital. As of 31st December, 2019, no other person, corporation or government beneficially owned, directly or indirectly, five per cent. or more of the Bank's share capital. The Bank'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 the Bank, the Bank is not controlled, directly or indirectly, by any corporation, government or any other natural or legal person.

As of 11th May, 2020, Norges Bank communicated that it held a direct interest of 3.235 per cent. in BBVA's share capital.

The auditors of the Group are KPMG Auditores, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*), who have audited the Bank's stand-alone financial statements (which have been prepared in accordance with Spanish GAAP) and the Group's consolidated financial statements (which have been prepared in accordance with the International Financial Reporting Standards adopted by the European Union (EU-IFRS) and other provisions of the financial reporting framework applicable in Spain), for the financial years ended 31st December, 2017, 2018 and 2019. All of the audit reports for such financial statements for each of these years were issued without qualification.

The Board of Directors of BBVA currently comprises 15 members and the executive directors of BBVA are Carlos Torres Villa (Group Executive Chairman) and Onur Genç (Chief Executive Officer).

What is the key financial information regarding the issuer?

The following tables comprise a selection of the key financial information regarding the Bank from its unaudited consolidated income statements for the three months ended 31st March 2020 and 2019 and from its audited consolidated income statements for the years ended 31 December 2019, 2018 and 2017 and its unaudited consolidated balance sheets as at 31st March 2020, and its audited consolidated balance sheets as at 31st December 2019, 2018 and 2017.

Income Statements – Key financial information

EUR million	For the three months ended 31st March		For the year ended 31st December		
	2020	2019⁴	2019	2018	2017
Net interest income.....	4,556	4,398	18,202	17,591	17,758
Net fees and commissions	1,258	1,214	5,033	4,879	4,921
Net trading income ¹	594	426	1,383	1,223	1,968
Net interest margin before provisions ²	3,566	3,124	12,639	12,045	12,770
Impairment on financial assets not measured at fair value through profit or loss	(2,575)	(1,001)	(4,151)	(3,981)	(4,803)
Provisions or reversal of provisions	(312)	(144)	(617)	(373)	(745)
Profit (loss) for the period/year ³	(1,621)	1,416	4,345	6,227	4,757
Net attributable profit or loss ³	(1,792)	1,182	3,512	5,400	3,514
Earnings per share	(0.29)	0.16	0.47	0.75	0.46

(1) Includes "Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net", "Gains (losses) on financial assets and liabilities held for trading, net", "Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net", "Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net", "Gains (losses) from hedge accounting, net" and "Exchange differences, net".

(2) "Net margin before provisions" is calculated as "Gross income" less "Administration costs" and "Depreciation and amortisation".

(3) As a result of the amendment to IAS 12 "Income Taxes" in 2019, and in order to make the information comparable, the 2018 and 2017 income statements have been restated.

(4) Some figures corresponding to unaudited consolidated income statements for the three months ended 31st March 2019 have been restated. The originally reported figures were: “Net interest income”: €4,420 million; “Impairment on financial assets not measured at fair value through profit or loss”: €1,023 million; “Profit (loss) for the period/year”: €1,398 million; “Net attributable profit or loss” €1,164 million.

Balance Sheet – Key financial information

EUR million	As at 31st	As at 31st December		
	March	2019	2018	2017
Loan and advances to customers at amortised cost (net)	382,592	382,360	374,027	387,621
Total assets	730,923	698,690	676,689	690,059
Customers’ deposits at amortized cost	385,050	384,219	375,970	376,379
Debt certificates at amortized cost	64,937	63,963	61,112	63,915
Subordinated certificates	17,684	17,635	17,635	16,889
Preferred securities	136	159	181	163
Total liabilities	681,749	643,765	623,814	636,736
Total equity	49,174	54,925	52,874	53,323
Non-performing loans ¹	15,998	16,730	17,087	20,492
Total credit risk ²	442,648	441,964	433,799	450,045
Non-performing loans (NPL) ratio ³	3.6%	3.8%	3.9%	4.6%
Common Equity Tier 1 Capital ratio (phased-in)	11.08%	11.98%	11.58%	11.67%
Total capital ratio (phased-in)	15.39%	15.92%	15.71%	15.37%
Leverage ratio.....	6.26%	6.86%	6.51%	6.62%

(1) “Non-performing loans” include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities.

(2) “Total credit risk” includes both pending and contingent risk.

(3) Calculated as “non-performing loans” (1) divided by “total credit risk” (2).

What are the key risks that are specific to the issuer?

In purchasing the Preferred Securities, investors assume the risk that the Bank may become insolvent or otherwise be unable to make all payments due 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 (as defined below) in whole or in part at any time and for any (or no) reason. There are a wide range of factors which individually or together could result in the Bank electing to cancel the payment of any Distribution or otherwise becoming unable to make payments on the Preferred Securities. It is not possible to identify all such factors or to determine which factors are most likely to occur, as the Bank may not be aware of all relevant factors and certain factors which it currently deem not to be material may become material as a result of the occurrence of events outside the Bank's control. The Bank has identified a number of factors which could materially adversely affect its business and ability to make payments due. These factors include, among others:

Macroeconomic Risks and Covid-19 Consequences

- The coronavirus (COVID-19) pandemic is adversely affecting the Group
- A deterioration in economic conditions 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

Business Risks

- The Group's businesses are subject to inherent risks concerning borrower and counterparty credit quality, which have affected and are expected to continue to affect the recoverability and value of assets on the Group's balance sheet

Financial Risks

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

Legal Risks

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

Regulatory, Tax and Compliance Risks

- The Group is subject to a broad regulatory and supervisory framework, including resolution regulations, which could have a significant adverse effect on its business, financial condition and results of operations
- Increasingly onerous capital and liquidity requirements may have a material adverse effect on the Group's business, financial condition and results of operations

KEY INFORMATION ON THE SECURITIES

What are the main features of the securities?

The Preferred Securities described in this Summary are the €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Green Securities of €200,000 Liquidation Preference each, with ISIN: ES0813211028 and Common Code: 220449882. The currency of the Preferred Securities is Euro (€).

The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate Liquidation Preference of €1,000,000,000 and a Liquidation Preference of €200,000 each.

The Preferred Securities are perpetual and are only redeemable in accordance with the provisions described below.

The Preferred Securities have been rated Ba2 by Moody's Investors Services España, S.A. (**Moody's**) and BB by Fitch Ratings España, S.A.U. (**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 EU and is registered under Regulation (EC) No. 1060/2009 (as amended). A security 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.

There are no restrictions on the free transferability of the Preferred Securities.

Distributions

The Preferred Securities will accrue non-cumulative cash distributions (**Distributions**) (i) in respect of the period from (and including) 15th July, 2020 (the **Closing Date**) to (but excluding) 15th January, 2026 (the **First Reset Date**) at the rate of 6.00 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, converted to a quarterly rate in accordance with market convention, equal to the aggregate of 6.456 per cent. per annum and the 5-year mid-swap rate for the relevant Reset Period. Subject as provided in the terms and conditions of the Preferred Securities (the **Conditions**), such Distributions will be payable quarterly in arrear on 15th January, 15th April, 15th July and 15th October in each year (each a **Distribution Payment Date**).

Redemption

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 Reset Date, 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 the Conditions, an amount equal to accrued and unpaid Distributions for the then current Distribution Period to (but excluding) the date fixed for redemption (the **Redemption Price**), subject to the prior consent of the regulator, if required, and otherwise in accordance with applicable banking regulations 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 in accordance with applicable banking regulations in force at the relevant time if there is a Capital Event or a Tax Event.

A **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.

A **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 as a result of any withholding or deduction imposed or levied in Spain in respect of payments of Distributions, or (c) the applicable tax treatment of the Preferred Securities would be materially affected.

Cancellation of 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, including as further provided in the Conditions. 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 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.

Trigger Event conversion

If, at any time, the CET1 ratio 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 (being 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 Prospectus is currently below €3.75, with the closing price of BBVA's shares on 6th July, 2020 being €3.307) and (iii) the nominal value of a Common Share (being €0.49 on the Closing Date).

Liquidation

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 below), 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.

Status and ranking

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, in accordance with Article 92.2° of the Law 22/2003 of 9th July, on Insolvency (*Ley Concursal*), as amended, replaced or supplemented from time to time (and in particular, but without limitation, by Royal Legislative Decree 1/2020, of 5th May, approving the restated text of the Insolvency Law -*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) that will enter into force on 1st September 2020) (the **Insolvency Law**) and Additional Provision 14.3 of 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 (**Law 11/2015**) but only to the extent permitted by the Insolvency Law 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 with respect to claims for any Liquidation Preference of Preferred Securities:

- (i) junior to (A) any unsubordinated obligations of the Bank (including where those obligations subsequently become subordinated pursuant to Article 92.1° of the Insolvency Law) and (B) any claim for principal in respect of any other contractually subordinated obligations of the Bank, present and future, not constituting Additional Tier 1 capital of the Bank for the purposes of Section 3.(a) of Additional Provision 14 of Law 11/2015 (other than, to the extent permitted by law, any parity securities, whether so ranking by law or their terms);
- (ii) *pari passu* with each other and with all other claims in respect of any liquidation preference or otherwise for principal 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
- (iii) 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).

Negative pledge

The Preferred Securities do not have the benefit of a negative pledge.

Events of default

The terms of the Preferred Securities do not provide for any events of default.

Substitution and Variation

Without any requirement for any further consent or approval of the holders, 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 (which, among other things, are securities or other instruments of the Bank that comply with the then current requirements for Tier 1 capital of the Group or the Bank, have at least the same ranking as the Preferred Securities on the Closing Date, have the same denomination and aggregate outstanding

Liquidation Preference, the same terms for distributions, the same redemption rights and the same dates for payment of Distributions as the Preferred Securities, preserve any existing rights under the Preferred Securities to accrued and unpaid Distributions and are listed or admitted to trading on a stock exchange as selected by the Bank if listed or admitted to trading immediately prior to the substitution or variation), subject to the prior consent of the regulator if required pursuant to applicable banking regulations.

Meetings

The terms of the Preferred Securities contain provisions for calling meetings of holders of such Preferred Securities 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.

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 (*Derecho común español*).

Where will the securities be traded?

Application has been made by the Bank (or on its behalf) for the Preferred Securities to be admitted to listing and trading on Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija*).

What are the key risks that are specific to the securities?

There are also risks associated with the Preferred Securities, including a range of market risks. These factors include, among others:

- 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.
- The Preferred Securities are irrevocably and mandatorily convertible into newly issued common shares in certain prescribed circumstances.
- The circumstances that may give rise to a Trigger Event are unpredictable.
- The Preferred Securities are perpetual and may only be redeemed at the option of the Bank.
- 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.
- There are no events of default.
- 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.

KEY INFORMATION ON THE OFFER OF NOTES AND ADMISSION TO TRADING ON A REGULATED MARKET

An amount equal to the net proceeds from the issue of Preferred Securities (€939,868,093) will be separately identified and applied by the Bank in financing or refinancing on a portfolio basis Green Projects, as further described in the Prospectus.

The expenses related to the admission of the Preferred Securities are estimated to be the following: (i) €60,500 with respect to charges and fees of AIAF and Iberclear; (ii) €71,407 with respect to fees of

CNMV; and (iii) €6,000,000 with respect to the fees payable to the Managers. No expenses will be charged to investors by the Bank.

BBVA (in its capacity as a joint bookrunner, the Joint Lead Manager), Barclays Bank PLC, BNP Paribas, Citigroup Global Markets Limited, J.P. Morgan Securities plc, Société Générale (the **Joint Bookrunners**), Bankia, S.A. and Bankinter, S.A. (the **Co-Managers**, and together with the Joint Bookrunners and the Joint Lead Manager, the **Managers**) have been paid the agreed commissions in relation to the issue of the Preferred Securities. 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 other services for, the Bank and its respective affiliates in the ordinary course of business. Save as discussed above, so far as the Bank is aware, no person involved in the offer of the Preferred Securities has an interest material to the offer.

As the Preferred Securities are only convertible in limited circumstances, there is no immediate dilution resulting from the offering.

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 resolution 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. Additional risks that are currently deemed generic have not been included in this section of the Prospectus in accordance with the provisions of the Prospectus Regulation. 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 Prospectus 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 Risks and Covid-19 Consequences

The coronavirus (COVID-19) pandemic is adversely affecting the Group

The coronavirus (COVID-19) pandemic is affecting, and is expected to continue to adversely affect, the world economy and economic activity and conditions in the countries in which the Group operates, leading many of them to economic recession. Among other challenges, these countries are experiencing widespread increases in unemployment levels and falls in production, while public debt has increased significantly due to support and spending measures implemented by government authorities. In addition, there has been an increase in debt defaults by both companies and individuals, volatility in the financial markets, volatility in exchange rates and falls in the value of assets and investments, all of which have adversely affected, and are expected to continue to effect, the Group's results.

Furthermore, the Group may be affected by the measures adopted by regulatory authorities in the banking sector, including but not limited to, the recent reduction in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments until 1st October, 2020, the adoption of moratorium measures for bank customers (such as those included in Royal Decree Law 11/2020 in Spain, as well as in the CECA-AEB agreement to which BBVA has adhered and which, among other things, allows loan debtors to extend maturities and defer interest payments) and facilities to grant credit with the benefit of public guarantees, especially to companies and self-employed individuals, as well as changes in the financial asset purchase programmes.

Since the outbreak of COVID-19, the Group has experienced a decline in its activity. For example, the granting of new loans to individuals has significantly reduced since the beginning of the state of emergency or periods of confinement decreed in certain countries in which the Group operates. In addition, the Group faces various risks, such as an increased risk of deterioration in the value of its assets (including financial instruments valued at fair value, which may suffer significant fluctuations) and of the securities held for liquidity reasons, a possible significant increase in non-performing loans, a negative impact on the Group's cost of financing and on its access to financing (especially in an environment where credit ratings are affected). In addition, in several of the countries in which the Group operates, including Spain, the Group has temporarily closed a significant number of its offices, has reduced hours of working with the public, and the teams that provide central services are working remotely, and as a result, its normal operations may be adversely affected. The COVID-19 pandemic could also adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the greater demand and/or reduced availability of certain resources could in some cases make it more difficult for the Group to maintain the required service levels. Furthermore, the increase in remote working has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

As a result of the above, despite the impact of the COVID-19 pandemic only beginning to be realised at the end of the first quarter of 2020, it has had a significantly adverse effect on the Group's results for that period, as well as on the Group's capital base as of 31st March, 2020. The main impacts have been the following: (i) an increase in the deterioration of financial assets, mainly due to the deterioration of the macroeconomic scenario, which has had a negative impact of €1,433 million in the first quarter of 2020 on the Group as a whole, (ii) a deterioration in the goodwill of the Group's subsidiary in the United States, mainly due to the deterioration of the macroeconomic scenario in the United States, which has had a negative impact of €2,084 million on the Group's attributed profit in this period (although this impact does not affect the tangible net worth, nor the capital or the liquidity of the Group), (iii) €27 million of provisions for credit deterioration of risks and contingent commitments, and (iv) an increase in risk-weighted assets (RWAs) of approximately €3,884 million in this period, mainly due to the greater demand for credit during the first two months of the year which subsequently decreased, except for the provisions for financial lines in relation to the situation derived from the COVID-19 pandemic.

The final magnitude of the impact of the COVID-19 pandemic on the Group's business, financial condition and results of operations, which is expected to be significant, will depend on future and uncertain events, including the intensity and persistence over time of the consequences arising from the COVID-19 pandemic in the different geographies in which the Group operates.

A deterioration in economic conditions 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 of Spain, Mexico, the United States and Turkey, which respectively represented 56.5 per cent., 14.3 per cent., 13.6 per cent. and 8.7 per cent. of the Group's assets as of 31st March, 2020 (52.3 per cent., 15.6 per cent., 12.7 per cent. and 9.2 per cent. as of 31st December, 2019, respectively). Additionally, the Group is exposed to sovereign debt in these geographies. Section 5.3 “*Important events in the development of the issuer's activity - Deterioration of the macroeconomic environment*” in the Management Report 2019 summarises some of the challenges that these countries are currently facing and, therefore, could significantly affect the Group.

Currently, the world economy is facing several exceptional challenges. In particular, the crisis derived from the COVID-19 pandemic has abruptly and significantly deteriorated the economic conditions and prospects of the countries in which the Group operates, leading many of them to an economic recession in 2020. Furthermore, this crisis could lead to a deglobalisation of the world economy, produce an increase in protectionism or barriers to immigration, fuel the trade war between the United

States and China and result in a general withdrawal of international trade in goods and services, as well as having other effects of long duration that transcend the pandemic itself. Added to this is the uncertainty regarding the UK's exit from the EU (**Brexit**). The long-term effects of Brexit will depend on the relationship between the UK and the EU after its complete exit from the European Single Market, currently scheduled for 31st December, 2020. Furthermore, in a scenario as uncertain as the current one, with prospects of a severe correction in activity worldwide, emerging economies (to which the Group is significantly exposed, particularly in the case of Mexico and Turkey) could be particularly vulnerable to a trade war or if there were changes in the financial risk appetite. Likewise, the possible triggering of a disorderly deleveraging process in China would pose a significant risk to these economies.

Thus, the Group faces, among others, the following general risks to the economic and institutional environment in which it operates: a deterioration in economic activity in the countries in which it operates, which could lead to an economic recession in some or all of those countries; more intense deflationary pressures or even deflation; variations in exchange rates; a very low interest rate environment, or even a long period of negative interest rates in some regions where the Group operates; an unfavourable evolution of the real estate market, to which the Group remains significantly exposed; very low oil prices; changes in the institutional environment in the countries in which the Group operates that could lead to sudden and sharp falls in GDP and / or regulatory changes; a growing public deficit that could lead to downgrades in sovereign debt credit ratings and even a possible default or restructuring of such debt; and episodes of volatility in markets, such as those currently being experienced, which could lead the Group to register significant losses.

Business Risks

The Group's businesses are subject to inherent risks concerning borrower and counterparty credit quality, which have affected and are expected to continue to affect the recoverability and value of assets on the Group's balance sheet

The total maximum credit risk exposure of the Group as of 31st March, 2020 was €830,432 million (€809,786 million, €763,082 million and €763,165 million as of 31st December, 2019, 2018 and 2017, respectively). The Group has exposures to many different products, counterparties and obligors 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 borrowers and counterparties or collateral, or in their behaviour or businesses, 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, reduced consumer, corporate or government spending, global economic slowdown, changes in the rating of individual contractual counterparties, their debt levels and the economic environment in which they operate, increased unemployment, reduced asset values, increased retail or corporate insolvency levels, reduced corporate profits, changes (and the timing, quantum and pace of these changes) in interest rates, counterparty challenges to the interpretation or validity of contractual arrangements and any external factors of a legislative or regulatory nature.

Non-performing or impaired financial customer loans have been negatively affecting, and could continue to affect, the Group's results given the increasing economic uncertainty. As of 31st March, 2020 and 31st December, 2019, the Group had a 3.6 per cent. and 3.8 per cent. non-performing asset ratio (as defined in "Alternative Performance Measures" of the Universal Registration Document) compared to 3.9 per cent. and 4.6 per cent. as of 31st December, 2018 and 2017, respectively. Non-performing loan rates have been reducing in recent years in part due to low interest rates, which have improved clients' ability to pay, but the risk of an increase in non-performing loans has increased significantly due to the effects of the COVID-19 pandemic.

In addition, it is possible that the current scenario of economic deterioration translates into a decrease in the prices of real estate assets in Spain and other countries. As of 31st December, 2019, the Group's exposure to the construction and real estate sectors (which excludes the mortgage portfolio) in Spain was equivalent to €9,943 million, of which €2,649 million corresponded to construction loans and

construction sector activities related to the development of the real estate sector in Spain (representing 1.4 per cent. of the Group's loans and advances to customers in Spain (excluding the public sector) and 0.4 per cent. of the Group's consolidated assets). The Group continues to be exposed to the real estate market, mainly in Spain, due to the fact that many of its loans are secured by real estate assets, due to the significant volume of real estate assets that it maintains on its balance sheet, and due to its participation in real estate companies such as Metrovacesa, S.A. and Divarian Propiedad, S.A (**Divarian**). The total real estate exposure, including developer credit, foreclosed assets and other assets, reflected a coverage rate of 52 per cent. in Spain as of 31st December, 2019. A fall in the prices of real estate assets in Spain and other countries would reduce the value of such participations as well as the security for the loans granted by the Group secured over such real estate assets and credits and, therefore, in the event of default, the amount of the “expected losses” related to those loans and credits 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, 2020, was €107,393 million at a global level (as of 31st December, 2019, 2018 and 2017, €110,500, €111,528 and €112,274 million respectively). As of 31st March, 2020, the non-performing asset and coverage ratios of the Group's residential mortgage portfolio were 3.5 per cent. and 45 per cent., respectively.

