BBVA

Creando Oportunidades

Financial Statements, Management Report and Auditors' Report

BBVA 2020

Audit Report on Banco Bilbao Vizcaya Argentaria, S.A.

(Together with the financial statements and management report of Banco Bilbao Vizcaya Argentaria, S.A. for the year ended 31 December 2020)

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

KPMG Auditores, S.L.
Paseo de la Castellana, 259 C
28046 Madrid

Independent Auditor's Report on the Financial Statements

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

To the Shareholders of Banco Bilbao Vizcaya Argentaria, S.A.

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the "Bank"), which comprise the balance sheet at 31 December 2020, and the income statement, statement of recognized income and expense, statement of total changes in equity and statement of cash flows for the year then ended, and notes.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Bank at 31 December 2020, and of its financial performance and its cash flows for the year then ended in accordance with the applicable financial reporting framework (specified in note 1.2 to the accompanying financial statements) and, in particular, with the accounting principles and criteria set forth therein.

Basis for Opinion

We conducted our audit in accordance with prevailing legislation regulating the audit of accounts in Spain. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report.

We are independent of the Bank in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the financial statements in Spain pursuant to the legislation regulating the audit of accounts. We have not provided any non-audit services, nor have any situations or circumstances arisen which, under the aforementioned regulations, have affected the required independence such that this has been compromised.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Impairment of loans and advances to customers
See notes 5.2 and 12.1 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
The Bank's portfolio of loans and advances to customers presents a net balance of Euros 193,903 million at 31 December 2020, and the impairment provisions recognized at that date amount to Euros 5,665 million. For the purposes of estimating impairment, financial assets measured at amortized cost are classified into three categories (stage 1, 2 or 3) according to whether a significant increase in credit risk since their initial recognition has been identified (stage 2), whether the financial assets are credit-impaired (stage 3), or whether neither of these circumstances has arisen (stage 1). For the Bank, establishing this classification is a relevant process as the calculation of allowances and provisions for credit risk varies depending on the category in which the financial asset has been included. Impairment is calculated based on an expected loss model, which the Bank estimates on both an individual and a collective basis. This calculation entails a considerable level of judgment as this is a subjective and complex estimate. Individual allowances and provisions consider estimates of future business performance and the market value of collateral provided for credit transactions. In the case of collective allowances and provisions, expected credit losses are estimated by means of internal models that use large databases, different macroeconomic scenarios, provision estimation parameters, segmentation criteria and automated processes. Such models are complex in their design and implementation and require past, present and future information to be considered. The Bank periodically recalibrates and performs contrast tests on its internal models with a view to improving their predictive power on the basis of actual past experience.	Our audit approach in relation to the Bank's estimate of impairment of loans and advances to customers due to credit risk mainly consisted of assessing the methodology applied to calculate expected losses, particularly as regards the methods and assumptions used to estimate exposure at default (EAD), probability of default (PD) and loss given default (LGD); determining the future macroeconomic scenarios; and the quantitative and qualitative criteria used to adjust collective allowances and provisions. We also assessed the mathematical accuracy of the expected loss calculations. The main procedures performed included evaluating the design and operating effectiveness of the relevant controls linked to the process of estimating impairment and performing different tests of detail on that estimate, to which end we brought in our credit risk specialists. Our procedures related to the control environment focused on assessing the main controls in the following key areas: • Development and approval of the credit risk management framework, the Bank's accounting policies and the methodology used to estimate expected loss. • Assessment of whether the portfolio of loans and advances to customers has been appropriately classified on the basis of credit risk, in accordance with the criteria defined by the Bank, particularly as regards the correct identification and classification of refinancing and restructuring transactions. • Identification of the methods and assumptions used to estimate EAD, PD and LGD and to determine the future macroeconomic scenarios, considering the expected impacts of COVID-19. • Evaluation of whether the internal models for estimating both individual and collective allowances and provisions for expected losses, and for the management and valuation of collateral, are functioning correctly.