The magnitude, timing and pace of any increase in default rates will be key for the Group. Furthermore, it is possible that the Group has incorrectly assessed the creditworthiness or willingness to pay of its borrowers and 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. These processes, 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 borrowers and counterparties. In particular, the current uncertainty about economic conditions may harm the processes followed by the Group to estimate the losses derived from its exposure to credit risk, which could influence 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.

The Group's business is particularly vulnerable to volatility in interest 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. As of 31st March, 2020 and 31st December, 2019, the interest margin with respect to the gross margin was 70 per cent. and 74 per cent., respectively. 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 sectors in the markets in which it operates, domestic and international economic and political conditions and other factors. In this sense, the COVID-19 pandemic has triggered a process of the cutting of benchmark interest rates, which, moreover, will foreseeably take longer to subsequently be increased and will do so at a slower rate than previously foreseen. It is possible that changes in market interest rates, which could be negative in some cases, and the reform of benchmarks, affect the interest the Group receives on its profitable assets differently from the interests that the Group pays for its liabilities at cost (in addition to assuming, with regard to such benchmark reform, other considerable risks, including legal and operational risks). 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.

Furthermore, the high proportion of the Group's loans referenced to variable interest rates makes borrowers' capacity to repay such loans more vulnerable to changes in interest rates and the profitability of the loans more vulnerable to interest rate decreases. As of 31st March, 2020, a drop of 100 basis points in the reference interest rates would have a negative impact on the interest margin depending on the geography reaching: Eurozone 6 per cent.; United States 4 per cent.; Mexico 2.2 per cent.; Turkey 0.7 per cent. (as of 31st January, 2020) and South America 2.3 per cent.. Loans and advances to customers maturing in more than one year and bearing floating interest rates made up 59

per cent., 62 per cent. and 62 per cent. of such transactions as of 31st December, 2019, 2018 and 2017, respectively. In addition, a rise in interest rates could reduce the demand for credit and the Group's ability to generate credit for its clients, as well as contribute to an increase in the credit default rate. As a result of these and the above factors, significant changes or volatility in interest rates could have a material adverse effect on the Group's business, financial condition or results of operations.

The Group faces increasing competition in its business lines

The markets in which the Group operates are highly competitive and it is estimated 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 recognition of their brands) and the emergence of new business models. According to data from the Financial Stability Board (the **FSB**) in its Global Monitoring Report on Non-Bank Financial Intermediation 2019, globally, at the end of 2018, banks had a share of close to 40 per cent. of total financial assets and non-traditional providers had 30 per cent.. Although the Group is making efforts to anticipate these changes, betting on its digital transformation, its competitive position is undermined 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 that are only subject to specific regulations of the activity they develop or that benefit from loopholes existing in the regulatory framework. 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 the Group at a competitive disadvantage to attract and retain digital talent, including founders and management teams of the acquired companies. Furthermore, banking groups often face obstacles in engaging in new, unregulated activities. For more information on the Group's competitive environment, see Section 5.6 "*Competitive position*" in the Management Report 2019. In the event that the Group cannot successfully compete in such markets, its business, financial condition and results could be significantly and adversely affected.

Furthermore, the widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenses to modify or adapt existing products and services as the Group continues to increase 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 its employees. These changes could mean losses in these assets and force increases in expenses to renovate, reconfigure or close branches and transform the Group's commercial network. Failure to effectively implement such changes could have a material adverse impact on the Group's competitive position.

The Group faces risks related to its acquisitions and divestitures

The Group has carried out both acquisitions and sale transactions of relevant entities and businesses over the past few years and plans to participate in these types of transactions in the future. As of the date of this Prospectus, the corresponding regulatory authorisations for the sale of BBVA's interest in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. (**BBVA Paraguay**) are pending, as well as those of the agreement announced on 27th April, 2020 between BBVA's subsidiary BBVA Seguros, S.A. de Seguros y Reaseguros and Allianz Compañía de Seguros y Reaseguros, S.A. to create a bancassurance alliance to develop the non-life insurance business in Spain, excluding health insurance.

However, the planned transactions may not be completed on time or at a reasonable cost, or may have a different outcome than expected. In addition, it is possible that transactions desired by the Group may not be carried out. Transactions of this type typically involve the integration of operations, technologies and teams with different cultures, objectives and values, which is a challenge in itself. Furthermore, the Group's results could also be adversely affected by expenses related to the

acquisition or divestment itself, the amortisation of expenses related to intangible assets, and impairment charges on long-term assets, including associated goodwill. In 2019, the Group recorded an impairment of €1,318 million in the goodwill relating to BBVA USA and in the quarter ending 31st March, 2020, an additional impairment of such goodwill of €2,084 million was recorded. As of 31st March, 2020, the goodwill recorded by the Group amounted to €2,808 million.

In some cases, acquisition or divestment transactions give rise to joint ventures with third parties, which exposes the Group to other risks, such as the existence of disagreements with its partners, as well as the possible exposure of the Group to problems faced by those partners.

In addition, acquisition and sale transactions expose the Group to the risk of being involved in litigation or claims by the Group's counterparties in such transactions, dismissed employees, customers or third parties. In addition, with respect to divestments, the Group could be required to indemnify the purchaser with respect to such litigation or claims or other matters. Any of these factors could have a significant adverse impact on the Group's business, financial position and results of operations.

The Group faces risks derived from its international geographic diversification and its significant presence in emerging countries

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 normative and regulatory requirements in many of the jurisdictions in which it operates (including, among others, different supervisory regimes and different fiscal and legal regimes regarding 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 risks (as of 31st March, 2020 and 31st December, 2019, approximately 44.7 per cent. and 48.1 per cent. of the Group's assets and 42.2 per cent. and 45.5 per cent. of the liabilities, respectively, were denominated in currencies other than the euro), the difficulty in managing or supervising a local entity from abroad, political risks (which could only affect foreign investors) or limitations on the distribution of dividends, thus worsening its position compared to that of local competitors.

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 significant operations in several emerging countries, such as Mexico and Turkey, and is therefore vulnerable to the deterioration of these economies. Emerging markets are generally affected by the situation 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 interest rates in the United States and the exchange rate of the US dollar), as well as, in some cases, due to 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.

The Group's activity in emerging countries could also be exposed to additional political risks. For example, the Group's activities in Venezuela (which is an economy that is considered to be highly inflationary and so the financial statements of the BBVA Group entities located in Venezuela are adjusted to correct for the effects of inflation in accordance with IAS 29 "Financial Information in hyperinflationary economies") are subject to a high risk of changes in government policies, such as expropriation, nationalisation, international property legislation, interest rate limits, exchange controls, government restrictions on dividends and fiscal policies. The value of the net equity of the Venezuelan subsidiaries attributed to the Group was €79 million as of 31st March, 2020.

Financial Risks

The Bank 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, 2020, the balance of customer deposits represented 72 per cent. of the BBVA 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, the Group depends on market confidence for its short and long-term wholesale financing. In this regard, increases in the Group's interest rates and credit spreads could significantly increase its financing cost. Changes in credit spreads are motivated by market factors and may be influenced by the market's perception of the Group's solvency. As of 31st March, 2020, the balance of debt securities issued represented 12.2 per cent. 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 European Central Bank's (ECB) extraordinary measures taken in response to the financial crisis since 2008 or those taken in the face of the crisis caused by the COVID-19 pandemic. The relaxation of the conditions of the Targeted Long Term Refinancing Operations (TLTRO) III have increased the maximum amount that BBVA could receive from €21,000 million to €35,000 million, of which at 31st March, 2020, €14,000 million had been made available to BBVA (€7,000 million as of December 2019 and the same amount as of March 2020, with two amortisations of the TLTRO II programme for an amount of €9,700 million as of December 2019 and €7,000 million as of March 2020, leaving a remaining amount of €7,000 million). However, the conditions of this or other programmes could be revised or these programmes could be cancelled.

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 their level of leverage. Furthermore, the Bank could be subject to the adoption of early action 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 BBVA Group – Regulatory Framework – Resolution*").

The Bank and some of its subsidiaries depend on their credit ratings, as well as that given to the sovereign debt of the Kingdom of Spain

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 financing cost, and even entail the breach of certain contracts or generate additional obligations under those contracts, such as the need to grant additional guarantees (due to the fact that credit ratings are used in some contracts to trigger default and early maturity provisions or the granting of additional guarantees if the relevant ratings fall below certain levels). The Group estimates that if at 31st December, 2019, all the rating agencies had downgraded the Bank's long-term senior debt rating by one notch, it would have had to provide additional guarantees/collateral amounting to €61 million in accordance with the derivative contracts and other financial contracts that it has entered into. A hypothetical two-notch downgrade would have involved an additional outlay of €103 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

could 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 operations, and could lead to the loss of customer deposits and make third parties less willing to carry out commercial operations with the Group (especially those that require a minimum credit rating to invest), having a significant adverse impact on the Group's business, financial condition and results of operations.

On the other hand, the Group's credit ratings could be affected by variations in 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 March, 2020 and 31st December, 2019, the Group's exposure to the Kingdom of Spain's public debt portfolio was €44,770 and €50,905 million, respectively, representing 6 per cent. and 7 per cent. of the consolidated total assets of the Group, respectively. Any decrease in the credit rating of the Kingdom of Spain could negatively 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.

As a consequence of the COVID-19 pandemic, some rating agencies have reviewed the Group's credit ratings or trends. Specifically, on 22nd June, 2020 Fitch announced the modification of BBVA's senior preferred debt long term rating to A- with stable outlook from A with Rating Watch Negative. On 1st April, 2020, DBRS confirmed BBVA's long-term rating of A (High) and maintained the outlook as stable. On 29th April, 2020 S&P confirmed BBVA's long-term rating of A- and maintained its negative outlook. There may be more ratings actions and changes in BBVA's credit ratings in the future as a result of the crisis caused by the COVID-19 pandemic.

The Bank's ability to pay dividends depends, in part, on the receipt of dividends from its subsidiaries

As of 31st December, 2019, dividend income from the subsidiaries of the Bank represented 38 per cent. of the Bank's gross margin. 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 FSB, the Group's subsidiaries are self-sufficient and each subsidiary is responsible for managing its own liquidity. This means that the payment of dividends, distributions and advances by the Bank's subsidiaries depends not only on the results of those subsidiaries, but also on the context of their operations and liquidity needs, and may further be limited by legal, regulatory and contractual restrictions. For example, the repatriation of dividends from the Group's Argentine subsidiary has been subject to certain restrictions and it cannot be guaranteed that new restrictions will not be imposed again in the future. 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.

On the other hand, the Group (including the Bank) must comply with certain capital requirements, where non-compliance could lead to the imposition of restrictions or prohibitions on making 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, including the payment of Distributions on the Preferred Securities (collectively, **discretionary payments**). Likewise, the ability of the Bank and its subsidiaries to pay dividends is conditioned by the recommendations and requirements of their respective supervisors, such as those made in response to the COVID-19 pandemic. In this regard, on 30th April, 2020, the Bank announced that it had agreed to modify, for the financial year 2020, the Group's shareholder remuneration policy, opting not to pay any amount as a dividend corresponding to the financial year 2020 until the uncertainties generated by the COVID-19 pandemic no longer remain and, in any case, not before the close of the 2020 fiscal year.

Legal, Regulatory, Tax and Compliance Risks

Legal Risks

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

The various Group entities are usually party to individual or collective judicial proceedings (including class actions) resulting from the ordinary activity of their businesses, as well as arbitration proceedings. The Group is also party to other government procedures and investigations, such as those carried out by the antitrust authorities in certain countries 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.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain judgments in favour of consumers handed down by national and supranational courts, have increased significantly in recent years and this trend could continue in the future. The 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 (see section 18.6.2 “*Most significant events subsequent to the Group’s annual report for the 2019 financial year*” in the Universal Registration Document).

In addition, the regulatory framework, in the jurisdictions in which the Group operates, is evolving towards a supervisory approach more focused on the opening of proceedings leading to sanctions, while some regulators are focusing their attention on consumer protection and behavioural risk.

All of the above result in a significant increase in operating and compliance costs or even a reduction of revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the procedural or management costs for the Group) could damage the Group's reputation, generate a knock-on effect or otherwise adversely affect the Group.

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, but such outcome could be significantly 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 attract resources from the Group and may require significant attention on part of the Group's management and employees.

As of 31st March, 2020, the Group had €744 million in provisions for the proceedings it is currently facing (which are included in the line item "Provisions for litigation and pending tax cases" in the consolidated balance sheet). However, the uncertain outcome of 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 results in a given period.

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 that the Group is otherwise affected by, 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 corporate 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 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 represent the crimes of bribery, revelation of secrets and corruption. As of the date of this Prospectus, no formal accusation against BBVA has been made. Certain current and former officers and employees of the BBVA Group, as well as former directors of BBVA, 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 information from its on-going forensic investigation regarding its relationship with Cenyt. BBVA has also testified before the judge and prosecutors at the request of the Central Investigating Court No. 6 of the National High Court.

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.

This criminal judicial proceeding is at a preliminary stage. 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 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; mortgage regulations, on banking products, and on 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 their resistance to future crises.

Furthermore, the international nature of its 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, which requires automated systems, 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 time, especially in Spain, Mexico, and the United States 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 negatively affect its business, financial condition and results of operations.

The Group is subject to a broad 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 financial crisis and the upward trend in such increased complexity and scope could be reinforced by the crisis caused by the COVID-19 pandemic. In particular, the banking sector is subject to continuous scrutiny at the political and supervisory levels, and it is foreseeable that in the future there will continue to be political

involvement in regulatory and supervisory processes, as well as in the governance of the main financial entities. For this reason, the laws, regulations and policies to which the Group is subject, as well as their interpretation and application, may change at any time, and supervisors and regulators also have a wide margin of discretion to carry out their duties, which gives rise to uncertainty regarding the interpretation and implementation of the regulatory framework. Likewise, regulatory fragmentation and the implementation by some countries of more flexible or stricter rules or regulations could also adversely 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 appropriate.

The regulatory amendments adopted or proposed, as well as their interpretation or application, have increased and may continue to substantially increase the Group's operating expenses and negatively affect its business model. For example, the imposition of prudential capital standards has limited and could further limit the ability of subsidiaries to distribute capital to the Bank, while liquidity standards may require the Group to hold a higher proportion of its assets in financial instruments with higher liquidity and lower performance, which can negatively affect its net interest margin. In addition, the Bank's regulatory and supervisory authorities may require the Bank to increase its loan loss provision fund or register additional losses, which could have an adverse effect on its financial condition. It is also possible that governments and regulators impose additional regulations ad hoc in response to a crisis such as the one unleashed by the COVID-19 pandemic or for other reasons, which could imply the imposition of financing requirements by credit institutions to different entities such as, for example, the contribution that BBVA must make to finance the Fund for Orderly Bank Restructuring (*Fondo de Reestructuración Ordenada Bancaria*) (the **FROB**) or the Single Resolution Board (**SRB**).

Any legislative or regulatory measure and any necessary change in the Group's business operations, as a consequence of such measures, as well as any deficiency in complying with them, could result in a significant loss of income, represent a limitation on the ability of the Bank 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 negative effects for the Group.

Finally, within the regulatory amendments adopted as a result of the last financial crisis, the resolution regulations (which are described in "*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Resolution*") stand out for their potential adverse consequences. In the event that the Relevant Spanish Resolution Authority considers that the Bank or the Group is in a situation of early action or resolution, it may adopt the measures provided for in the applicable regulations. Likewise, the Relevant Spanish Resolution Authority may apply Non-Viability Loss Absorption (as defined in "*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Resolution*") in the event that it determines that the entity meets the conditions for its resolution or that it will become unfeasible unless such mechanism is applied.

In addition, the Relevant Spanish Resolution Authority can exercise the competences and powers described without prior notice, so their application is unpredictable. The consideration by the Relevant Spanish Resolution Authority that the Bank or the Group is in an early action or resolution situation or its mere suggestion could adversely and significantly 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 Bank (including the Preferred Securities) (or even their terms, in the event of an application of any Spanish Statutory Loss-Absorption Powers (as defined in "*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Resolution*"). For more information see "*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Resolution*".

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 BBVA Group – Regulatory Framework – Solvency and Capital Requirements*”, in its capacity as a Spanish credit institution, the Bank 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 level. As a result of the latest Supervisory Review and Evaluation Process (SREP) carried out by the ECB, and in accordance with the measures implemented by the ECB on 12th March, 2020, by means of which banks may partially use AT1 and Tier 2 capital instruments in order to fulfil the “Pillar 2” requirement, BBVA must maintain, at a consolidated level, a common equity tier (CET1) ratio of 8.59 per cent. and a total capital ratio of 12.75 per cent. Likewise, BBVA must maintain, on an individual level, a CET1 ratio of 7.84 per cent. and a total capital ratio of 12.00 per cent. As of 31st March, 2020, the Bank’s phased-in total capital ratio was 15.39 per cent. on a consolidated basis and 20.14 per cent. on an individual basis, and its CET1 phased-in capital ratio was 11.08 per cent. on a consolidated basis and 15.05 per cent. on an individual basis.

Additionally, as described in “*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA 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) in relation to total liabilities and own funds. On 19th November, 2019, the Bank announced that it had received notification from the Bank of Spain of its MREL, as determined by the SRB. The Bank’s MREL was set at 15.16 per cent. of the total liabilities and own funds of the Bank’s resolution group at a sub-consolidated level from 1st January, 2021. Likewise, of this MREL, 8.01 per cent. of the total liabilities and own funds must be met with subordinated instruments, once the allowance established in the requirement itself has been applied. This MREL is equivalent to 28.50 per cent. of the RWAs of the Bank’s resolution group, while the subordination requirement included in the MREL is equivalent to 15.05 per cent. of the RWAs of the Bank’s resolution group, once the corresponding allowance has been applied.

In accordance with the Bank’s estimates and subject to the evolution of the Bank’s resolution group (including its total liabilities and own funds, and RWAs), the current structure of eligible liabilities and own funds of the Bank’s resolution group, together with the expected implementation of the funding plan of the Bank for the issuance of eligible liabilities throughout the year 2020 in a total amount of at least €3,000 million, subject to market conditions and availability, will enable the fulfilment of this requirement upon its entry into force.

However, both the total capital and the MREL requirements are subject to change and, therefore, no assurance can be given 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 whichever future requirements may be imposed, even if such requirements were to be equal or lower. There can also be no assurances as to the ability of the Bank and/or the Group to comply with whichever capital target is announced to the market at any given time, which could be negatively perceived by investors and/or supervisors, who could interpret that a lack of capital-generating capacity exists or that the capital structure has deteriorated, either of which could negatively affect the market value or behaviour of whichever securities are issued by the Bank and/or the Group (and, in particular, of the Preferred Securities and any of its other capital instruments) 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.

If the Bank or the Group failed to comply with its “combined buffer requirement” it would have to calculate its Maximum Distributable Amount (MDA) and, until such calculation has been undertaken and reported to the Bank of Spain, the affected entity will not be able to make any discretionary payments. Once the MDA has been calculated and reported, such discretionary payments will be limited to the calculated MDA. Likewise, should the Bank or the Group not meet the applicable capital requirements, additional requirements of “Pillar 2” or, if applicable, MREL could be imposed. Likewise, upon the entry into force of the EU Banking Reforms (as defined in “*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Solvency*”

and Capital Requirements”), any failure by the Bank or the Group to comply with its “combined buffer requirement” when considered in addition to its MREL 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 action measures or, ultimately, resolution measures by the resolution authorities.

On the other hand, Regulation (EU) 2019/876 of the European Parliament and of the Council, of May 20, 2019 (as amended, replaced or supplemented at any time, **CRR II**) establishes a binding requirement for the leverage ratio of 3 per cent. of tier 1 capital (as of 31st March, 2020, the phased-in leverage ratio of the Group was 6.26 per cent. and fully loaded it was 6.13 per cent.). Any failure to comply with this leverage ratio 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, including certain grandfathering measures until 28th June, 2025. 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. This could give rise to shortfalls in regulatory capital and, ultimately, could result in failure to comply with the applicable minimum regulatory capital requirements, with the aforementioned consequences.

Additionally, the implementation of the ECB expectations regarding prudential provisions for non-performing loans (**NPLs**) (published on 15th May, 2018) and the ECB’s current review of internal models being used by banks subject to its supervision for the calculation of their RWAs could result, respectively, 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 BBVA Group – Regulatory Framework – Solvency and Capital Requirements*” 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, as defined in “*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Resolution*”, currently only imposed upon financial institutions of global systemic importance (**G-SIBs**), be applicable upon non-G-SIBs entities or should the Bank once again be classified as a G-SIB, additional minimum requirements similar to MREL could in the future be imposed upon the Bank.

There can be no assurance that the above capital 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 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 requirements could negatively 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 and/or MREL requirements could have a significant adverse effect on the Bank’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 such ratios are defined in “*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Solvency and Capital Requirements*”), as introduced by national banking regulators and

fulfilled by the Bank, may require implementing changes in some of its commercial practices, which could expose the Bank to additional expenses (including an increase in compliance expenses), affect the profitability of its activities or otherwise lead to a significant adverse effect over the Bank's business, financial condition or results of operations. As of 31st March, 2020 and 31st December, 2019, the Group's LCR was 134 per cent. and 129 per cent. respectively. The NSFR ratio was 120 per cent. as of 31st March, 2020 and 31st December, 2019. For further information, see "*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – Solvency and Capital Requirements*".

The Group is exposed to tax risks that may negatively affect it

The preparation of the Group's tax returns and the process of 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. The size, regional diversity and complexity of some groups and their commercial and financial relationships with both third parties and related parties, as is the case with the Group, require the application and interpretation of a considerable number of laws and tax regulations and criteria that the different administrations and judicial bodies issue, as well as the use of more estimates, indeterminate legal concepts and valuations in order to comply with the tax obligations of the Bank and all its subsidiaries. Therefore, any error or discrepancy with the tax authorities in any of the jurisdictions in which the Group operates may be subject to prolonged administrative or judicial procedures that may have a material adverse effect on the Group's results of operations in the applicable period.

On the other hand, the governments of different jurisdictions are seeking to identify new fiscal sources, and recently, they have focused with special attention on the financial sector. The Group's presence in different and diverse jurisdictions increases its exposure to the different regulatory and interpretative changes that are implemented from these jurisdictions, which could lead, among other things, 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 at the national and global level, (ii) changes in the calculation of tax bases, such as the proposal in Spain to limit the exemption on dividends and capital gains contemplated in the proposed General State Budget Law 2019, the approval of which would have entailed that 5 per cent. of the dividends distributed to Spanish Group companies would have been subject and not exempt to corporate tax or the imposition of a minimum tax as part of this tax, which in the case of banks would be 18 per cent. of its positive tax base or, (iii) the creation of new taxes, like the proposed Tax Directive for the Financial Transactions Tax (FTT) of the European Commission (which would tax the acquisitions of certain securities, including those issued by the Bank), may have adverse effects on the business, financial condition and results of operations of the Group. Moreover, a draft bill on the FTT is currently under discussion in the Spanish Parliament.

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 restrictions established by international sanctions programs and anti-corruption laws (including the US Foreign Corrupt Practices Act of 1977 and the UK Bribery Act of 2010), whose violations could carry very significant penalties.

Generally, all these regulations require banking entities to use diligence measures to manage compliance risk; and sometimes, these entities must apply reinforced due diligence measures because they understand that, due to the very nature of the activities they carry out (among others, private banking, money transfer and foreign currency exchange operations), 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 cannot guarantee that these are sufficient or that the employees (126,041 as of 31st

March, 2020) 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 elude or infringe such measures or elude or otherwise infringe current regulations or BBVA'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. 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. A further consideration is that financial crimes continually evolve and that 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 (as was the case in the US in the face of the previous financial crisis). Ultimately, the Group relies heavily on the efforts of its employees and external suppliers to mitigate any threat.

In case of breach of the applicable 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 occasionally conducts investigations related to alleged violations of such laws and regulations, and any such investigation or any related procedure could be time consuming and costly, and its results difficult to predict.

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 precisely on a high volume of highly complex operations 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 centres. BBVA's exposure to these risks has increased significantly in recent years due to the Group's implementation of its ambitious digital strategy (which has allowed the Group to have a pioneering global mobile development platform in the sector, with around 60 per cent. of customers using the bank's digital channels). According to data as of 31st March, 2020, 59 per cent. of the Group's customers are digital and 54 per cent. of customers regularly use their mobile phones to interact with BBVA, and digital sales represent 63 per cent. of total sales. BBVA already has more than 500,000 customers registered exclusively through digital channels in Spain, of which more than 50 per cent. did so via mobile. These digital services, as well as the rest of the alternatives that BBVA offers users to become BBVA customers, have become even more important after the COVID-19 outbreak and the decrees of a state of emergency (or similar) in the countries in which the Group operates, which restrict or advise against travel. Currently, one in three new clients chooses digital channels to start their relationship with BBVA. In April 2020, these digital customers exceeded 77 million monthly sessions in the BBVA 'app', making this channel the fastest growing in use. 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 to 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 never. The Group is likely to be forced to spend significant additional resources to improve its security measures in the future. Even so, the Group may not be able to anticipate or prevent all possible vulnerabilities, nor to implement preventive measures that are effective or sufficient. In particular, cyberattacks are becoming increasingly sophisticated and difficult to prevent.

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 (specially under the current COVID-19 pandemic, as mentioned in "*Risk Factors - The coronavirus (COVID-19) pandemic is adversely affecting the Group*" above). 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 BBVA 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 in the case of BRRD I has been implemented 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 (**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 has published 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. Such standards and guidelines include guidelines on the treatment of shareholders in bail-in or the write-down and conversion of capital instruments, and on the rate of conversion of debt to equity or other securities or obligations in any bail-in. 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 BBVA 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 (as it currently stands at the date of this Prospectus), and investors could receive Common Shares at a time when the market price of the Common Shares is considerably less than the Conversion Price. In addition, 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. 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, subject to the prior consent of the Regulator, at any time on or after the First Reset Date, at the Redemption Price per Preferred Security and otherwise in accordance with 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 Reset 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 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.

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:

- (i) if the Bank exercises its rights to redeem or purchase the Preferred Securities in accordance with Conditions 7 and 8; or
- (ii) 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

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 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 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. See “*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA 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) 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 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 (see “*Capital Adequacy, Regulatory Framework and Capitalisation of the BBVA Group – Regulatory Framework – MREL*”), 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.

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

Holdes 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 the Bank exercised its right to redeem or purchase the Preferred Securities in accordance with Condition 7 but 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.

Finally if the Bank fails to apply the net proceeds of the Preferred Securities for any Green Projects or to obtain and publish any reports, assessments, opinions and certifications described under “*Use of Proceeds*” section will not (i) give rise to any claim of a Holder against the Bank, (ii) be an event of default under the Preferred Securities, or (iii) lead to an obligation of the Bank to redeem the Preferred Securities (see – *The application of the net proceeds of the Preferred Securities as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria*”).

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 Prospectus. 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 BBVA Group – Regulatory Framework*”), may include changes affecting:

- the calculation of the CET1 ratios or the CET1 Capital 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;
- 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 Prospectus 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:

- (i) 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 Prospectus, taking into account that the target market for the Preferred Securities is eligible counterparties and professional clients only (each as defined in MiFID II);
- (ii) 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;
- (iii) 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;
- (iv) 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
- (v) 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 92.2° of the Insolvency Law read in conjunction with Additional Provision 14.3 of Law 11/2015 but only to the extent permitted by the Insolvency Law 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. For these purposes as of the date of this Prospectus and according to Additional Provision 14.3 of Law 11/2015, the ranking of the Preferred Securities, any Parity Securities and any other subordinated obligations of the Bank may depend on whether those obligations constitute at the relevant time an Additional Tier 1 Instrument or a Tier 2 Instrument of the Bank or a subordinated obligation 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 incurrence 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 may adversely affect the 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, such as the announcement made on 27th July, 2017 by the Chief Executive of the FCA, which regulates LIBOR, that it does not intend to continue to persuade, or use its powers to compel, panel banks to submit rates for the calculation of LIBOR to the administrator of LIBOR after 2021. 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 (which for these purposes includes the UK). 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. Under the Conditions, if the 5-year Mid-Swap Rate does not appear on the relevant Screen Page at the relevant time and no quotations are provided to the Bank for the purposes of the Bank’s determination of a Reset Reference Bank Rate, the Reset Reference Bank Rate for the relevant 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, -0.336 per cent. per annum.

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.

The application of the net proceeds of the Preferred Securities as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria

Prospective investors in the Preferred Securities should have regard to the information in “Use of Proceeds” regarding the use of the net proceeds of the Preferred Securities.

In particular, it should be noted that there is currently no clear definition (legal, regulatory or otherwise) of, nor market consensus as to what constitutes, a “green” or an equivalently-labelled project or as to what precise attributes are required for a particular project to be defined as “green” or such other equivalent label and if developed in the future the Preferred Securities may not comply with any such definition or label.

A basis for the determination of such a definition has been established in the EU with the publication in the Official Journal of the EU on 22nd June, 2020 of Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 (the **Sustainable Finance Taxonomy Regulation**) on the establishment of a framework to facilitate sustainable investment (the **EU Sustainable Finance Taxonomy**). The EU Sustainable Finance Taxonomy is subject to further development by way of the implementation by the European Commission through delegated regulations of technical screening criteria for the environmental objectives set out in the Sustainable Finance Taxonomy Regulation. While the Bank’s Sustainable Development Goals (SDGs) Bond Framework (April 2018) published on its website (<https://shareholdersandinvestors.bbva.com>) (including as amended, supplemented, restated or otherwise updated on such website from time to time, the **SDGs Bond Framework**) is in alignment with the relevant objectives for the EU Sustainable Finance Taxonomy, until the technical screening criteria for such objectives have been developed it is not known whether the SDGs Bond Framework will satisfy those criteria. Accordingly, alignment with the EU Sustainable Finance Taxonomy, once the technical screening criteria are established, is not certain.

Additionally, any projects or uses the subject of, or related to, any Green Projects may not meet any or all investor expectations regarding such “green” or other equivalently-labelled performance objectives or fulfil any environmental, social, sustainability and/or other criteria or guidelines with which such investor is or its investments are required to comply.

No assurance or representation is given as to the suitability or reliability for any purpose whatsoever of any report, assessment, opinion or certification of any third party (whether or not solicited by the Bank) which may or may not be made available in connection with the issue of the Preferred Securities and in particular as to whether or the extent to which any Green Projects will fulfil any particular environmental, social, sustainability and/or other criteria. Any such report, assessment, opinion or certification is only current as of the date it was issued and the providers of such reports, assessments, opinions and certifications are not currently subject to any specific oversight or regulatory or other regime.

No request has been submitted for the Preferred Securities being listed or admitted to trading on any dedicated “green” or other equivalently-labelled segment of any stock exchange or securities market and, in the event that the Preferred Securities are admitted to any such segment, no assurance can be given that such listing or admission to trading will be maintained during the life of the Preferred Securities.

While it is the intention of the Bank to apply the net proceeds of the Preferred Securities and obtain and publish the relevant reports, assessments, opinions and certifications in, or substantially in, the manner described in “*Use of Proceeds*”, there can be no assurance that the Bank will be able to do this. Nor can there be any assurance that any Green Projects will be completed within any specified period or at all or with the results or outcome (whether or not related to the environment) as originally expected or anticipated by the Bank.

Any such event or failure to apply the net proceeds of the Preferred Securities for any Green Projects or to obtain and publish any such reports, assessments, opinions and certifications, will not (i) give rise to any claim of a Holder against the Bank, (ii) be an event of default under the Preferred Securities (see -“*There are no events of default*”), (iii) lead to an obligation of the Bank to redeem the Preferred Securities or (iv) jeopardise the qualification of the Preferred Securities as Additional Tier 1 capital of the Bank and/or the Group. The withdrawal of any report, assessment, opinion or certification as described above, or any such report, assessment, opinion or certification attesting that the Bank is not complying in whole or in part with any matters for which such report, assessment, opinion or certification is reporting, assessing, opining or certifying on, and/or the Preferred Securities no longer being listed or admitted to trading on any stock exchange or securities market, as aforesaid, may have a material adverse effect on the value of the Preferred Securities and/or result in adverse consequences for certain investors with portfolio mandates to invest in securities to be used for a particular purpose.

Holdings 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, (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 through the relevant Iberclear Member and in accordance with applicable Iberclear procedures and the provisions set out under Condition 6. If a duly completed Delivery Notice is 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. The Common Shares corresponding to the Preferred Securities in respect of which no duly completed Delivery Notice has been delivered on or before the Notice Cut-off Date shall be delivered by the

Bank to the Settlement Shares Depository on the Conversion Settlement Date through Iberclear. Within ten Business Days following the Conversion Settlement Date, the Settlement Shares Depository shall procure that all Common Shares so received are sold as soon as reasonably practicable and (subject to the deduction by or on behalf of the Settlement Shares Depository 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 Settlement Shares Depository in connection with the sale and allotment 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.

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.

In certain circumstances Holders may be bound by modifications to the Preferred Securities to which they did not 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 have been 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*").

In general, European (including UK) regulated investors are restricted under the CRA Regulation from using credit ratings for regulatory purposes, unless such ratings are issued by a credit rating agency established in the EU or the UK and registered under the CRA Regulation (and such registration has not been withdrawn or suspended). If the status of the rating agency rating the Preferred Securities changes, European (including UK) regulated investors may no longer be able to use the rating for regulatory purposes and the Preferred Securities may have a different regulatory treatment. This may result in European (including UK) regulated investors selling the Preferred Securities which may impact the value of the Preferred Securities and any secondary market.

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 Prospectus and any decision to invest in the Preferred Securities should be based on a consideration of this Prospectus 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 Prospectus. 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.

Bank:	Banco Bilbao Vizcaya Argentaria, S.A.
Legal Entity Identifier:	K8MS7FD7N5Z2WQ51AZ71
Website:	https://www.bbva.com/en/ . The information contained in such web page shall not be deemed to constitute a part of this Prospectus.
Risk Factors:	There are certain factors that may affect the Bank's ability to fulfil its obligations under the Preferred Securities. These are set out under " <i>Risk Factors</i> ". 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 " <i>Risk Factors</i> ".
Issue size:	€1,000,000,000
Issue date:	15th July, 2020
Issue details:	Series 10 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Green 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.
Liquidation Preference:	€200,000 per Preferred Security.
Use of Proceeds:	An amount equal to the net proceeds from the issue of the Preferred Securities will be separately identified and applied by the Bank in financing or refinancing on a portfolio basis Green Projects, as further described in " <i>Use of Proceeds</i> " below.
Distributions:	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 6.00 per cent. per annum, and (ii) in respect of each Reset Period, at the rate per annum equal to the aggregate of 6.456 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.

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 Maximum Distributable Amount 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 in accordance with Article 92.2° of the Insolvency Law (as amended, replaced or supplemented from time to time) and Additional Provision 14.3 of Law 11/2015 but only to the extent permitted by the Insolvency Law 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.

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), at any time on or after the First Reset Date 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 in accordance with Articles 77 and 78 of CRR and/or any other Applicable Banking Regulations in force at the relevant time if there is a Capital Event or a Tax Event.

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 occurrence of the 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 7.6, 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 to the Bank of a duly completed Election Notice through the relevant Iberclear Member and in accordance with the Iberclear procedures applicable from time to time 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 in accordance with Articles 77 and 78 of CRR and/or any other Applicable Banking Regulations in force at the relevant time.

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.

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

Form:

The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate Liquidation Preference of €1,000,000,000 and a Liquidation Preference of €200,000 each.

Registration, clearing and settlement:

The Preferred Securities have been registered with Iberclear as managing settlement entity of the central registry of the Spanish clearance and settlement system (the **Spanish Central Registry**).

Holder of a beneficial interest in the Preferred Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear Bank SA/NV and Clearstream Banking, S.A.

with Iberclear.

Title and transfer:

Title to the Preferred Securities is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the relevant Preferred Securities recorded therein. For these purposes, the “Holder” means the person in whose name such Preferred Securities are for the time being registered in the Spanish Central Registry managed by Iberclear 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).

The Preferred Securities are issued without any restrictions on their transferability. Consequently, the Preferred Securities may be transferred and title to the Preferred Securities may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Preferred Securities for all purposes (regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

Ratings:

The Preferred Securities have been rated Ba2 by Moody’s and BB by 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.

Listing:

Application has been made for the Preferred Securities to be admitted to listing and trading on AIAF.

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 and 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. 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 (which for these purposes, includes the UK) and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after 1st January, 2005 in conformity with International Financial Reporting Standards adopted by the EU (**EU-IFRS**).

BBVA's consolidated financial statements as at and for each of the years ending 31st December 2019, 31st December 2018 and 31st December, 2017 (the **Consolidated Financial Statements**), as incorporated by reference in this Prospectus, have been prepared in compliance with IFRS-IASB and in accordance with EU-IFRS as applicable as of 31st December, 2019, reflecting the Bank of Spain's Circular 4/2017 of 27th November (as amended) and any other legislation governing financial reporting applicable to the Group.

FINANCIAL INFORMATION

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

- Unless otherwise stated, any reference to loans refers to both loans and advances.
- All references to any financial information in this Prospectus are to the consolidated financial information of the Group, unless otherwise stated.
- Financial information with respect to subsidiaries may not reflect consolidation adjustments.
- Certain numerical information in this Prospectus may not sum 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, BNP Paribas 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 Prospectus 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 Prospectus 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 Prospectus. Any documents themselves incorporated by reference in the documents incorporated by reference in this Prospectus shall not form part of this Prospectus.

The following documents, which have been previously published and filed with the CNMV, are incorporated in, and form part of, this Prospectus:

- (a) BBVA's Universal Registration Document drawn up pursuant to Annex II of the Prospectus Regulation, approved by and registered with the CNMV on 26th May, 2020 (the **Universal Registration Document**) (available at https://accionistaseinversores.bbva.com/wp-content/uploads/2020/05/DRU-BBVA-2020_esp.pdf (in Spanish) and https://shareholdersandinvestors.bbva.com/wp-content/uploads/2020/05/URD-BBVA-2020_Eng.pdf (in English)), excluding "Section 3 – Risk Factors". Specifically, the information contained in the Universal Registration Document regarding the description of the Bank shall not be deemed to constitute a part of this Prospectus insofar as it coincides with the information herein included;
- (b) the audited stand-alone financial statements of the Bank as at and for the year ended 31st December, 2019 (available at www.cnmv.es and https://accionistaseinversores.bbva.com/wp-content/uploads/2020/01/4.Cuentas_Anuales_Individuales_BBVA_-2019.pdf (in Spanish) and https://shareholdersandinvestors.bbva.com/wp-content/uploads/2020/01/4.Anuar_Report_BBVA_S.A._2019.pdf (in English));
- (c) the audited stand-alone financial statements of the Bank as at and for the year ended 31st December, 2018 (available at www.cnmv.es and at https://accionistaseinversores.bbva.com/wpcontent/uploads/2019/02/4.Cuentas_Anuales_Individuales_BBVA_-2018.pdf (in Spanish) and https://shareholdersandinvestors.bbva.com/wpcontent/uploads/2019/02/4.Anuar_Report_BBVA_S.A._2018.pdf (in English));
- (d) the audited stand-alone financial statements of the Bank as at and for the year ended 31st December, 2017 (available at www.cnmv.es and at https://accionistaseinversores.bbva.com/wp-content/uploads/2018/03/Cuentas_Individuales_Anuales_BBVA_Ejercicio_2017_WEB.pdf (in Spanish) and https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/03/BBVA_Annual_Report_2017_WEB.pdf (in English));
- (e) (i) the audited consolidated financial statements of the Group as at and for the year ended 31st December, 2018 (the **2018 Consolidated Financial Statements**) on pages 4 to 248 (inclusive) (English version) and on pages 4 to 254 (inclusive) (Spanish version) of the Group's consolidated financial statements, management report and auditors' report for the year 2018 (the **2018 Report**) and (ii) on the page prior to the table of contents of the 2018 Report, the auditors' report on the 2018 Consolidated Financial Statements (available at https://accionistaseinversores.bbva.com/wp-content/uploads/2019/03/CuentasAnualesConsolidadasGrupo2018_Esp.pdf (in Spanish) and

https://shareholdersandinvestors.bbva.com/wp-content/uploads/2019/03/AnnualReportBBVAGROUP2018_Eng-3.pdf (in English)); and

- (f) (i) the audited consolidated financial statements of the Group as at and for the year ended 31st December, 2017 (the **2017 Consolidated Financial Statements**) on pages 4 to 224 (inclusive) (English version) and on pages 4 to 239 (inclusive) (Spanish version) of the Group's consolidated financial statements, management report and auditors' report for the year 2017 (the **2017 Report**) and (ii) on the page prior to the table of contents of the 2017 Report, the auditors' report on the 2017 Consolidated Financial Statements (available at www.cnmv.es and at https://accionistaseinversores.bbva.com/wp-content/uploads/2018/03/Cuentas_Anuales_Consolidadas_Gruppo_BBVA_Ejercicio_2017-WEB.pdf (in Spanish) and https://shareholdersandinvestors.bbva.com/wp-content/uploads/2018/03/BBVA_Group_Annual_Report_2017_Version_WEB.pdf (in English)).

The non-incorporated parts of the 2018 Report and the 2017 Report are either not relevant for an investor or are covered elsewhere in the Prospectus.