(Translation from the original in Spanish. In the event of discrepancy, the Spanish-language version prevails.)

Impairment of loans and advances to customers
See notes 5.2 and 12.1 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
The COVID-19 pandemic is having a negative effect on the economy and business activities of the countries where the Bank operates, leading to an economic recession in many of these countries. To mitigate the impacts of COVID-19, governments of different countries have launched initiatives to support the most affected sectors and customers through various measures such as the provision of State-backed credit facilities, penalty-free payment deferrals (moratoriums) and flexible financing and liquidity facilities. All of these aspects have impacted on the parameters considered by the Bank at 31 December 2020 when quantifying expected losses on financial assets (macroeconomic variables, customer net revenues, value of pledged collateral, probability of default, etc.), thus increasing the uncertainty associated with their estimation. The Bank has therefore recognized the adverse effects of COVID-19 on the impairment of financial assets in its income statement at 31 December 2020 by supplementing the expected losses with certain additional temporary adjustments deemed necessary to reflect the particular characteristics of borrowers, sectors and portfolios, which might not be identified in the general process. The consideration of this matter as a key audit matter is based both on the significance for the Bank of the loans and advances to customers portfolio, and thus of the related allowance and provision, as well as on the relevance of the process for classifying these financial assets for the purpose of estimating impairment thereon and the subjectivity and complexity of calculating expected losses, while also taking into consideration the situation brought about by the COVID-19 pandemic.	• Evaluation of the need to make additional adjustments to the expected losses identified in the general process and, where applicable, whether these have been appropriately estimated at 31 December 2020. • Assessment of whether the aspects observed by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective allowances and provisions have been taken into consideration. • Assessment of the integrity, accuracy and updating of the data used. Our tests of detail on the estimated expected losses included the following: • With regard to the impairment of individually significant transactions, we assessed the suitability of the cash flow discounting models used by the Bank. We also selected a sample of credit-impaired significant risks, for which we evaluated the appropriateness of the related allowance and provision by analyzing the reasonableness of the projected cash flows, the discount rates applied and the value of any related collateral. This sample included borrowers from the economic sectors most affected by COVID-19 and/or which have received government aid in relation to the pandemic. • With respect to the impairment provisions estimated collectively, we evaluated the methodology used by the Bank, assessed the integrity and accuracy of the input data for the process, and determined whether the calculation engine is functioning correctly by running the calculation process again for a sample of contracts, considering the segmentation and assumptions used by the Bank. • When performing our audit procedures, we took into consideration the impacts of COVID-19 and the government aid on the parameters for calculating the expected loss. To this end, we brought in our corporate business valuation specialists to assess the macroeconomic scenarios used by the Bank in its internal models to estimate the expected loss. In addition, we assessed the estimate of the additional adjustments to the expected losses identified in the general process, recognized at 31 December 2020. We also analyzed whether the disclosures in the notes to the financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Bank.

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Fair value measurement of financial instruments
See notes 6.1 and 8.1 to the financial statements