The English versions of items (a) to (f) 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 BBVA GROUP

Capital Adequacy of the Group

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

	As of 31st March.	As of 31st December,		
	2020	2019	2018	2017
	<i>(in millions of euros except percentages)</i>			
Common equity tier 1 ratio (%) ⁽¹⁾	11.08	11.98	11.58	11.67
Tier 1 ratio (%)	12.74	13.64	13.19	12.95
Total capital ratio (%) ⁽¹⁾	15.39	15.92	15.71	15.37
Total risk-weighted assets	368,666	364,448	348,264	362,875

(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:

	As of 31st March, 2020	As of 31st December, 2019	As of 31st December, 2018
		<i>(in millions of euros)</i>	
Distance to Trigger Event ⁽¹⁾	21,960	24,975	22,463

(1) The Distance to Trigger Event reflects as of 31st March, 2020, 31st December, 2019 and 31st December, 2018 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

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

	As of 31st March,	As of 31st December,		
	2020	2019	2018	2017
	<i>(in millions of euros except percentages)</i>			
Common equity tier 1 ratio (%) ⁽¹⁾	15.03	16.42	17.45	17.67
Tier 1 ratio (%)	17.67	19.06	20.03	20.57
Total capital ratio (%) ⁽¹⁾	20.11	20.81	22.07	22.54
Total risk-weighted assets	206,283	204,512	194,663	197,391

(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:

	<u>As of 31st March, 2020</u>	<u>As of 31st December, 2019</u>	<u>As of 31st December, 2018</u>
	<i>(in millions of euros)</i>		
Distance to Trigger Event ⁽¹⁾	20,433	23,097	24,001

- (1) The Distance to Trigger Event reflects as of 31st March 2020, 31st December, 2019 and 31st December, 2018 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.

Regulatory Framework

General

The Bank is a Spanish credit institution with registered address at Plaza de San Nicolás 4, Bilbao. 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.

Finally, it should be noted that 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 (the **CRD IV Directive**) through which the EU began to implement the capital reforms agreed in the framework of Basel III, with effect from 1st January, 2014, with certain requirements being phased in until 1st January, 2019. The core regulation on 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 (**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 transposition of the CRD IV Directive into Spanish legislation took place through Royal Decree-Law 14/2013, of 29th November, Law 10/2014, RD 84/2015, Bank of Spain Circular 2/2014, of 31st January and Bank of Spain Circular 2/2016.

On 7th June, 2019, the following amendments to CRD IV and Directive 2014/59/EU of 15th May, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (**BRRD I**) were published:

- Directive 2019/878/EU of the European Parliament and of the European 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 European 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 (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 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 (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**).

The EU Banking Reforms (other than CRR II) are stated to apply from 18 months and one day after their entry into force on 27th June, 2019, save for certain provisions of the CRD V Directive where a two-year period is provided for. CRR II is stated to apply from 24 months and one day after the date of its entry into force on 27th June, 2019, although certain provisions are stated to enter into force before or after that date, as described therein.

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 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 and the higher of the systemic risk buffer, 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 CET1 capital.

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.

On 25th November, 2019, the Bank of Spain announced that the Bank continues to be considered a D-SIB and is required to maintain a fully-loaded D-SIB buffer of a CET1 capital ratio of 0.75 per cent. on a consolidated basis.

In December 2015, the Bank of Spain agreed to set the counter cyclical capital 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 in March, 2020 to maintain the counter cyclical capital buffer applicable to credit exposures in Spain at 0 per cent. for the second quarter of 2020. At the date of this Prospectus, the counter cyclical capital buffer applicable to the Group stands at 0 per cent..

The Bank of Spain has greater discretion when determining the institution-specific counter cyclical buffer, the D-SIB buffer and the systemic risk buffer. Since the Single Supervisory Mechanism (**SSM**) came into force on 4th November, 2014, the European Central Bank (the **ECB**) also has the ability to provide certain recommendations in this respect and potentially increase such buffers.

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”), in order to cover additional risks to those already covered by the “Pillar 1” minimum capital requirements or to address macroprudential matters (although the EU Banking Reforms provide that the new “Pillar 2” capital requirements should be used only to address microprudential considerations).

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 between the ECB and national competent authorities and with national designated authorities (the **SSM Framework Regulation**), to carry out the SREP of 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.

Likewise, 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 and initially expected to be implemented in 2021. In particular, the composition of capital instruments to meet the “Pillar 2” requirement, shall be made up in the form of 56 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, and in accordance with the measures implemented by the ECB on 12th March, 2020, by means of which banks may partially use AT1 and Tier 2 capital instruments in order to fulfil the “Pillar 2” requirement, BBVA must maintain, at a consolidated level, a CET I ratio of 8.59 per cent. and a total capital ratio of 12.75 per cent.. The consolidated overall capital requirement includes: i) the minimum capital requirement of “Pillar 1” of 8 per cent., that must be composed of a minimum of 4.5 per cent. of CET 1; ii) the AT1 requirement of “Pillar 1” of 1.5 per cent., that must be composed of a minimum of 0.84 per cent. of CET1; iii) the capital conservation buffer (2.5 per cent. of CET1); and iv) the capital buffer for “Other Systemically Important Institutions” (O-SIIs) (0.75 per cent. of CET1). Likewise, BBVA must maintain, at an individual level, a CET1 ratio of 7.84 per cent. and a total capital ratio of 12.00 per cent.

As of 31st March, 2020, the Bank's phased-in total capital ratio was 15.39 per cent. on a consolidated basis and 20.14 per cent. on an individual basis and its CET1 phased-in capital ratio was 11.08 per cent. on a consolidated basis and 15.05 per cent. 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 "Pillar 2" additional own funds requirements on the Bank and/or the Group.

CRD V introduces certain amendments in order to clarify the hierarchy or order of priority of own funds and eligible liabilities among the "Pillar 1" minimum solvency requirements, the "Pillar 2" additional own funds solvency requirements, the MREL requirements and the "combined buffer requirement" (referred to as the "stacking order").

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. 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.

As a consequence, in the event of breach of the "combined buffer requirement" and until the MDA has been calculated and communicated to the Bank of Spain, the relevant institution shall not make any discretionary payments, and once the MDA has been calculated and communicated to the Bank of Spain, the discretionary payments will be subject to the limit of the MDA calculated.

Additionally, pursuant to Article 48 of Law 10/2014, the Bank of Spain's adoption of the measures provided by Articles 68.2.h) and 68.2.i) of Law 10/2014, aimed at strengthening own funds or 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, as well as the restrictions described in the preceding paragraph while such calculation is pending, may also be triggered by a breach of the "combined buffer requirement" when considered in addition to its MREL (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.

On 1st July, 2016, the EBA published additional information explaining how supervisors should use the results of the 2016 EU-wide stress test for SREP assessments. Among other things, the EBA referred to the possibility of including the quantitative results of the EU-wide stress test into SREP assessments by establishing additional supervisory monitoring metrics in the form of capital guidance. This guidance would not be included as a factor that would trigger the MDA calculations, but the competent authorities would expect the banks to meet that guidance, unless otherwise specifically agreed. The competent authorities have remedial tools if an institution refuses to follow such guidance. CRD V also distinguishes between "Pillar 2" capital requirements and "Pillar 2" capital guidance, with only the former being 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.

In its meeting of 12th January, 2014, the BCBS oversight body established the definition of the leverage ratio provided in CRD IV to promote consistent disclosure, which has been applicable since 1st January, 2015. At the date of this Prospectus, there is no applicable legislation in Spain containing a specific leverage ratio requirement for credit institutions. However, CRR II sets a

binding leverage ratio requirement of 3 per cent. of Tier 1 capital, in addition to the institution's own funds requirements and RWA-based requirements.

The table below sets out the reconciliation of the Group's accounting assets to its leverage ratio exposure as of 31st March, 2020 and 31st December, 2019:

	<i>31/03/20 Phased- In</i>	<i>31/03/20 Fully Loaded</i>	<i>31/12/19 Phased- In</i>	<i>31/12/19 Fully Loaded</i>
	<i>(in millions of euros except percentages)</i>			
a) Total assets as per published financial statements	730,923	730,923	698,690	698,690
b) Adjustments for entities which are consolidated for accounting purposes but are outside the scope of the regulatory consolidation perimeter	(19,340)	(19,340)	(21,636)	(21,636)
c) Adjustments for derivative financial instruments	(24,810)	(24,810)	(7,124)	(7,124)
d) Adjustments of securities financing transactions	4,330	4,330	1,840	1,840
e) Adjustments for off-balance sheet items ⁽¹⁾	64,055	64,055	67,165	67,165
f) (Adjustments for intragroup exposures excluded from the leverage ratio exposure measured in accordance with article 429(7) of the CRR)	-	-	-	-
g) Other adjustments	(5,168)	(6,529)	(7,847)	(8,656)
Total leverage ratio exposures	749,989	748,629	731,087	730,279
h) Tier 1	46,974	45,906	49,701	48,775
Total leverage ratio exposures	749,989	748,629	731,087	730,279
Leverage ratio	6.26%	6.13%	6.80%	6.68%

(1) This corresponds to the exposure value of off-balance sheet exposure after applying conversion factors determined in accordance with article 429(7) of the CRR.

Furthermore, on 7th December, 2017, the BCBS announced the end of the Basel III reforms (informally referred to as Basel IV). These reforms include changes to the risk weightings applied to the different assets and measures to enhance the sensitivity to risk in those weightings, and impose limits on the use of internal ratings-based approaches so as to ensure a minimum level of conservatism in the use of such approaches and to enhance comparability among banks in which such internal ratings-based approaches are used. The review of minimum capital requirements will also limit the regulatory capital benefit for banks when calculating total RWAs using internal risk models as compared with the standardised approach, with a minimum capital requirement of 50 per cent. of RWAs calculated using only the standardised approaches applicable from 1st January, 2022, which is expected to increase to 72.5 per cent. from 1st January, 2027.

Moreover, on 15th March, 2018, the ECB published its supervisory expectations on prudential provisions for NPLs by publishing the Addendum to the ECB's guide on NPLs for credit institutions, issued on 20th March, 2017, which clarifies the ECB expectations regarding supervision over the identification, management, measurement and reorganisation of NPLs, in order to avoid future and excessive accumulation of non-performing loans without coverage in the balance sheets of the credit entities.

The Addendum's supervisory expectations are applicable to new non-performing loans classified as such as of 1st April, 2018. The ECB will evaluate the banks' practices at least once a year and, from the beginning of 2021, the banks must inform the ECB of any difference between their practices and the prudential provision expectations.

In addition, the ECB has announced that a TRIM is being conducted on the internal models used by banks subject to its supervision to calculate their risk-weighted assets, in order to reduce inconsistencies and unjustified variability in these internal models throughout the EU. Although the full results of the TRIM are not yet known, it 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 (phased-in Basel III) 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 as from 2014, applying a phased-in amount of 100 per cent. for 2019 and 2018 and 80 per cent. for 2017.

Total Capital Phased-in

(in millions of euros except percentages)

	31/03/2020	31/12/2019	31/12/2018	31/12/2017
Common Equity Tier 1 capital (CET1)	40,854	43,653	40,313	42,341
Additional Tier 1 capital (AT1)	6,120	6,048	5,634	4,639
Tier 2 capital	9,757	8,304	8,756	8,798
Capital base	56,731	58,005	54,703	55,778
Risk-weighted assets	368,666	364,448	348,264	362,875
CET1 ratio	11.08%	11.98%	11.58%	11.67%
AT1 ratio	1.66%	1.66%	1.62%	1.28%
Tier 1 ratio	12.74%	13.64%	13.19%	12.95%
Tier 2 ratio	2.65%	2.28%	2.51%	2.42%
Total capital ratio	15.39%	15.92%	15.71%	15.37%

The Group must also comply with liquidity and financing ratios. The LCR has been progressively implemented since 2015 in accordance with the CRR and banks must comply such ratio (100 per cent.) from 1st January, 2018. As of 31st March, 2020 and 31st December, 2019, the Group's LCR was 134 per cent. and 129 per cent. respectively. At the same time, the NSFR, calculated based on Basel requirements, remained above 100 per cent. throughout 2019 and stood at 120 per cent. as of 31st March, 2020 and 31st December, 2019. 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.

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 partially transposed in Spain Law 11/2015 and RD 1012/2015, pending the transposition of BRRD II) 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 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 eligible 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 under Article 92 of the

Insolvency Law (as defined in the “Conditions of the Preferred Securities”) 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 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. 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).

In addition, the EBA has published certain technical regulation standards and technical implementation standards to be adopted by the European Commission, in addition to other guidelines. These standards and guidelines could potentially be relevant in determining when or how a Relevant Spanish Resolution Authority may exercise the Bail-in Tool and/or impose a Non-Viability Loss Absorption. These include guidelines on the treatment of shareholders when applying the Bail-in Tool or Non-Viability Loss Absorption, as well as on the rate for converting debt into shares or other securities or debentures in the application of the Bail-in Tool and/or Non-Viability Loss Absorption.

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 said 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 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 SRM, the Bank of Spain, the Spanish Securities Market Commission or any other entity with the authority to exercise any the resolution tools and powers contained in Law 11/2015 from time to time.

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.

MREL

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to total liabilities known as MREL. According to Commission Delegated Regulation (EU) 2016/1450 of 23rd May, 2016 (the **MREL Delegated Regulation**), 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 45c.1 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.

On November 19, 2019, the Bank announced that it had received notification from the Bank of Spain regarding its MREL, as determined by the SRB. The Bank's MREL has been set at 15.16 per cent. of the total liabilities and own funds of the Bank's resolution group, at a sub-consolidated level from January 1, 2021 (as detailed below). Likewise, of this MREL, 8.01 per cent. of the total liabilities and own funds must be met with subordinated instruments, once the allowance established in the requirement itself has been applied. This MREL is equivalent to 28.50 per cent. of the APRs, while the subordination requirement included in the MREL is equivalent to 15.05 per cent. in terms of the APRs, once the corresponding allowance has been applied.

As of 31st December, 2017 (reference date taken by the SRB), the total liabilities and own funds of the Bank's resolution group amounted to €371,910 million, of which the total liabilities and equity of the Bank represented approximately 95 per cent., and the RWAs of the Bank's resolution group amounted to €197,819 million.

If the FROB, the SRM or 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 a bank's MREL breach is dealt with 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 action 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 go toward meeting the MREL of such entity and would cease to be applied in order to comply with its "combined buffer requirement", which could lead to the entity failing to comply with its "combined buffer requirement". This could involve triggering the MDA calculation and the resolution authority may have the power (but not the obligation) to impose restrictions on the making of discretionary payments. Therefore, with the entry into force of the EU Banking Reforms, the Bank will have to fully comply with its "combined buffer requirement", in addition to its MREL, 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 action 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 action are met, which could entail the application of early action 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.

On 9th November, 2015, the FSB published its final Total Loss-Absorbing Capacity (**TLAC**) Principles and Term Sheet (the **TLAC Principles and Term Sheet**), proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior-ranking liabilities, such as guaranteed insured deposits, and forming a new standard for G-SIBs. The TLAC Principles and Term Sheet contain a set of principles on loss-absorbing and recapitalisation capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (i) 16 per cent. of RWAs as of 1st January, 2019 and 18 per cent. as of 1st January, 2022, and (ii) 6

per cent. of the Basel III Tier 1 leverage ratio exposure measured as of 1st January, 2019, and 6.75 per cent. as of 1st January, 2022.

Among other amendments, BRRD II introduces the concepts of resolution institution and resolution group. The EU Banking Reforms provide for the amendment of a number of aspects of the MREL framework to align it with the TLAC standards included in the TLAC Principles and Term Sheet. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, the BRRD II also provide for a number of changes to the MREL rules applicable to non-G-SIBs. While the EU Banking Reforms provide for minimum harmonised or “Pillar 1” MRELs for G-SIBs, in the case of non-G-SIBs, they provide that MRELs will be imposed on a bank-specific basis. For G-SIBs, the EU Banking Reforms provide that a supplementary or “Pillar 2” MRELs may be further imposed on a bank-specific basis. The EU Banking Reforms further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities in excess of the requisite levels for certain purposes.

Following the application of CRR II, CRR will establish that an institution’s eligible liabilities will consist of its eligible liability items (as defined therein) after a number of mandatory deductions and, in order to be considered as eligible liabilities, it is stipulated, for example, that the instruments must meet the requirements set out in Article 72b of the CRR, which includes the need for those instruments to rank below the liabilities excluded under Article 72.a.2 of the CRR.

To facilitate compliance with this requirement, Directive (EU) 2017/2399 of the European Parliament and of the Council of 12th December, 2017 amending Directive 2014/59/EU as regards the ranking of unsecured debt instruments in insolvency hierarchy was approved with the aim to harmonise national laws on insolvency and recovery and resolution of credit institutions and investment firms, by creating a new credit class of “non-preferred” senior debt that should only be bailed-in after junior ranking instruments but before other senior liabilities. In this regard, on 23rd June, 2017 Royal Decree-Law 11/2017 of 23rd June on urgent measures in financial matters (*Real Decreto-ley 11/2017, de 23 de junio, de medidas urgentes en materia financiera*) introduced into Spanish law the new class of “non-preferred” senior debt.

Notwithstanding the foregoing, CRR II provides for some exemptions which could allow outstanding senior debt instruments to be used to comply with MREL. However, there is uncertainty insofar as such eligibility is concerned and how the regulations and exemptions provided for in the EU Banking Reforms are to be interpreted and applied. In any event, BRRD II aims to provide greater certainty with respect to eligible liabilities, in order to provide markets with the necessary clarity concerning the eligibility criteria for instruments to be recognized as eligible liabilities for TLAC or MREL purposes.

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 under the new insolvency hierarchy introduced into Spain 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.

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 3per cent. (or 5per cent., 10per cent., 15per cent., 20per cent., 25per cent., 30per cent., 35per cent., 40per cent., 45per cent., 50per cent., 60per cent., 70per cent., 75per cent., 80per cent. or 90per 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 3per cent. (or 5per cent., 10per cent., 15per cent., 20per cent., 25per cent., 30per cent., 35per cent., 40per cent., 45per cent., 50per cent., 60per cent., 70per cent., 75per cent., 80per cent. or 90per 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 Economic Affairs and Digital Transformation (*Ministerio de Economía y Empresa*).

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 100per 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 30per 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 30per 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 30per cent. or more but less than 50per 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 5per cent. or more of such voting rights;
 - acquires an additional interest in shares so that the bidder’s aggregate interest carries 50per 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 100per 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 100per 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 100per cent. of the issued share capital of a target company, the bidder acquires an interest in shares representing at least 90per cent. of the voting rights of the target company and the offer has been accepted by investors representing at least 90per 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 authorization 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 20per cent., 30per cent. or 50per 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 10per 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 5per cent., must immediately notify in writing the Bank of Spain and the relevant Spanish bank, indicating the size of the acquired holding.

Lastly, Royal Decree-law 8/2020 of 17th March, on extraordinary measures to deal with the economic and social impact of COVID-19 (*Real Decreto-ley 8/2020, de 17 de marzo, de medidas urgentes extraordinarias para hacer frente al impacto económico y social del COVID-19*) and Royal Decree-law 11/2020, of 31st March, whereby urgent and ancillary measures are adopted in order to deal with COVID-19 (*Real Decreto-ley 11/2020, de 31 de marzo, por el que se adoptan medidas urgentes complementarias en el ámbito social y económico para hacer frente al COVID-19*) amended 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*) in order to stipulate 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 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.

Capitalisation of the BBVA Group

The following table sets forth the capitalisation and indebtedness of the BBVA Group on an unaudited consolidated basis in accordance with EU-IFRS required to be applied under Circular 4/2017 and in compliance with IFRS-IASB as 31st March, 2020 on an actual basis.

As of 31st March, 2020

	Actual (in millions of euros)
Outstanding indebtedness⁽¹⁾	
Short-term indebtedness ⁽²⁾	4,139
Long-term indebtedness.....	64,607
Of which: Preferred securities ⁽³⁾	136
Total indebtedness⁽⁴⁾.....	68,746
Stockholders' equity	
Ordinary shares.....	3,267
Ordinary shares held by consolidated companies.....	(36)
Reserves.....	52,759
Dividends.....	-
Accumulated other comprehensive income.....	(12,805)
Total shareholders' equity.....	43,185
Preferred shares.....	-
Non-controlling interest.....	5,989
Total capitalisation and indebtedness.....	117,921

- (1) No third party has guaranteed any of the debt of the BBVA 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, 2020.
- (3) Under EU-IFRS required to be applied under 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) Approximately 37% of the BBVA Group's indebtedness was secured as of 31st March, 2020.

As at the date of this Prospectus, BBVA's share capital is €3,267,264,424.20 divided into 6,667,886,580 shares. In the event of Conversion, and taking into account the minimum Conversion Price as of today being €3.75, the maximum number of shares issued would be 266,666,666, which represents 4 per cent. of the current share capital.

DESCRIPTION OF BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

This Prospectus is to be read in conjunction with all the documents which are incorporated herein by reference (see “*Documents Incorporated by Reference*”). This Prospectus shall be read and construed on the basis that such documents are incorporated and form part of this Prospectus. Specifically, the information contained in this section does not diverge from or contain any discrepancies with respect to the information contained in the Universal Registration Document (incorporated by reference in this Prospectus).

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 Prospectus.

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 any 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 2017 to the date of this Prospectus were the following:

2020 to date

In 2020 to date, there were no significant capital expenditures.

2019

In 2019, there were no significant capital expenditures.

2018

In 2018, there were no significant capital expenditures.

2017

Acquisition of an additional 9.95 per cent. of Garanti

On 22nd March, 2017, BBVA acquired 41,790,000,000 shares (in the aggregate) of Garanti (amounting to 9.95 per cent. of the total issued share capital of Garanti) from Doğu Holding A.Ş. and Doğu Araştırma Geliştirme ve Müşavirlik Hizmetleri A.Ş., under certain agreements entered into on 21st February, 2017, at a purchase price of 7.95 TL per share (3,322 million TL or €859 million in the aggregate).

CAPITAL DIVESTITURES

BBVA's principal divestitures are financial divestitures in its subsidiaries and affiliates. The main capital divestitures from 2017 to the date of this Prospectus were the following:

2020 to date

Agreement for the alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.

On 27th April, 2020, BBVA's subsidiary, BBVA Seguros, S.A. de Seguros y Reaseguros, reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. in order to create a bancassurance partnership for the purpose of developing the non-life insurance business in Spain, excluding the health insurance line. Excluding a variable part of the price (up to €100 million related to achieving specific business goals and attaining certain milestones included in the integration plan agreed by the parties), it is estimated that the transaction will generate a profit net of taxes amounting to approximately €300 million (on a consolidated basis), and that the positive impact on the fully loaded CET1 capital ratio of the Group will be approximately 7 basis points.

The closing of the transaction is expected to take place in the second half of 2020 or in the first half of 2021, after obtaining the relevant regulatory authorisations from the competent authorities.

2019

Sale of BBVA's stake in BBVA Paraguay

On 7th August, 2019, BBVA reached an agreement with Banco GNB Paraguay, S.A., a subsidiary of Grupo Financiero Gilinski, for the sale of its wholly-owned subsidiary Banco Bilbao Vizcaya Argentaria Paraguay, S.A. (**BBVA Paraguay**).

The sale price for the sale of BBVA's stake in BBVA Paraguay amounts to approximately USD 270 million. The abovementioned consideration is subject to regular adjustments for these kind of transactions between the signing and closing dates of the transaction.

It is expected that the transaction would result in a capital gain (net of taxes), calculated as of 31st December, 2019, of approximately €40 million and in a positive impact on BBVA Group's CET 1 (fully loaded) of approximately 6 basis points.

The closing of the transaction is expected to take place in the second half of 2020, after obtaining the relevant regulatory authorisations from the competent authorities.

2018

Sale of BBVA's stake in BBVA Chile

On 28th November, 2017, BBVA received a binding offer (the **Offer**) from The Bank of Nova Scotia group (**Scotiabank**) for the acquisition of BBVA's stake in Banco Bilbao Vizcaya Argentaria Chile, S.A. (**BBVA Chile**) as well as in other companies of the Group in Chile with operations that are complementary to the banking business in Chile (amongst them, BBVA Seguros de Vida, S.A.). BBVA owned, directly and indirectly, 68.19 per cent. of BBVA Chile's share capital. On 5th December, 2017, BBVA accepted the Offer and entered into a sale and purchase agreement and the sale was completed on 6th July, 2018.

The consideration received in cash by BBVA in the referred sale amounted to USD 2,200 million. The transaction resulted in a capital gain net of taxes of €633 million, which was recognised in 2018.

Agreement for the creation of a joint venture and transfer of real estate business in Spain

On 29th November, 2017, BBVA reached an agreement with Promontoria Marina, S.L.U. (**Promontoria**), a company managed by Cerberus, for the creation of a “joint venture” to which an important part of the Group’s real estate business in Spain (the **Spanish Real Estate Business**) was transferred.

The Spanish Real Estate Business comprised of (i) foreclosed real estate assets (**REOs**) held by BBVA on 26th June 2017, with a gross book value of €13,000 million, and (ii) the necessary assets and employees to manage the Spanish Real Estate Business in an autonomous manner. For the purposes of the transaction with Cerberus, the Spanish Real Estate Business was valued at approximately €5,000 million.

On 10th October, 2018, after obtaining all the required authorisations, BBVA completed the transfer of the Spanish Real Estate Business (except for a part of the agreed REOs which were contributed after that date once the relevant conditions precedent were fulfilled) to Divarian and the sale of 80 per cent. of the shares of Divarian to Promontoria. Following the closing of the transaction, BBVA retained 20 per cent. of the share capital of Divarian.

As of 31st December, 2018, the transaction did not have a significant impact on the Group’s attributable profit or CET 1 (fully loaded).

Sale of BBVA’s stake in Testa

On 14th September, 2018, BBVA and other shareholders of Testa entered into an agreement with Tropic Real Estate Holding, S.L. (a company which is advised and managed by a private equity investment group controlled by Blackstone Group International Partners LLP) pursuant to which BBVA agreed to transfer its 25.24 per cent. interest in Testa to Tropic Real Estate Holding, S.L. The sale was completed on 21st December, 2018.

The consideration received in cash by BBVA from this sale amounted to €478 million.

Sale of non-performing and in default mortgage credits

On 21st December, 2018, BBVA reached an agreement with Voyager Investing UK Limited Partnership, an entity managed by Canada Pension Plan Investment Board, for the transfer of a portfolio of credit rights which is mainly composed of non-performing and in default mortgage credits, with an aggregate outstanding balance amounting to approximately €1,490 million. The transaction was completed during the third quarter of 2019 and resulted in a capital gain, net of taxes, of €138 million and a slightly positive impact on the BBVA Group’s Common Equity Tier 1 (fully loaded).

2017

In 2017, there were no significant capital divestitures.

BUSINESS OVERVIEW

The BBVA Group is a diversified international financial group with a significant presence in retail banking, wholesale banking and asset management. The Group also operates in the insurance sector.

The Group is committed to offering a compelling digital proposition and is focused on increasingly offering products online and through mobile channels, improving the functionality of its digital offerings and refining the customer experience. In 2019, the number of digital and mobile customers and the volume of digital sales of the Group continued to increase.

Standards and interpretations that became effective in 2019 – IFRS 16

On 1st January, 2019, IFRS 16 replaced IAS 17 “Leases” for financial statements and introduced changes in the lessee accounting model. The new standard introduces a single lessee accounting model and requires a lessee to recognize assets and liabilities for all leases. The standard provides two exceptions that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA has elected to apply both exceptions.

At the transition date, the Group decided to apply the modified retrospective approach and as of 1st January, 2019, the impact in terms of capital (CET1) of the Group amounted to -11 basis points.

Annual improvements to IFRSs 2015-2017 cycle

The annual improvements to the IFRSs 2015-2017 cycle includes minor changes and clarifications to IFRS 3- “Business Combinations”, IFRS 11 – “Joint Arrangements”, IAS 12 – “Income Taxes” and IAS 23 – “Borrowing Costs”. The implementation of these standards as of 1st January, 2019 has not had a significant impact on the Group’s consolidated financial statements.

Additionally, this project has introduced an amendment to IAS 12 that became effective on 1st January, 2019 and meant that the tax impact of the distribution of generated benefits must be recorded in the "Tax expense or income related to profit or loss from continuing operations" line of the consolidated income statement for the year. The amount derived from this amendment to IAS 12 resulted in a credit of €91 million in the consolidated income statement for the year 2019.

Operating Segments

During 2019, BBVA Group changed the reporting structure of its operating segments as a result of the integration of the Non-Core Real Estate business area into Banking Activity in Spain, which was renamed “Spain”. Additionally, certain balance sheet intra-group adjustments between the Corporate Center and the operating segments were reallocated to the corresponding operating segments. In addition, certain expenses related to global projects and activities have been reallocated between the Corporate Center and the corresponding operating segments. In order to make the information as of and for the years ended 31st December, 2018 and 2017 comparable with the information as of and for the year ended 31st December, 2019, as required by IFRS 8 “Information by business segments”, the figures as of and for the years ended 31st December, 2018 and 2017 were recast in conformity with the new segment reporting structure.

Set forth below are the Group’s current six operating segments:

- Spain;
- United States;
- Mexico;
- Turkey;
- South America; and
- Rest of Eurasia.

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; specific issues of capital instruments to ensure adequate management of the Group’s overall capital position; certain proprietary portfolios; certain tax assets and liabilities; certain provisions related to commitments with employees; and goodwill and other intangibles. BBVA’s 20 per cent. stake in Divarian is also included in this unit.

The calculation for constant currency amounts and percentages has been performed by applying current period exchange rates to the prior periods as stated and published in the management report included in the Universal Registration Document.

The breakdown of the Group's total assets by each of BBVA's operating segments and the Corporate Center as of 31st March 2020, and 31st December, 2019, 2018 and 2017 is as follows:

Total Assets by Operating Segment	As of 31st March,		As of 31st December,		
	2020	2019	2018	2017	
	(in millions of euros)				
Spain	413,193	365,374	354,901	350,520	
The United States	99,077	88,529	82,057	75,775	
Mexico	104,201	109,079	97,432	90,214	
Turkey	63,504	64,416	66,250	78,789	
South America	54,772	54,996	54,373	75,320	
Rest of Eurasia	26,543	23,248	18,834	17,265	
Subtotal Assets by Operating Segment	761,290	705,641	673,848	687,884	
Corporate Center and adjustments ⁽¹⁾	(30,367)	(6,951)	2,841	2,175	
Total Assets BBVA Group	730,923	698,690	676,689	690,059	

⁽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 of BBVA's operating segments and the Corporate Center for the three months ended 31st March, 2020 and 2019, and the years ended 31st December, 2019, 2018 and 2017.

	Profit/(Loss) Attributable to Parent Company					% of Profit/(Loss) Attributable to Parent Company				
	31st March,		31st December,			31st March,		31st December,		
	2020	2019	2019	2018	2017	2020	2019	2019	2018	2017
	(in millions of euros)					(in percentage)				
Spain	(141)	345	1,386	1,400	877	(38)	24	23	24	16
The United States	(100)	127	590	736	486	(27)	9	10	13	9
Mexico	372	627	2,699	2,367	2,170	100	43	45	41	41
Turkey	129	142	506	567	823	34	10	8	10	15
South America	70	193	721	578	847	19	13	12	10	16
Rest of Eurasia	44	16	127	96	128	12	1	2	2	2
Subtotal operating segments	374	1,450	6,029	5,743	5,331	100	100	100	100	100
Corporate Center	(2,166)	(268)	(2,517)	(343)	(1,817)					
Profit (loss) attributable to parent company	(1,792)	1,182	3,512	5,400	3,514					

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, 2020 and 2019, and the years ended 31st December, 2019, 2018 and 2017:

	Operating Segments							BBVA Group
	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Corporate Center	
	(in millions of euros)							
March 2020								
Net interest income	873	549	1,545	819	763	47	(41)	4,556
Gross income	1,506	814	1,991	1,073	863	126	111	6,484
Net margin before provisions ⁽¹⁾	728	315	1,330	763	473	53	(98)	3,566
Operating profit/(loss) before tax	(196)	(112)	545	340	137	59	(2,207)	(1,435)
Profit attributable to parent company	(141)	(100)	372	129	70	44	(2,166)	(1,792)
March 2019								
Net interest income	859	615	1,500	695	760	39	(71)	4,398
Gross income	1,475	804	1,902	884	985	103	(107)	6,046
Net margin before provisions ⁽¹⁾	661	331	1,268	571	606	34	(346)	3,124
Operating profit/(loss) before tax	482	160	877	368	417	23	(370)	1,957
Profit attributable to parent company	345	127	627	142	193	16	(268)	1,182
December 2019								
Net interest income	3,645	2,395	6,209	2,814	3,196	175	(233)	18,202
Gross income	5,734	3,223	8,029	3,590	3,850	454	(339)	24,542
Net margin before provisions ⁽¹⁾	2,480	1,257	5,384	2,375	2,276	161	(1,294)	12,639
Operating profit/(loss) before tax	1,878	705	3,691	1,341	1,396	163	(2,775)	6,398
Profit attributable to parent company	1,386	590	2,699	506	721	127	(2,517)	3,512
December 2018								
Net interest income	3,698	2,276	5,568	3,135	3,009	175	(269)	17,591
Gross income	5,968	2,989	7,193	3,901	3,701	414	(420)	23,747
Net margin before provisions ⁽¹⁾	2,634	1,129	4,800	2,654	1,992	127	(1,291)	12,045
Operating profit/(loss) before tax ⁽²⁾	1,840	920	3,269	1,444	1,288	148	(1,329)	7,580
Profit attributable to parent company	1,400	736	2,367	567	578	96	(343)	5,400
December 2017								
Net interest income	3,810	2,119	5,476	3,331	3,200	180	(357)	17,758
Gross income	6,162	2,876	7,122	4,115	4,451	468	74	25,270
Net margin before provisions ⁽¹⁾	2,665	1,026	4,646	2,608	2,424	164	(764)	12,770
Operating profit/(loss) before tax	1,189	749	2,960	2,143	1,671	181	(1,962)	6,931
Profit attributable to parent company	877	486	2,170	823	847	128	(1,817)	3,514

⁽¹⁾ “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortisation”.

⁽²⁾ The information relating to the Corporate Center has been presented under management criteria pursuant to which “Operating profit/ (loss) before tax” for 2018 excludes the capital gain from the sale of BBVA’s stake in BBVA Chile.

The following tables set forth information relating to the balance sheet of BBVA’s operating segments and the Corporate Center as of 31st March, 2020, and 31st December, 2019, 2018 and 2017 and adjustments as of 31st March, 2020 and 31st December, 2019 and 2018:

As of 31st March, 2020							Total Operating Segments	Corporate Center and Adjustments ⁽¹⁾
Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia			

	(in millions of euros)							
Total Assets	413,193	99,077	104,201	63,504	54,772	26,543	761,290	(30,367)
Cash, cash balances at central banks and other demand deposits	20,057	10,668	5,848	5,194	8,313	287	50,368	(824)
Financial assets designated at fair value ⁽²⁾	155,484	7,674	34,750	5,059	7,561	511	211,039	(16,432)
Financial assets at amortised cost	198,606	77,134	58,839	50,863	37,869	25,415	447,002	(4,171)
Loans and advances to customers	168,342	69,619	50,484	39,916	34,202	22,248	384,811	(2,219)
Total Liabilities	403,510	95,209	98,650	60,714	52,258	25,630	735,971	(54,221)
Financial liabilities held for trading and designated at fair value through profit or loss	109,856	633	25,598	2,336	2,006	44	140,474	(18,134)
Financial liabilities at amortised cost - Customer deposits	186,327	70,917	49,072	41,058	35,949	5,138	388,462	(3,412)
Total Equity	9,683	3,869	5,551	2,790	2,514	913	25,320	23,854
Assets under management	58,528	-	20,617	3,863	12,935	495	96,438	

(1) Financial assets designated 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”.

(2) Financial assets designated 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, 2019						Total Operating Segments	Corporate Center and Adjustments ⁽¹⁾	
	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia			
	(in millions of euros)								
Total Assets	365,374	88,529	109,079	64,416	54,996	23,248	705,641	(6,951)	
Cash, cash balances at central banks and other demand deposits	15,903	8,293	6,489	5,486	8,601	247	45,019	(716)	
Financial assets designated at fair value ⁽²⁾	122,844	7,659	31,402	5,268	6,120	477	173,770	(3,128)	
Financial assets at amortised cost	195,269	69,510	66,180	51,285	37,869	22,224	442,336	(3,174)	
Loans and advances to customers	167,341	63,162	58,081	40,500	35,701	19,660	384,445	(2,085)	
<i>Of which:</i>									
Residential mortgages	73,871	14,160	10,786	2,928	7,168	1,624	110,536		
Consumer finance	11,390	5,201	8,683	5,603	7,573	453	38,904		
Loans	5,586	1,263	1,802	635	1,024	195	10,505		
Credit cards	2,213	883	5,748	3,837	2,239	8	14,928		
Loans to enterprises	57,203	36,361	24,780	26,552	16,226	16,706	177,828		

Loans to public sector	13,886	5,374	6,819	107	1,368	667	28,221	
Total Liabilities	356,069	84,127	101,545	61,678	52,287	22,299	678,005	(34,240)
Financial liabilities held for trading and designated at fair value through profit or loss	78,684	282	21,784	2,184	1,860	57	104,851	(5,208)
Financial liabilities at amortised cost - Customer deposits	182,370	67,525	55,934	41,335	36,104	4,708	387,976	(3,757)
<i>Of which:</i>								
Demand and savings deposits	150,917	46,338	43,015	15,737	22,615	3,292	281,914	
Time deposits	31,453	14,527	12,395	25,587	13,439	1,416	98,817	
Total Equity	9,305	4,402	7,533	2,738	2,709	949	27,636	27,289
Assets under management	66,068	-	24,464	3,906	12,864	500	107,803	
Mutual funds	41,390	-	21,929	1,460	3,860	-	68,639	
Pension funds	24,678	-	-	2,446	9,005	500	36,630	
Other placements	-	-	2,534	-	-	-	2,534	
(1)	Financial assets designated 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".							
(2)	Financial assets designated 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, 2018

	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Total Operating Segments	Corporate Center and Adjustments⁽¹⁾
	(in millions of euros)							
Total Assets	354,901	82,057	97,432	66,250	54,373	18,834	673,848	2,841
Cash, cash balances at central banks and other demand deposits	28,545	4,835	8,274	7,853	8,987	238	58,732	(536)
Financial assets designated at fair value ⁽²⁾	107,320	10,481	26,022	5,506	5,634	504	155,467	(2,564)
Financial assets at amortised cost	195,467	63,539	57,709	50,315	36,649	17,799	421,477	(1,818)
Loans and advances to customers	170,438	60,808	51,101	41,478	34,469	16,598	374,893	(867)
<i>Of which:</i>								
Residential mortgages	76,390	13,961	9,197	3,530	6,629	1,821	111,529	
Consumer finance	9,665	5,353	7,347	5,265	6,900	410	34,940	
Loans	5,562	1,086	1,766	570	955	212	10,151	
Credit cards	2,083	720	4,798	3,880	2,058	10	13,549	
Loans to enterprises	57,317	34,264	22,553	27,657	16,897	13,685	172,373	
Loans to public sector	15,379	5,400	5,726	95	1,078	414	29,784	

Total Liabilities	345,592	77,976	90,961	63,657	52,683	18,052	648,921	(25,106)
Financial liabilities held for trading and designated at fair value through profit or loss	71,033	234	18,028	1,852	1,357	42	92,545	(4,778)
Financial liabilities at amortised cost - Customer deposits	183,414	63,891	50,530	39,905	35,842	4,876	378,456	(2,486)
<i>Of which:</i>								
Demand and savings deposits	142,912	41,213	38,167	12,530	22,959	3,544	261,324	
Time deposits	40,072	16,856	11,593	27,367	12,829	1,333	110,051	
Total Equity	9,309	4,082	6,471	2,593	1,690	782	24,927	27,947
Assets under management	62,559	-	20,647	2,894	11,662	388	98,150	
Mutual funds	39,250	-	17,733	669	3,741	-	61,393	
Pension funds	23,274	-	-	2,225	7,921	388	33,807	
Other placements	35	-	2,914	-	-	-	2,949	

- (1) Financial assets designated 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”.
- (2) Financial assets designated 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, 2017

	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Total Operating Segments
	(in millions of euros)						
Total Assets	350,520	75,775	90,214	78,789	75,320	17,265	687,884
Cash, cash balances at central banks and other demand deposits	13,636	7,138	8,833	4,036	9,039	877	43,561
Financial assets designated at fair value	86,912	11,068	28,458	6,419	11,627	991	145,474
Financial assets at amortised cost	230,228	54,705	47,691	65,083	51,207	15,533	464,447
Loans and advances to customers	187,884	53,718	45,768	51,378	48,272	15,388	402,408
<i>Of which:</i>							
Residential mortgages	77,449	13,298	8,081	5,147	11,681	2,112	117,768
Consumer finance	9,642	4,432	10,820	11,185	10,474	297	46,850
<i>Loans</i>	7,752	3,894	6,422	6,760	7,760	282	32,871
<i>Credit cards</i>	1,890	538	4,397	4,425	2,715	15	13,979
Loans to enterprises	50,878	30,261	20,977	34,371	23,567	11,801	171,855
Loans to public sector	18,562	4,999	5,262	148	1,114	511	30,596
Total Liabilities	338,612	72,653	86,700	70,348	70,569	16,330	655,211
Financial liabilities held for trading and designated at fair value through profit	43,793	139	9,405	648	2,823	45	56,852

or loss

Financial liabilities at amortised cost -							
Customer deposits	180,840	60,806	49,964	44,691	45,705	6,700	388,707
<i>Of which:</i>							
Current and savings accounts	126,801	44,039	34,855	14,240	25,871	4,279	250,084
Time deposits	48,014	16,762	10,237	30,300	20,099	2,416	127,828
Total Equity	11,909	3,123	3,515	8,441	4,751	935	32,673
Assets under management	62,018	-	19,472	3,902	12,197	376	97,965
Mutual funds	37,996	-	16,430	1,265	5,248	-	60,939
Pension funds	24,023	-	-	2,637	6,949	376	33,985
Other placements	-	-	3,041	-	-	-	3,041

(1) Financial assets designated 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

The Spain 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, public institutions and developer segments;
- ***Corporate and Investment Banking (C&IB)***: 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), the Asset Management unit (which manages Spanish mutual funds and pension funds), lending to real estate developers and foreclosed real estate assets in Spain (including assets from the previous Non-Core Real Estate operating segment), 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.

Financial assets designated 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 December, 2019 amounted to €122,844 million, a 14.5 per cent. increase from the €107,320 million recorded as of 31st December, 2018, mainly as a result of the increase in volume of reverse repurchase agreements with credit institutions recorded under “Financial assets held for trading” and, to a lesser extent, an increase in derivatives recorded under “Financial assets held for trading”.

Financial assets at amortised cost of this operating segment as of 31st December, 2019 amounted to €195,269 million, a 0.1 per cent. decrease compared with the €195,467 million recorded as of 31st December, 2018. Within this heading, loans and advances to customers as of 31st December, 2019

amounted to €167,341 million, a 1.8 per cent. decrease from the €170,438 million recorded as of 31st December, 2018, mainly as a result of the decrease in residential mortgage loans, and to a lesser extent, the decrease in loans to the public sector. These decreases were partially offset by an increase in consumer loans.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st December, 2019 amounted to €78,684 million, a 10.8 per cent. increase compared with the €71,033 million recorded as of 31st December, 2018, mainly as a result of the increase in repurchase agreements with credit institutions.

Customer deposits at amortised cost of this operating segment as of 31st December, 2019 amounted to €182,370 million, a 0.6 per cent. decrease compared with the €183,414 million recorded as of 31st December, 2018, mainly as a result of the decrease in demand deposits due to decreases in interest rates.

Mutual funds of this operating segment as of 31st December, 2019 amounted to €41,390 million, a 5.5 per cent. increase compared with the €39,250 million recorded as of 31st December, 2018, mainly due to new contributions by customers.

Pension funds of this operating segment as of 31st December, 2019 amounted to €24,678 million, a 6.0 per cent. increase compared with the €23,274 million recorded as of 31st December, 2018, mainly due to new contributions by customers.

This operating segment's non-performing loan ratio decreased to 4.4 per cent. as of 31st December, 2019, from 5.1 per cent. as of 31st December, 2018, mainly due to a 14.3 per cent. decrease in the balance of non-performing loans in the period (€8,635 million as of 31st December, 2019 and €10,073 million as of 31st December, 2018). This change was mainly explained by the sale of non-performing mortgage loans and write-offs in 2019. This operating segment's non-performing loan coverage ratio increased to 60 per cent. as of 31st December, 2019, from 57 per cent. as of 31st December, 2018.

The most relevant aspects related to this operating segment's activity during the first quarter of 2020 were that lending activity (performing loans under management) was 1.0 per cent. higher than at the end of 2019. The reduction in mortgage loans and credit cards was largely offset by higher balances in consumer (up 2.5 per cent.) and corporate banking (up 7.3 per cent.), where there was an increase in the availability of wholesale customer credit facilities toward the end of the quarter, triggered by the confinement decreed by the Government of Spain in mid-March 2020 as a result of the COVID-19 pandemic. The balances in the retail business and SMEs remained stable.

In terms of asset quality, the non-performing loan ratio stood at 4.3 per cent. and the NPL coverage ratio at 66 per cent.

Total customer funds decreased by 1.4 per cent. from the end of 2019, resulting from two opposing trends: while customer deposits under management increased by 2.2 per cent., off-balance sheet funds recorded a negative trend (down 11.4 per cent.) due to negative behaviour of the markets.

The United States

This operating segment encompasses the Group's business in the United States. BBVA USA accounted for 89.7 per cent. of the operating segment's balance sheet as of 31st December, 2019. Given its size in this segment, most of the comments below refer to BBVA USA. This operating segment also includes the assets and liabilities of the BBVA branch in New York, which specialises in transactions with large corporations.

The U.S. dollar appreciated 1.9 per cent. against the euro as of 31st December, 2019 compared with 31st December, 2018, positively affecting the business activity of the United States operating segment as of 31st December, 2019 expressed in euro.

Financial assets designated 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 December, 2019 amounted to €7,659 million, a 26.9 per cent. decrease from the €10,481 million recorded as of 31st December, 2018, mainly due to a decrease in the volume of U.S. Treasury and other U.S. government securities and in mortgage-backed securities due to the lower interest rates offered by such securities.

Financial assets at amortised cost of this operating segment as of 31st December, 2019 amounted to €69.510 million, a 9.4 per cent. increase compared with the €63,539 million recorded as of 31st December, 2018. Within this heading, loans and advances to customers of this operating segment as of 31st December, 2019 amounted to €63,162 million, a 3.9 per cent. increase compared with the €60,808 million recorded as of 31st December, 2018, mainly due to an increase in loans to non-financial entities.

Customer deposits at amortised cost of this operating segment as of 31st December, 2019 amounted to €67,525 million, a 5.7 per cent. increase compared with the €63,891 million recorded as of 31st December, 2019, mainly due to an increase in demand deposits, partially offset by a decrease in time deposits due to the lower interest rates offered to customers.

The non-performing loan ratio of this operating segment as of 31st December, 2019 decreased to 1.1 per cent. from 1.3 per cent. as of 31st December, 2018, mainly due to the decrease in the non-performing loan portfolio. This operating segment’s non-performing loan coverage ratio increased to 101 per cent. as of 31st December, 2019, from 85 per cent. as of 31st December, 2018 as a result of higher loss allowances and the decrease in non-performing loans, in particular, in the commercial, financial and agricultural portfolios.

The most relevant aspects related to this operating segment’s activity during the first quarter of 2020 were that lending activity for the area (performing loans under management) increased both in the quarter and over the same period in the previous year (up 8.1 per cent. and up 10.8 per cent., respectively), mainly due to the dynamism of the commercial portfolio and corporate banking, where an increase in the drawing down of credit facilities has been observed toward the end of the first quarter. The rest of the retail portfolio remained virtually unchanged over the quarter (down 0.3 per cent.), with increases in the consumer and credit card portfolios.

In terms of the risk indicators, the NPL ratio remained virtually unchanged over the quarter and closed at 1.0 per cent. as of March 31st, 2020. The NPL coverage ratio improved to 142 per cent.

Customer deposits under management increased by 2.4 per cent in the quarter, explained by an increase in demand deposits (up 5.5 per cent.), which offset the decrease in time deposits (down 9.0 per cent.).

Mexico

The Mexico operating segment comprises the banking and insurance businesses conducted in Mexico by BBVA Mexico. Since 2018, it also includes BBVA Mexico’s branch in Houston (which was part of the Group’s United States segment in previous years).

The Mexican peso appreciated 6.0 per cent. against the euro as of 31st December, 2019 compared with 31st December, 2018, positively affecting the business activity of the Mexico operating segment as of 31st December, 2019 expressed in euro.

Financial assets designated 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 December, 2019 amounted to

€31,402 million, a 20.7 per cent. increase from the €26,022 million recorded as of 31st December, 2018, mainly as a result of the increase in the volume of reverse repurchase agreements with financial institutions within the trading portfolio, the increase in debt securities recorded under “Financial assets held for trading”, the transfer of certain loans from the amortized cost portfolio and the appreciation of the Mexican peso against the euro.

Financial assets at amortized cost of this operating segment as of 31st December, 2019 amounted to €66,180 million, a 14.7 per cent. increase compared with the €57,709 million recorded as of 31st December, 2018. Within this heading, loans and advances to customers of this operating segment as of 31st December, 2019 amounted to €58,081 million, a 13.7 per cent. increase compared with the €51,101 million recorded as of 31st December, 2018, mainly due to the increase in the volume of wholesale loans and loans to non-financial entities and households and the appreciation of the Mexican peso against the euro, partially offset by the transfer of certain loans to the trading portfolio.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st December, 2019 amounted to €21,784 million, a 20.8 per cent. increase compared with the €18,028 million recorded as of 31st December, 2018, mainly as a result of increase in the volume of repurchase agreements and, to a lesser extent, the appreciation of the Mexican peso against the euro.

Customer deposits at amortised cost of this operating segment as of 31st December, 2019 amounted to €55,934 million, a 10.7 per cent. increase compared with the €50,530 million recorded as of 31st December, 2018, primarily due to the increase in demand deposits for households and, to a lesser extent, the increase in wholesale deposits, the latter being positively affected by the appreciation of the Mexican peso against the euro.

Mutual funds of this operating segment as of 31st December, 2019 amounted to €21,929 million, a 23.7 per cent. increase compared with the €17,733 million recorded as of 31st December, 2018 primarily due to the promotion of a wide range of investment products and the appreciation of the Mexican peso against the euro.

This operating segment’s non-performing loan ratio increased to 2.4 per cent. as of 31st December, 2019 from 2.1 per cent. as of 31st December, 2018, mainly due to the operation of the contagion rules for retail exposures (‘pulling effect’), as well as to the change in the accounting criteria for the recognition of non-performing loans (from three past-due instalments to 90 days past-due). This operating segment’s non-performing loan coverage ratio decreased to 136 per cent. as of 31st December, 2019 from 154 per cent. as of 31st December, 2018.

The most important developments in relation to activity in this operating segment during the first three months of 2020 were that lending activity (performing loans under management) grew 7.7 per cent. in the quarter, supported by the performance of the wholesale portfolio and without any significant impacts from the COVID-19 pandemic having yet materialised.

The wholesale portfolio increased 15.2 per cent., mainly driven by the depreciation of the Mexican peso against the US dollar, which especially benefited the corporate portfolio due to its higher percentage of US dollar-denominated loans and therefore increased by 16.9 per cent. in the quarter. The retail portfolio remained flat during the first three months of 2020 (up 0.2 per cent.), thanks to the stability in consumer loans (payroll and auto loans, mainly) and mortgages that grew 1.0 per cent. and 1.3 per cent., respectively, compared to December 2019.

The asset quality indicators improved compared to December 2019. As a result, the NPL ratio stood at 2.3 per cent. and the coverage ratio at 155 per cent.

Total customer funds (customer deposits under management, mutual funds and other off-balance sheet funds) grew by 7.5 per cent. in the quarter. The increase is explained by a rise in both demand

deposits and time deposits (up 9.1 per cent.), partly benefiting from the depreciation of the Mexican peso, as well as the positive trend in mutual funds (up 4.3 per cent.).

Turkey

This operating segment comprises the activities conducted by Garanti as an integrated financial services group operating in every segment of the banking sector, 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 the Netherlands and Romania.

The Turkish lira depreciated 9.4 per cent. against the euro as of 31st December, 2019 compared to 31st December, 2018, negatively affecting the business activity of the Turkey operating segment as of 31st December, 2019 expressed in euros.

Financial assets designated 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 December, 2019 amounted to €5,268 million, a 4.3 per cent. decrease from the €5,506 million recorded as of 31st December, 2018, mainly as a result of the depreciation of the Turkish lira. At constant exchange rates, there was an increase in debt securities denominated in euros with central governments.

Financial assets at amortised cost of this operating segment as of 31st December, 2019 amounted to €51,285 million, a 1.9 per cent. increase compared with the €50,315 million recorded as of 31st December, 2018. Within this heading, loans and advances to customers of this operating segment as of 31st December, 2019 amounted to €40,500 million, a 2.4 per cent. decrease compared with the €41,478 million recorded as of 31st December, 2018, mainly due to the depreciation of the Turkish lira, partially offset by the increase in the volume of Turkish-lira denominated loans, in particular commercial loans supported by the Credit Guarantee Fund, consumer loans and credit card cards.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of 31st December, 2019 amounted to €2,184 million, a 17.9 per cent. increase compared with the €1,852 million recorded as of 31st December, 2018, mainly as a result of the debt securities within the trading portfolio, which more than offset the effect of the depreciation of the Turkish lira.

Customer deposits at amortised cost of this operating segment as of 31st December, 2019 amounted to €41,335 million, a 3.6 per cent. increase compared with the €39,905 million recorded as of 31st December, 2018, mainly due to the increase in demand deposits in both Turkish lira and foreign currencies, partially offset by the depreciation of the Turkish lira.

Mutual funds in this operating segment as of 31st December, 2019 amounted to €1,460 million, a 118.2 per cent. increase compared with the €669 million recorded as of 31st December, 2018, due to the growth in money market related funds, which more than offset the effect of the depreciation of the Turkish lira.

Pension funds in this operating segment as of 31st December, 2019 amounted to €2,446 million, a 10.0 per cent. increase compared with the €2,225 million recorded as of 31st December, 2018, mainly due to the favourable market dynamics, where the rapid decrease in interest rates has forced returns from funds to be higher than those from deposits, partially offset by the depreciation of the Turkish lira.

The non-performing loan ratio of this operating segment as of 31st December, 2019 increased to 7.0 per cent. compared with 5.3 per cent. as of 31st December, 2018 mainly as a result of an increase in non-performing loans. This operating segment’s non-performing loan coverage ratio decreased to 75 per cent. as of 31st December, 2019, from 81 per cent. as of 31st December, 2018, mainly due to the

increase in the balance of non-performing loans as of 31st December, 2019, compared with the balance recorded as of 31st December, 2018.

The most relevant aspects related to this operating segment's activity during the first quarter of 2020 were that lending activity (performing loans under management) increased by 7.3 per cent. year-to-date mainly driven by a growth in Turkish lira loans (up 4.7 per cent.) which was supported by a lower interest rate environment and pent up demand from both commercial and retail customers after the contraction in 2019. Foreign-currency loans (in U.S. dollars) also showed a positive trend during the first quarter 2020 and increased by 2.2 per cent.

By segments, Turkish-lira commercial loans continued to grow in the quarter thanks to declining interest rates, although a reduction in activity was noted by the end of the quarter. In addition, consumer loans increased significantly, mainly driven by the increase in general purpose loans.

In terms of asset quality, the NPL ratio improved to 6.7 per cent. from 7.0 per cent. as of 31st December, 2019 due to less NPL entries in the quarter supported by the good performance of the recoveries. The NPL coverage ratio stood at 86 per cent. as of 31st March, 2020.

Customer deposits (65 per cent. of total liabilities in the area as of 31st March, 2020) remained the main source of funding for the balance sheet and increased by 7.1 per cent. in the quarter. It is worth mentioning the good performance of demand deposits, whose share in total customer deposits is 42.1 per cent., which increased by 18.3 per cent. as of 31st March, 2020.

South America

The South America operating segment includes the Group's banking and insurance businesses in the region.

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

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

As of 31st December, 2019, the Argentine peso depreciated 35.7 per cent. against the euro compared to 31st December, 2018, while the Colombian peso and the Peruvian sol appreciated against the euro, compared to 31st December, 2018, by 1.7 per cent. and 3.8 per cent., respectively. Overall, changes in exchange rates have negatively affected the business activity of the South America operating segment as of 31st December, 2019 expressed in euros. As of and for the years ended 31st December, 2019 and 2018, the Argentine and Venezuelan economies were considered to be hyperinflationary as defined by IAS 29.

Financial assets designated 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 December, 2019 amounted to €6,120 million, a 8.6 per cent. increase compared with the €5,634 million recorded as of 31st December, 2018, mainly due to the increase in debt securities issued by central banks and the central governments in Argentina and Peru, partially offset by the depreciation of the Argentine peso against the euro.

Financial assets at amortised cost of this operating segment as of 31st December, 2019 amounted to €37,869 million, a 3.3 per cent. increase compared with the €36,649 million recorded as of 31st December, 2018. Within this heading, loans and advances to customers of this operating segment as of 31st December, 2019 amounted to €35,701 million, a 3.6 per cent. increase compared with the

€34,469 million recorded as of 31st December, 2018, mainly as a result of increase in consumer, mortgage and credit cards loans in Colombia and Peru, partially offset by the depreciation of the Argentine peso.

Customer deposits at amortised cost of this operating segment as of 31st December, 2019 amounted to €36,104 million, a 0.7 per cent. increase, compared with the €35,842 million recorded as of 31st December, 2018 mainly as a result of the depreciation of the Argentine peso.

Mutual funds in this operating segment as of 31st December, 2019 amounted to €3,860 million, a 3.2 per cent. increase compared with the €3,741 million recorded as of 31st December, 2018, mainly due to favourable market dynamics, which positively affected the performance of institutional banking and C&IB, especially in Colombia and Peru, partially offset by the depreciation of the Argentinian peso against the euro.

Pension funds in this operating segment as of 31st December, 2019 amounted to €9,005 million, a 13.7 per cent. increase compared with the €7,921 million recorded as of 31st December, 2018, mainly as a result of an increase in pension funds in Bolivia, where contributions to pension funds are mandatory.

The non-performing loan ratio of this operating segment as of 31st December, 2019 increased to 4.4 per cent. compared with 4.3 per cent. as of 31st December, 2018. This operating segment's non-performing loan coverage ratio increased to 100 per cent. as of 31st December, 2019, from 97 per cent. as of 31st December, 2018, mainly due to a 9.3 per cent. increase in the balance of provisions in Peru and Argentina as of 31st December, 2019, compared with the balance recorded as of 31st December, 2018.

The most relevant aspects related to this operating segment's activity in the first quarter of 2020 were that lending activity (performing loans under management) was higher than at the end of 2019, up 4.3 per cent. The performance of the wholesale portfolio is noteworthy, due to greater drawdowns of credit facilities by companies in response to the situation generated by the COVID-19 pandemic. With regard to asset quality, the NPL ratio remained at 4.4 per cent., the same level seen at the end of 2019, and the NPL coverage ratio has increased to 104 per cent.

On the funding side, customer deposits under management increased by 8.1 per cent. in the year, mainly due to the growth of demand deposits and, to a lesser extent, time deposits. Off-balance sheet funds grew by 1.0 per cent. in the same period.

Rest of Eurasia

This operating segment includes the retail and wholesale banking businesses carried out by the Group in Europe and Asia, except for those businesses comprised in the Group's Spain and Turkey operating segments. In particular, the Group's activity in Europe is carried out through banks and financial institutions in Switzerland, Italy, Germany and Finland and branches in Germany, Belgium, France, Italy, Portugal and the UK. The Group's activity in Asia is carried out through branches (in Taipei, Tokyo, Hong Kong, Singapore and Shanghai) and representative offices (in Beijing, Seoul, Mumbai, Abu Dhabi and Jakarta).

Financial assets designated 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 December, 2019 amounted to €477 million, a 5.2 per cent. decrease compared with the €504 million recorded as of 31st December, 2018, mainly due to the decrease in debt securities within the fair value through other comprehensive income portfolio in C&IB Asia.

Financial assets at amortised cost of this operating segment as of 31st December, 2019 amounted to €22,224 million, a 24.9 per cent. increase compared with the €17,799 million recorded as of 31st December, 2018. Within this heading, loans and advances to customers of this operating segment as of 31st December, 2019 amounted to €19,660 million, a 18.4 per cent. increase compared with the €16,598 million recorded as of 31st December, 2018, mainly as a result of an increase in enterprise loans and the growth in the C&IB business in Asia.

Customer deposits at amortised cost of this operating segment as of 31st December, 2019 amounted to €4,708 million, a 3.5 per cent. decrease compared with the €4,876 million recorded as of 31st December, 2018, mainly due to the negative interest rate environment in Europe which has led certain investors to withdraw certain deposits.

Pension funds in this operating segment as of 31st December, 2019 amounted to €500 million, a 29.1 per cent. increase compared with the €388 million recorded as of 31st December, 2018, mainly due to the offering of a new multi-strategic product.

The non-performing loan ratio of this operating segment as of 31st December, 2019 was 1.2 per cent. compared with 1.7 per cent. as of 31st December, 2018. This operating segment's non-performing loan coverage ratio increased to 98 per cent. as of 31st December, 2019, from 83 per cent. as of 31st December, 2018.

The most relevant aspects of the activity in the area in the first quarter of 2020 were that lending activity (performing loans under management) grew by 13.4 per cent. during the first quarter of the year.

Asset quality indicators improved compared to the end of 2019: the NPL ratio and NPL coverage ratio closed at 0.9 per cent. and 121 per cent., respectively, as of 31st March, 2020.

Customer deposits under management increased by 9.1 per cent. in the first quarter of 2020, supported by the good evolution of both demand deposits and time deposits.

Organisational Structure

As of 31st December, 2019, the Group was composed of 288 consolidated entities and 54 entities accounted for using the equity method.

The companies comprising the Group are principally domiciled in the following countries: Argentina, Bolivia, Brazil, Chile, Colombia, Finland, France, Germany, Italy, Mexico, Netherlands, Peru, Portugal, Romania, Spain, Switzerland, Turkey, UK, the United States, Uruguay and Venezuela. 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, 2019.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Ownership	Total Assets (1)
			(in percentages)		(in millions of euros)
BBVA MEXICO	Mexico	Bank	100.00	100.00	95,364
BBVA USA	United States	Bank	100.00	100.00	72,994
GARANTI BBVA AS	Turkey	Bank	49.85	49.85	56,969
BBVA PERU	Peru	Bank	92.24 ⁽²⁾	46.12	21,506
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS	Spain	Insurance	99.96	99.96	17,950
BBVA COLOMBIA, S.A.	Colombia	Bank	95.47	95.47	17,222
BANCO BBVA ARGENTINA, S.A.	Argentina	Bank	66.55	66.55	6,587
SEGUROS BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	Mexico	Insurance	100.00	100.00	5,335
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	Mexico	Insurance	100.00	100.00	5,080
BBVA USA BANCSHARES, INC.	The United States	Investment	100.00	100.00	4,099

⁽¹⁾ Information for non-EU subsidiaries has been calculated using the prevailing exchange rates on 31st December, 2019.

⁽²⁾ Subject to certain exceptions.

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,		For the year ended 31st December,		
	2020	2019	2019	2018	2017
	<i>(in millions of euros)</i>				
Net interest income	4,556	4,398	18,202	17,591	17,758
Profit (loss).....	(1,621)	1,416	4,345	6,151	4,762
Profit (loss) attributable to parent company.....	(1,792)	1,182	3,512	5,324	3,519

Consolidated balance sheet data

	As of 31st March,	As at 31st December,		
	2020	2019	2018	2017
	<i>(in millions of euros)</i>			
Total assets.....	730,923	698,690	676,689	690,059
Financial assets at amortised cost	442,831	439,162	419,660	445,275

Customers' deposits at amortised cost.....	385,050	384,219	375,970	376,379
Debt certificates	68,746	68,619	63,970	63,915
Non-controlling interests	5,989	6,201	5,764	6,979
Total equity	49,174	54,925	52,874	53,323

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, the Executive Committee (*Comisión Delegada Permanente*) and other specialised Board Committees, namely: the Audit Committee; the Appointments and Corporate Governance Committee; the Remunerations 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 that the Board of Directors 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 include 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. 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 Prospectus, their date of appointment and re-election, if applicable, their current positions and their present principal outside occupation and employment history.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History ^(*)
Carlos Torres Vila ⁽¹⁾⁽⁶⁾	1966	Group Executive Chairman	4th May 2015	15th March 2019	Chairman of the Board of Directors and Group Executive Chairman of BBVA since December 2018. Chairman of the Executive Committee and of the Technology and Cybersecurity Committee. Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. Chief Executive Officer of BBVA from May 2015 until his appointment as Chairman. He started at BBVA in September

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
Onur Genç ⁽¹⁾	1974	Chief Executive Officer	20th December, 2018	15th March, 2019	2008 holding senior management posts such as Head of Digital Banking from March 2014 to May 2015 and BBVA Strategy & Corporate Development Director from January 2009 to March 2014. Chief Executive Officer of BBVA since December 2018. Director of BBVA USA Bancshares, Inc., Grupo Financiero BBVA Bancomer, S.A., de C.V., and BBVA Bancomer S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. Chairman and CEO of BBVA USA and BBVA's Country Manager in the US from January 2017 to December 2018. Deputy CEO at Garanti BBVA between 2015 and 2017 and Executive Vice President at Garanti BBVA between 2012 and 2015.
José Miguel Andrés Torrecillas ⁽¹⁾ ⁽²⁾ ⁽³⁾	1955	Deputy Chair (Independent Director)	13th March, 2015	16th March, 2018	Deputy Chair of the Board of Directors of BBVA since April 2019 and Chairman of the Appointments and Corporate Governance Committee. Director of Zardoya Otis, S.A. Chairman 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 and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013.
Jaime Félix Caruana Lacorte ⁽¹⁾ ⁽²⁾ ⁽⁵⁾	1952	Independent Director	16th March, 2018	Not applicable	Chairman of the Audit Committee since April 2019. Member of the Group of Thirty (G-30) and Sponsor (<i>patrono</i>) of the Spanish Aspen Institute Foundation. General Manager of the Bank of International Settlements (BIS) between 2009 and 2017. Between 2006 and 2009 he was Head of the Monetary, Capital Markets Department and Financial Counselor and General

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
					Manager at the International Monetary Fund (IMF), he was Chair of the Basel's Banking Supervision Committee between 2003 and 2006, he was Governor of the Bank of Spain between 2000 and 2006, and he was General Manager of Banking Supervision at the Bank of Spain between 1999 and 2000.
Raúl Catarino Galamba de Oliveira ^(**) ⁽⁵⁾ ⁽⁶⁾	1964	Independent Director	13th March 2020	Not applicable	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 Portugal office in 2000, Managing Partner of Global Risk practice between 2013 and 2016, member of the Global Shareholders' Board from 2005 and 2011, member of the Global Partner Election and Evaluation Committees between 2001 and 2017, member of the Remuneration Committee from 2005 to 2013 and Chairman of the Global Learning Board from 2006 to 2011.
Belén Garijo López ⁽²⁾ ⁽³⁾ ⁽⁴⁾	1960	Independent Director	16th March, 2012	16th March, 2018	Chair of the Remunerations Committee. Member of the Executive Board of Merck Group and CEO of Merck Healthcare, 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 was President of Commercial Operations for Europe and Canada at Sanofi Aventis.
Sunir Kumar Kapoor ⁽⁶⁾	1963	Independent Director	11th March, 2016	15th March, 2019	Operating Partner at Atlantic Bridge Capital, independent director at Stratio Big Data and advisor in mCloud. He was President and CEO of UBmatrix Inc from 2005 to

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
Lourdes Máiz Carro ^{(2) (4)}	1959	Independent Director	14th March, 2014	13th March, 2020	2011. Executive Vice President and CMO of Cassatt Corporation from 2004 to 2005. Oracle Corporation, Vice President Collaboration Suite from 2002 to 2004. Founder and CEO of Tsola Inc from 1999 to 2001. President and CEO of E-Stamp Corporation from 1996 to 1999. Vice President of Strategy, Marketing and Planning of Oracle Corporation from 1994 to 1996. Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España from 2001 until 2016. Joined the Spanish State Counsel Corps (Cuerpo de Abogados del Estado) and from 1992 until 1993 she was Deputy to the Director in the Ministry of Public Administration. From 1993 to 2001 held various senior positions in the Public Administration, including Director of the Cabinet of the Assistant Secretary of Public Administration and General Director of the Sociedad Estatal de Participaciones Patrimoniales (SEPPA) within the Ministry of Economy and Finance.
José Maldonado Ramos ^{(1) (3)}	1952	External Director	28th January, 2000	16th March, 2018	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 ^{(2) (4)}	1961	Independent Director	16th March, 2018	Not applicable	Independent director of Grenergy Renovables, S.A. and independent director of Inmobiliaria Colonial, SOCIMI, S.A. Independent director at Deutsche Bank SAE from 2014 to 2018;

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
Juan Pi Llorens ^{(3) (5)} ^{(6) (7)}	1950	Independent Director	27th July, 2011	16th March, 2018	independent director at Banco Etcheverría, S.A. between 2013 and 2014. Previously, she was Chief Risk Officer and Member of the Management Committee of Banco Pastor, S.A. and she held several positions at Bankinter, S.A. including Chief Risk Officer and member of the Management Committee. Lead Director of BBVA since April 2019 and Chairman of the Risk and Compliance Committee. Chairman of the Board of Directors of Ecolumber S.A., and non-executive Director of Oesía Networks, S.L. and of Tecnobit, S.L.U. Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM Europe from 2005 to 2008, Vice President of Technology & Systems Group at IBM Europe from 2008 to 2010 and Vice President of the Finance Services Sector at GMU (Growth Markets Units) in China from 2009 to 2011. He was executive President of IBM Spain between 1998 and 2001.
Ana Leonor Revenga Shanklin ^(**) ⁽⁵⁾	1963	Independent Director	13th March 2020	Not applicable	Senior Fellow at the Brookings Institution since 2018, Adjunct Professor at the Walsh School of Foreign Service at Georgetown University since 2019 and Chair of the ISEAK Foundation Board of Trustees since 2018. Her career path has been mainly linked to World Bank, where she has held various senior posts, including Senior Global Director of Poverty and Equity between 2014 and 2016 and Deputy Chief Economist between 2016 and 2017.
Susana Rodríguez Vidarte ^{(1) (3) (5)}	1955	External Director	28th May, 2002	13th March, 2020	Professor of Strategy at the Faculty of Economics and Business Sciences at Universidad de Deusto. She

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Present Principal Outside Occupation and Employment History^(*)
Carlos Vicente Salazar Lomelín ^(**) ⁽⁴⁾	1951	External Director	13th March 2020	Not applicable	was Dean of the Faculty of Economics and Business Administration of the University of Deusto from 1996 to 2009, Director of the Instituto Internacional de Dirección de Empresas (INSIDE) from 2003 to 2008 and Director of the Postgraduate Area from 2009 to 2012. Doctor in Economic and Business Sciences from Universidad de Deusto.
Jan Paul Marie Francis Verplancke ⁽⁴⁾ ⁽⁶⁾	1963	Independent Director	16th March, 2018	Not applicable	Chairman of Mexico's Business Coordinating Council since 2019 and independent director to Sukarne and Alsea since 2017 and 2019, respectively. Director of Grupo Financiero BBVA Bancomer, S.A. de C.V. and of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer. 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 Cuauhtémoc-Moctezuma and General Manager of Femsa from 2014 to 2017.
					Director, Chief Information Officer, Group Head of Technology and Banking Operations, of Standard Chartered Bank, between 2004 and 2015. Before that, he held several positions in multinational companies, such as Vice President of Technology and Chief Information Officer, in the EMEA region of Dell (1999-2004).

(*) Where no date is provided, the position is currently held.

(**) As of the date of this Prospectus, the authorisation by the European Central Bank of his/her 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 Remunerations Committee.

(5) Member of the Risk and Compliance Committee.

- (6) Member of the Technology and Cybersecurity Committee.
- (7) Lead Director.

Major Shareholders and Share Capital

On 18th April, 2019, Blackrock, Inc. communicated that it held an indirect interest of 5.917 per cent. in BBVA's share capital. As of 31st December, 2019, no other person, corporation or government beneficially owned, directly or indirectly, five per cent. or more of BBVA's share capital. 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 14th June, 2020, there were 887.179 registered holders of BBVA's shares, with an aggregate of 6,667,886,580 shares, of which 719 shareholders with registered addresses in the United States held a total of 1,310,343,581 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.

As of 11th May, 2020, Norges Bank communicated that it held a direct interest of 3.366 per cent. in BBVA's share capital.

Legal Proceedings

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 hereof, 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—Risks—The Group is party to a number of legal and regulatory actions and proceedings*", "*Risk Factors— Legal, Regulatory, Tax and Compliance Risks—Legal Risks—The Spanish judicial authorities are carrying out a criminal investigation relating to possible bribery, revelation of secrets and corporate corruption by the Bank*".

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 1, 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 17th March, 2017 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 26th February, 2020 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 are issued following the granting before a Spanish Notary Public and the registration with the Commercial Registry of Bizkaia 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 the Spanish clearing and settlement system (*Sociedad de Gestión de los Sistemas de Registro, Compensación y Liquidación de Valores, S.A.U., Iberclear*) and certain other information applicable to the Preferred Securities. Iberclear may, from time to time, change its 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 appears on the relevant Screen Page 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;

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 contractually subordinated obligation of the Bank constituting an Additional Tier 1 instrument (*instrumento de capital de nivel 1 adicional*) in accordance with Applicable Banking Regulations;

AIAF means the Spanish AIAF Fixed Income Securities Market (*AIAF Mercado de Renta Fija*);

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);

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 or replaced 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;

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;

Certificate has the meaning given in Condition 2.3;

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) 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;

Clearstream, Luxembourg means Clearstream Banking, S.A.;

Closing Date means 15th July, 2020;

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 Market Securities 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),
- (b) in each case on that Conversion Notice Date; or

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, 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 Financial 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 to be provided by the relevant Holder through the relevant Iberclear Member and in accordance with the applicable Iberclear procedures and Condition 6 which contains the relevant account and related details for the delivery of any Common Shares and which are required to be delivered in connection with a Conversion of the Preferred Securities and the delivery of the Common Shares;

According to the Iberclear procedures applicable as of the Closing Date, Delivery Notices will take the form of a Swift MT565 communication.

Distributable Items shall have the meaning given to such term 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 15th January, 15th April, 15th July and 15th October 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 Financial 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;

According to the Iberclear procedures applicable as of the Closing Date, Election Notices will take the form of a Swift MT565 communication.

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;

Euroclear means Euroclear Bank SA/NV;

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 Financial 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 Financial 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 Financial 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 Reset Date means 15th January, 2026;

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

The trading price of BBVA's shares as of the date of this Prospectus is currently below €3.75, with the closing price of BBVA's shares on 6th July, 2020 being €3.307

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;

Group means the Bank together with its consolidated Subsidiaries;

Holders means the holders of the Preferred Securities and as further set out in Condition 2.3;

Iberclear Members means, at any time, the respective participating entities (*entidades participantes*) in Iberclear;

Independent Financial Adviser means an independent financial institution or financial adviser of international repute appointed by the Bank at its own expense;

Initial Margin means 6.456 per cent. per annum;

Insolvency Law means Law 22/2003 of 9th July, on Insolvency (*Ley Concursal*), as amended, replaced or supplemented from time to time (in particular, but without limitation, as amended, replaced or supplemented by the Restated Text of the Insolvency Law);

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;

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;

Maximum Distributable Amount 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;

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;

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; and
- (d) which claims have become void under Condition 14;

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;

Preferred Securities means these Series 10 €1,000,000,000 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Green 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 Financial Adviser in good faith shall prescribe;

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;

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;

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 Mechanism, the Bank of Spain, the Spanish Securities Market Commission or any other entity with the authority to exercise any of the resolution tools and powers contained in Law 11/2015 from time to time;

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, -0.336 per cent. per annum;

Restated Text of the Insolvency Law means Royal Legislative Decree 1/2020, of 5th May, approving the restated text of the Insolvency Law (*Real Decreto Legislativo 1/2020, de 5 de mayo, por el que se aprueba el texto refundido de la Ley Concursal*) which will enter into force on 1st September 2020.

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;

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 through an Iberclear Member 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 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 the Single Resolution Mechanism and the 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;

TARGET2 Business Day means any day on which the Trans-European Automated Real Time Gross Settlement Transfer (TARGET 2) 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) 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 contractually subordinated obligation of the Bank constituting a Tier 2 instrument (*instrumento de capital de nivel 2*) in accordance with Applicable Banking Regulations;

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 Financial 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 Financial 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 Financial Adviser determines in good faith appropriate to reflect any consolidation or sub-division 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, Denomination and Title

- 2.1 The Preferred Securities have been issued in uncertificated, dematerialised book-entry form (*anotaciones en cuenta*) in euro in an aggregate Liquidation Preference of €1,000,000,000 and a Liquidation Preference of €200,000 each.
- 2.2 The Preferred Securities have been registered with Iberclear as the managing entity of the Spanish Central Registry. Holders of a beneficial interest in the Preferred Securities who do not have, directly or indirectly through their custodians, a participating account with Iberclear may participate in the Preferred Securities through bridge accounts maintained by each of Euroclear and Clearstream, Luxembourg with Iberclear.

Iberclear manages the settlement and clearing of the Preferred Securities, notwithstanding the Bank's commitment to assist, when appropriate, with the clearing and settlement of the Preferred Securities through Euroclear and Clearstream, Luxembourg. The Spanish National Numbering Agency (*Agencia Nacional de Codificación de Valores Mobiliarios*) has assigned the following International Securities Identification Number (ISIN) to identify the Preferred Securities: ES0813211028. The Common Code for this issue is 220449882.

- 2.3 Title to the Preferred Securities is evidenced by book entries, and each person shown in the Spanish Central Registry managed by Iberclear and in the registries maintained by the Iberclear Members as having an interest in the Preferred Securities shall be (except as otherwise required by Spanish law) considered the holder of the relevant Preferred Securities recorded therein. In these Conditions, the **Holder** means the person in whose name such Preferred Securities are for the time being registered in the Spanish Central Registry managed by Iberclear 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).

One or more certificates (each, a **Certificate**) attesting to the relevant Holder's holding of Preferred Securities in the relevant registry will be delivered by the relevant Iberclear Member or, where the Holder is itself an Iberclear Member, by Iberclear (in each case, in accordance with the requirements of Spanish law and the relevant Iberclear Member's or, as the case may be, Iberclear's procedures) to such Holder upon such Holder's request.

The Preferred Securities are issued without any restrictions on their transferability. Consequently, the Preferred Securities may be transferred and title to the Preferred Securities may pass (subject to Spanish law and to compliance with all applicable rules, restrictions and requirements of Iberclear or, as the case may be, the relevant Iberclear Member) upon registration in the relevant registry of each Iberclear Member and/or Iberclear itself, as applicable. Each Holder will be (except as otherwise required by Spanish law) treated as the absolute owner of the relevant Preferred Securities for all purposes (regardless of any notice of ownership, trust or any interest, or any writing on, or the theft or loss of, the Certificate issued in respect of it), and no person will be liable for so treating the Holder.

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 power pursuant to Law 11/2015, RD 1012/2015, the SRM Regulation or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain.

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 92.2° of the Insolvency Law and Additional Provision 14.3 of Law 11/2015 but only to the extent permitted by the Insolvency Law 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 with respect to claims for any Liquidation Preference of Preferred Securities:

3.2.1 junior to (A) any unsubordinated obligations of the Bank (including where those obligations subsequently become subordinated pursuant to Article 92.1° of the Insolvency Law) and (B) any claim for principal in respect of any other contractually subordinated obligations of the Bank, present and future, not constituting Additional Tier 1 Capital of the Bank for the purposes of Section 3.(a) of Additional Provision 14 of Law 11/2015 (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 any liquidation preference or otherwise for principal 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).

The obligations of the Bank under the Preferred Securities are also subject to, and may be limited by, the exercise of any power pursuant to Law 11/2015, RD 1012/2015, the SRM

Regulation or other applicable laws relating to recovery and resolution of credit institutions and investment firms in Spain.

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”.

- 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 6.00 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 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 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 Subject to any applicable fiscal or other laws and regulations, the payment of Distributions on the Preferred Securities will be made in euro by the Bank on the relevant Distribution

Payment Date by transfer to an account capable of receiving euro payments, details of which appear in the records of Iberclear or, as the case may be, the relevant Iberclear Member at close of business on the day immediately preceding the relevant Distribution Payment Date. Holders must rely on the procedures of Iberclear or, as the case may be, the relevant Iberclear Member to receive payments under the relevant Preferred Securities. The Bank will have no responsibility or liability for the records relating to payments made in respect of the Preferred Securities.

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 TARGET2 Business Day, the payment will be postponed to the next TARGET2 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 Maximum Distributable Amount 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 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 Bank will cause the Distribution Rate for each Reset Period to be notified to 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 Bank, shall (in the absence of wilful default, bad faith or manifest error) be binding on all Holders.

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 7.6 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 deliver a duly completed notice, which shall be irrevocable (an **Election Notice**) to the Bank through the relevant Iberclear Member and in accordance with the Iberclear procedures applicable from time to time 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**) which the said procedures permit.

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 either directly to the relevant Holder or, alternatively, to the Settlement Shares Depository on behalf of that Holder in accordance with Condition 6.10. Receipt of the Conversion Shares by the relevant Holder or the Settlement Shares Depository, as the case may be, 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 that Holder or 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 Financial 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 pursuant 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/re-designated 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 Financial 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 Financial 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 Financial 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 Holders, in accordance with the instructions contained in the relevant Delivery Notices received by the Bank (or, failing receipt by the Bank of a duly completed Delivery Notice, to 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/or the Holders, as the case may be, 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 Financial Adviser, a written determination of such Independent Financial 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. On any Trigger Event Notice Date, the Bank shall give instructions in accordance with the Iberclear procedures applicable from time to time so that all the Preferred Securities outstanding are blocked by Iberclear and the Iberclear Members at the relevant securities accounts on the Trigger Event Notice Date.
- 6.10 On or prior to the Conversion Settlement Date, the Bank shall deliver to the Holders or 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 Bank, the relevant Holder must deliver a duly completed Delivery Notice to the Bank through

the relevant Iberclear Member and in accordance with the Iberclear procedures applicable from time to time no later than the moment on or before the Conversion Settlement Date which the said procedures permit (the **Notice Cut-off Date**). The Bank shall give the relevant instructions, in accordance with the Iberclear procedures applicable from time to time, for the relevant Common Shares corresponding to the Preferred Securities in respect of which duly completed Delivery Notices have been delivered not later than the Notice Cut-off Date, to be delivered on the Conversion Settlement Date in accordance with the instructions given in the relevant Delivery Notices through Iberclear.

The Common Shares corresponding to the Preferred Securities in respect of which no duly completed Delivery Notices have been delivered on or before the Notice Cut-off Date shall be delivered by the Bank to the Settlement Shares Depository on the Conversion Settlement Date through Iberclear. Within ten Business Days following the Conversion Settlement Date, the Settlement Shares Depository will procure that all Common Shares so received are sold as soon as reasonably practicable and, subject to the deduction by or on behalf of the Settlement Shares Depository 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 Settlement Shares Depository in connection with the sale and allotment 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 Settlement Shares Depository in respect of the relevant Conversion.

The Settlement Shares Depository will be deemed to be acting on behalf of the relevant Holders of the Preferred Securities in respect of which no duly completed Delivery Notices are delivered on or before the Notice Cut-off Date for the purposes set out above and to that effect Holders of the Preferred Securities by virtue of the subscription and/or purchase and holding of the Preferred Securities will be deemed to be accepting and giving express instructions to the Settlement Shares Depository to do so in accordance with these Conditions.

If any Common Shares are not sold by the Settlement Shares Depository 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.

The Bank and the Settlement Shares Depository 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.

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 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 the Settlement Shares Depository must pay (in the case of the Settlement Shares Depository 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 Settlement Shares Depository (as the case may be) must pay (in the case of the Settlement Shares Depository, 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 Settlement Shares Depository, 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 Settlement Shares Depository, 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 Condition 7.3, the Preferred Securities shall not be redeemable prior to the First Reset Date. 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 Reset Date, at the Redemption Price 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 in accordance with Articles 77 and 78 of CRR and/or any other Applicable Banking Regulations in force at the relevant time.
- 7.4 The decision to redeem the Preferred Securities must be irrevocably notified by the Bank to Holders upon not less than 15 nor more than 30 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.
- 7.5 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.
- 7.6 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.
- 7.7 Upon any redemption of the Preferred Securities pursuant to this Condition 7:
- (i) the Bank shall give instructions in accordance with the Iberclear procedures applicable from time to time so that the Redemption Price is paid to the Holders;
 - (ii) all of the Preferred Securities shall be blocked and cancelled in the relevant security accounts by Iberclear and all applicable Iberclear Members upon the payment of the Redemption Price;
 - (iii) distributions on the Preferred Securities shall cease;
 - (iv) the Preferred Securities will no longer be considered outstanding; and
 - (v) the Holders will no longer have any rights as holders of the Preferred Securities.
- 7.8 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 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 be immediately cancelled.

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 Financial 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 approved by the Bank.
- 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 Bank, 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 Bank, 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 Bank). 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 Bank, 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 were substituted for 21 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 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 Preferred Securities or otherwise;
- (iii) power to agree to any modification of the provisions contained in 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.

11. Modification, substitution and variation

11.1 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 11.1. Without any requirement for any further consent or approval of the Holders (whether pursuant to Condition 10 or otherwise) and without limiting and notwithstanding Condition 11.2 below, the Bank may effect:

- (a) any modification of the Preferred Securities which is not, in the opinion of the Bank, prejudicial to the interests of the Holders; or
- (b) any modification of the Preferred Securities 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 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 15 nor more than 30 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 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;
- (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 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; or
- (c) to, 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.

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 paid 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

The Bank shall ensure that all 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 and/or admitted to trading.

So long as the Preferred Securities are listed on AIAF, to the extent required by the applicable regulations, the Bank shall ensure that (i) the communication of all notices will be made public to the market through a filing of the relevant/price sensitive information (*información relevante /privilegiada*) announcement, as the case may be, with the CNMV and to be published at the CNMV's official website at www.cnmv.es; and (ii) all notices to the Holders will be published in the official bulletin of AIAF (*Boletín de Cotización de AIAF*).

Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made. If publication as provided above is not practicable, notice will be given in such other manner, and shall be deemed to have been given on such date, as the Bank may approve.

In addition, so long as the Preferred Securities are represented by book-entries in Iberclear, all notices to Holders shall be made through Iberclear for on transmission to their respective accountholders.

14. 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.

15. Governing Law and Jurisdiction

- 15.1 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*).
- 15.2 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 15 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.

USE OF PROCEEDS

The net proceeds from the issue of Preferred Securities will be €939,868,093. An amount equal to the net proceeds from the issue of the Preferred Securities will be separately identified and applied by the Bank in financing or refinancing on a portfolio basis Green Projects (as defined below and further described in the SDGs Bond Framework), including the financing of new or future Green Projects, and the refinancing of existing and on-going Green Projects where originally financed within three years of the issue of the Preferred Securities, all in accordance with the SDGs Bond Framework.

Green Projects are projects where at least 80 per cent. of (i) the principal amount financed is for the financing of activities falling or (ii) the business of the borrower in respect of the relevant project falls, under the “green eligible categories” described in the SDGs Bond Framework of energy efficiency, sustainable transport, water, waste management and/or renewable energy, each as further described in the SDGs Bond Framework, and, at any time, include any other “green” projects in accordance with any update of the ICMA Green Bond Principles at such time (including as updated following publication of the technical screening criteria for the environmental objectives of the EU Sustainable Finance Taxonomy pursuant to the Sustainable Finance Taxonomy Regulation – see “*Risk Factors – Factors which are material for the purpose of assessing the risks associated with the Preferred Securities - The application of the net proceeds of the Preferred Securities as described in “Use of Proceeds” may not meet investor expectations or be suitable for an investor’s investment criteria*”).

The **ICMA Green Bond Principles**, at any time, are the Green Bond Principles published by the International Capital Markets Association at such time, which as of the date of this Prospectus are the Green Bond Principles 2018 (<https://www.icmagroup.org/green-social-and-sustainability-bonds/green-bond-principles-gbp/>). The information contained in such web page shall not be deemed to constitute a part of this Prospectus.

The proceeds of the Preferred Securities will not be used to finance nuclear power generation, large scale (above 20 megawatt) dam, defence, mining, carbon related or oil and gas activities.

Pending the application of the net proceeds of the Preferred Securities in financing or refinancing the relevant Green Projects, such proceeds will be applied by the Bank on the same basis as for the management of its liquidity portfolio. The Bank will endeavour to apply a percentage of the net proceeds of the Preferred Securities in financing Green Projects originated in 2020. In the event that any Green Project to which the net proceeds of the Preferred Securities are allocated, ceases or will cease to comply with the categories for such project to constitute a Green Project, the Bank will substitute that Green Project within the relevant portfolio for a compliant Green Project.

Within 12 months of the issue date of the Preferred Securities and for each year until any redemption of the Preferred Securities, the Bank will publish a report on its website (<https://shareholdersandinvestors.bbva.com>) in respect of the Preferred Securities as described in the SDGs Bond Framework.

The Bank has obtained an independent verification assessment from DNV GL Business Assurance Services Limited in respect of the SDGs Bond Framework. This independent verification assessment is published on the Bank’s website (<https://shareholdersandinvestors.bbva.com>).

The Bank further intends to obtain an independent verification assessment from an external verifier for the Preferred Securities and will publish that verification assessment on its website (<https://shareholdersandinvestors.bbva.com>).

In addition, the Bank may request, on an annual basis starting one year after the issue of the Preferred Securities and until any redemption of the Preferred Securities, a limited assurance report of the allocation of the net proceeds of the Preferred Securities to Green Projects, which may be provided by

its external auditor or another suitably qualified provider and published on its website (<https://shareholdersandinvestors.bbva.com>).

Neither the SDGs Bond Framework, nor any of the above reports, verification assessments or contents of any of the above websites are incorporated in or form part of this Prospectus.

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 Prospectus 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*) and Law 29/1987, of 18th December on Inheritance and Gift Tax (*Impuesto sobre Sucesiones y Donaciones*);
- (b) for legal entities resident for tax purposes in Spain which are subject to the Corporate Income Tax (**CIT**) (*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 and Law 29/1987 of 18th December approving the Inheritance and Gift Tax Law.

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

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 PIT Law, and therefore will be taxed as savings income at the applicable rate (currently varying from 19 per cent. to 23 per cent.).

A 19 per cent. withholding on account of PIT will be imposed by the Bank on interest payments as well as on income derived from the redemption or repayment of the Preferred Securities, by individual investors subject to PIT.

However, with certain exceptions, income derived from the transfer of the Preferred Securities should not be generally subject to withholding on account of PIT provided that the Preferred Securities are:

- (i) registered by way of book-entries (*anotaciones en cuenta*); and
- (ii) negotiated in a Spanish official secondary market (*mercado secundario oficial*), such as AIAF,

except that withholding tax shall apply to the part of the transfer price that corresponds to the accrued interest when the transfer of the Preferred Securities takes place within the 30-day period prior to the moment in which such interest is due, when the following requirements are fulfilled: (i) the acquirer is an individual or entity not resident in Spanish territory, or is a taxable person for CIT purposes; and (ii) the express yield derived from the Preferred Securities being transferred is exempt from the obligation to withhold in relation to the acquirer.

In any event, the individual holder may credit the withholding tax applied by the Bank against his or her final PIT liability for the relevant tax year.

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 2.5 per cent., on the value of the Preferred Securities which they hold as at the end of the relevant fiscal year.

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply in 2021 and onwards, unless the exemption is revoked in the future.

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 Section 44.4 of RD 1065/2007, there is no obligation to withhold on income payable to CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds). Consequently, the Bank will not withhold tax on interest payments to Spanish CIT taxpayers or on income derived from the redemption or repayment of the Preferred Securities provided that the reporting obligations described in section “—*Tax Reporting Obligations of the Bank*” are complied with.

With regard to income derived from the transfer of the Preferred Securities, in accordance with article 61.q of the CIT regulations, there is no obligation to withhold on income obtained by Spanish CIT taxpayers (which include Spanish tax resident investment funds and Spanish tax resident pension funds) provided that the relevant securities are:

- (i) registered by way of book-entries (*anotaciones en cuenta*); and
- (ii) negotiated in a Spanish official secondary market (mercado secundario oficial), such as AIAF.

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, provided certain requirements are met, including that in respect of interest payments from the Preferred Securities carried out by the Bank, the Iberclear Members that have the Preferred Securities registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, provide the Bank, in a timely manner, with a duly executed and completed Payment Statement, as defined below, as set forth in article 44 of RD 1065/2007.

Wealth Tax

Individuals resident in a country with which Spain has entered into a double tax treaty 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 2.5 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 article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply in 2021 and onwards, unless the exemption is revoked in the future.

As a consequence of the European Court of Justice judgment (Case C-127/12), the Net Wealth Tax Law has been amended by Law 26/2014, of 27th November. As a result, Non-Spanish tax resident individuals who are residents in the EU or in the EEA can apply the legislation of the region in which the highest value of the assets and rights of the individuals are (i) located, (ii) can be exercised or (iii) must be fulfilled.

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 Double Tax Treaty (**DTT**) signed by Spain.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

However, a judgment from the European Court of Justice dated 3rd September, 2014 (Case C-127/12) declared that the Spanish Inheritance Tax Act is against the principle of free movement of capital within the EU as Spanish residents are granted tax benefits that, in practice, allow them to pay much lower taxes than non-residents. According to Law 26/2014, of 27th November, it will be possible to apply tax benefits approved in some Spanish regions to residents either in the EU or in the EEA by following certain specific rules.

Moreover, the Spanish Supreme Court in its judgments dated 19th February, 2018, 21st March 2018 and 22nd March, 2018 has declared that the application of state regulations when the deceased, heir or donee is resident outside of a Member State of the EU or the EEA violates Community law to the free movement of capital, so even in that case it would be appropriate to defend the application of regional regulations in the same cases as if the deceased, heir or donee was resident in a Member State of the EU or the EEA. The General Directorate for Taxation has recently ruled in accordance with those judgements (V3151-18 and V3193-18).

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 44.4 of RD 1065/2007, income derived from securities originally registered with Iberclear will be paid by the Bank net of Spanish withholding tax (currently, at a rate of 19 per cent.) if the recipient of the payment is an individual resident in Spain for tax purposes and subject to Spanish Personal Income Tax (**PIT**). The Bank will not pay any additional amounts in respect of any such withholding tax.

On the other hand, Distribution payments made by the Bank in respect of the Preferred Securities for the benefit of non-Spanish tax resident investors, or for the benefit of Spanish CIT taxpayers, will not be subject to Spanish withholding tax, provided that the Iberclear Members that have the securities registered in their securities account on behalf of third parties, as well as the entities that manage the clearing systems located outside Spain that have an agreement with Iberclear, if applicable, provide the Bank, in a timely manner, with a duly executed and completed statement (a **Payment Statement**), in accordance with section 4 of article 44 of RD 1065/2007, with the following information:

- (i) identification of the securities;
- (ii) the date on which the relevant payment is made;
- (iii) total amount of the income paid by the Bank;
- (iv) amount of the income corresponding to individuals residents in Spain that are PIT taxpayers; and
- (v) amount of the income that must be paid on a gross basis.

In accordance with Article 44 of RD 1065/2007, the Iberclear Members 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 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.

Notwithstanding the foregoing, the Bank has 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 Prospectus.

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 relating to the lack of delivery of a duly executed and completed Payment Statement by Iberclear Members 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

(i) 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 or who acquire shares of a Spanish Company with an acquisition value of more than €20 million, 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.

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.

(ii) 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. or the acquisition value is more than €20,000,000), and (iv) the gain is not obtained through a country or territory statutorily defined as a tax haven.
- 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

(i) 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.

(ii) 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 double tax treaty 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 2.5 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, 2019.

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply in 2021 and onwards, unless the exemption is revoked in the future.

As a consequence of the European Court of Justice judgment (Case C-127/12), the Net Wealth Tax Law has been amended by Law 26/2014, of 27th November. As a result, Non-Spanish tax resident individuals who are residents in the EU or in the EEA can apply the legislation of the region in which the highest value of the assets and rights of the individuals (i) are located, (ii) can be exercised or (iii) must be fulfilled.

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.

The effective tax rate, after applying all relevant factors, ranges between 0 per cent. and 81.6 per cent.

According to Law 26/2014, of 27th November, it will be possible to apply tax benefits approved in some Spanish regions to residents either in the EU or in the EEA following specific rules.

Moreover, the Spanish Supreme Court in its recent judgments dated 19th February, 2018, 21 March, 2018 and 22nd March, 2018 has declared that the application of state regulations when the deceased, heir or donee is resident outside of a Member State of the EU or the EEA violates Community law to the free movement of capital, so even in that case it would be appropriate to defend the application of regional regulations in the same cases as if the deceased, heir or donee was resident in a Member State

of the EU or the EEA. The General Directorate for Taxation has recently ruled in accordance with those judgements (V3151-18 and V3193-18).

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 23 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.

(ii) 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 23 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 2.5 per cent., on the value of the relevant securities which they hold as at the end of 2019.

In accordance with article 3 of Royal Decree-Law 18/2019, of 27 December, a full exemption (*bonificación del 100%*) on Wealth Tax will apply in 2021 and onwards, unless the exemption is revoked in the future.

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 or have a tax acquisition cost in the Common Shares higher than €20 million; 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 exempt from CIT on that dividend as a general rule.

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.

(ii) 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 or have a tax acquisition cost higher than €20 million; and (ii) hold such participation for at least one year prior to the relevant transfer, capital gains will be exempt from CIT as a general rule. Otherwise, capital gains will be taxed at the CIT rate applicable to the relevant taxpayer.

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 FTT 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 council of ministers approved the new Draft Bill on the Financial Transaction Tax (the **Draft Bill**), during a meeting held on February 18, 2020. The Draft Bill proposes an indirect tax amounting to 0.2 per cent. to be charged on transactions for purchasing shares in Spanish companies for valuable consideration, regardless of the residence of the participants in the transactions, provided they are listed companies and the company's market capitalisation is above €1,000 million. If the Draft Bill is finally approved in its current terms through the legislative procedure, there is also a risk of the FTT arising on any conversion of the Preferred Securities into Common Shares, as this would be considered as an acquisition of shares subject to the FTT.

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 8th July, 2020 (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 €6,000,000 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.

Prohibition of Sales to EEA and 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 EEA or in the UK.

For these purposes:

- (i) the expression “retail investor” means a person who is one (or more) of the following:
 - (a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

- (b) a customer within the meaning of Directive (EU) 2016/97 (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:

- (a) the Preferred Securities may not be offered or sold in Spain other than by institutions authorised under the Spanish Securities Markets Act (Royal Legislative Decree 4/2015 of 23rd October, approving the consolidated text of the Spanish Securities Market Act) (the **LMV**) (and related legislation) to provide investment services in Spain, and as agreed between the Bank and the Managers; and
- (b) offers of the Preferred Securities in Spain shall only be directed specifically at or made to professional clients (*clientes profesionales*) as defined in Article 205 of the LMV or eligible counterparties (*contrapartes elegibles*) as defined in Articles 203 and 207 of LMV.

United Kingdom

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.

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 Prospectus 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 Prospectus 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.

Singapore

Each of the Managers has acknowledged that this Prospectus has not been registered as a prospectus with the MAS and the Preferred Securities will be offered pursuant to exemptions under the Securities and Futures Act (Chapter 289) of Singapore (the **SFA**). 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 Prospectus 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, (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), 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)(i)(B);
- (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 or which do not constitute an offer to the public within the meaning of that Ordinance; 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 the 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 Prospectus 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 Prospectus, 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 17th March, 2017 and (ii) the meeting of the Board of Directors (*Consejo de Administración*) of the Bank, held on 26th February, 2020.
2. Except as disclosed in the section entitled "*Description of Banco Bilbao Vizcaya Argentaria, S.A. – Legal Proceedings*" on page 96, 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 Prospectus which may be material in the context of the issue of the Preferred Securities.
3. Save as disclosed in this Prospectus, there has been no significant change in the financial performance or position of the Bank and its subsidiaries since 31st December, 2019 and there has been no material adverse change in the financial position or prospects of the Bank and its subsidiaries since 31st December, 2019.
4. For so long as any of the Preferred Securities are outstanding, copies of the following documents will be available at www.bbva.com:
 - (a) the corporate bylaws (*estatutos sociales*) of the Bank (with an English translation thereof);
 - (b) the audited stand-alone and consolidated financial statements of the Bank and the Group respectively as at, and for the years ending, 31st December 2019, 31st December, 2018 and 31st December, 2017; and
 - (c) this Prospectus.

The information contained in such web page shall not be deemed to constitute a part of this Prospectus.
5. The Bank publishes quarterly unaudited consolidated interim financial statements which are available at www.cnmv.es and 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 Prospectus.
6. Aside from the publication of any verification assessment as described in "Use of Proceeds", the Bank does not intend to provide any post-issuance information in relation to the issue of the Preferred Securities.
7. The auditors of the Group, KPMG Auditores, S.L. (registered as auditors on the *Registro Oficial de Auditores de Cuentas*), audited (i) the Bank's stand-alone financial statements (which have been prepared in accordance with Spanish GAAP) for the financial years ended 31st December, 2017, 2018 and 2019 (ii) the Group's consolidated financial statements (which have been prepared in accordance with IFRS-EU) for the financial years ended 31st December, 2017, 2018 and 2019.
8. The expenses related to the admission of the Preferred Securities are estimated to be the following: (i) €60,500 with respect to charges and fees of AIAF and Iberclear; (ii) €71,407 with respect to fees of CNMV; and (iii) €6,000,000 with respect to fees payable to the Managers.

9. This Prospectus has been approved by the CNMV in its capacity as competent authority under the Prospectus Regulation. Application has been made for the Preferred Securities to be admitted to listing and trading on AIAF, which is a regulated market for the purposes of MiFID II. If a qualified investors platform is to be developed by AIAF, it is the intention of the Bank for the Preferred Securities to be quoted on such platform. The Preferred Securities may also be admitted to listing and/or trading on any other secondary market as may be agreed by the Bank.
10. Although the Preferred Securities are admitted to listing and trading on AIAF, there is no assurance that an active trading market will develop.
11. All payments under the Conditions will be made directly by the Bank through Iberclear, which has its registered office at Plaza de la Lealtad, 1, 28014 Madrid, Spain.
12. The yield on the Preferred Securities until the First Reset Date is 6.00 per cent. per annum (on the basis of quarterly distribution payments), which is equivalent to a yield of 6.136 per cent. per annum (on the basis of an annual distribution payment).
13. In the opinion of the Bank, its working capital is sufficient for the Bank's present requirements.
14. 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. Information about the past and future performance of the Common Shares and their volatility can be obtained from the respective websites of each of the Spanish Stock Exchanges at www.bolsamadrid.es, www.borsabcn.es, www.bolsavalencia.es and www.bolsabilbao.es. The information contained in such web pages shall not be deemed to constitute a part of this Prospectus.
15. 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.
16. The Bank and the undersigned, Mr. Antonio Borraz Peralta, in his capacity as Assets and Liabilities Management Director – Treasurer of the Bank and acting under a special power of attorney granted by the Board of Directors of the Bank, accept responsibility for the information contained in this Prospectus. Having taken all reasonable care to ensure that such is the case, the information contained in this Prospectus is, to the best of their knowledge, in accordance with the facts and contains no omissions likely to affect its import.

SIGNATURE

In witness to his knowledge and approval of the contents of this Prospectus drawn up according to Annexes 2, 11 (sections 3.1 and 3.2), 15 and 18 of the Delegated Regulation, it is hereby signed by Antonio Borraz Peralta, Assets and Liabilities Management Director – Treasurer of the Bank, in Madrid, on 16th July, 2020.

BANK

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Spain

MANAGERS

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