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Bank has financial assets and financial liabilities held for trading amounting to Euros 87,677 million and Euros 69,514 million, respectively, of which Euros 67,798 million and Euros 57,625 million, respectively, have been measured by the Bank using valuation techniques as no quoted price in an active market is available (therefore classified as level 2 or 3 for measurement purposes). As a result of the COVID-19 pandemic, volatility in the financial markets and in interest rates has increased, there have been sharp declines in value, greater illiquidity of financial assets and higher credit risk for securities issuers, all of which has diminished the observability of the market data needed to measure these financial instruments, making their measurement more complex. In the absence of a quoted price in an active market, determining the fair value of financial instruments requires a complex estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models that require a high degree of subjectivity, which has in turn increased due to the situation arising from the COVID-19 pandemic. We have therefore considered the estimate of fair value using these measurement methods as a key audit matter.	Our audit procedures with regard to the fair value measurement of financial instruments focused on assessing the models and valuation methods used by the Bank to estimate the fair value of complex financial instruments (those classified in level 2 or 3). To this end, we performed tests of controls and tests of detail on the Bank's decisions and estimates, with the involvement of our own financial instrument valuation specialists. Our procedures relating to the assessment of the design and operating effectiveness of the relevant controls associated with the process of measuring financial instruments focused on the following key areas: • Identification and approval of the risk management framework and controls relating to operations in the financial markets in which the Bank operates. • Evaluation of the application of the Bank's accounting policies. • Examination of the key controls associated with the process of measuring financial instruments. • Analysis of the integrity, accuracy and updating of the data used and of the control and management process in place with regard to existing databases. Our procedures as regards the tests of detail performed were as follows: • We assessed the reasonableness of the most significant valuation models used by the Bank, and of the significant assumptions applied, particularly inputs not directly observable in the market, such as interest rates, issuer credit risk, volatility and correlations between these factors. • We selected a sample of complex financial instruments measured at fair value, for which we assessed the correctness of their classification, the appropriateness of the valuation criteria applied and the reasonableness of their valuation by contrasting this with a valuation performed independently by our specialists. • We evaluated the adjustments made by the Bank to the parameters and data that have been affected by the impacts of COVID-19. Lastly, we analyzed whether the information disclosed in the notes to the financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Bank.

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Impairment of the investments in Garanti BBVA and BBVA USA See notes 14.1 and 19 to the financial statements	
Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, impairment of Euros 288 million and Euros 2,408 million has been recognized in relation to the Bank's investments in the subsidiaries Garanti BBVA, A.S. and BBVA USA Bancshares, Inc., respectively. As indicated in note 14 to the financial statements, the equity investment in BBVA USA Bancshares, Inc. has been classified in "Non-current assets and disposal groups classified as held for sale" at 31 December 2020, in view of the agreement reached in 2020 for the sale of this subsidiary. During the first quarter of 2020, before the equity investment in BBVA USA Bancshares, Inc. was classified as a non-current asset held for sale, the Bank recognized impairment of Euros 1,475 million on this investment, in order to reduce its carrying amount to the recoverable amount calculated at that date. After classifying this investment as a non-current asset held for sale, the Bank recognized additional impairment of Euros 933 million, considering the selling price established in the aforementioned sale agreement. Equity investments in Group companies are measured at cost less any accumulated impairment, estimated on the basis of the recoverable amount of the investment. Investments classified as non-current assets held for sale are measured at the lower of their carrying amount and their fair value less costs to sell. The estimated recoverable amount is essentially based on financial projections that consider, inter alia, expected trends in macroeconomic variables and their impact on the subsidiary's future business, the internal circumstances of the entity and its competitors, and trends in discount rates. These financial projections have been significantly affected by the impact of the COVID-19 pandemic on the economy and business activity, as well as by expected interest rate trends. Therefore, determining the recoverable amount of the investments in Garanti BBVA, A.S. and BBVA USA Bancshares, Inc. entails a high level of judgment and complexity. Due to the significance of the impairment recognized by the Bank at 31 December 2020 in relation to these investments, and the subjective nature of the assumptions and valuation techniques used in the estimate thereof, and taking into consideration the situation arising from the COVID-19 pandemic, this has been considered a key audit matter of the current period.	Our audit procedures, for which we brought in our valuation specialists, included assessing the design and implementation of the key controls related to the valuation of the Bank's investments in subsidiaries, as well as assessing the existence of the evidence of impairment identified by the Bank, and evaluating the reasonableness of the methodology and assumptions used to estimate the recoverable amount of its investments in the subsidiaries Garanti BBVA, A.S. and BBVA USA Bancshares, Inc., and the reasonableness of the adjustments made to the assumptions that have been affected by the impacts of COVID-19, which were reviewed by independent experts hired by the Bank. We also assessed the Bank's estimate of additional impairment on the investment in BBVA USA Bancshares, Inc. at 31 December 2020, taking into consideration the agreement reached in 2020 for the sale of BBVA's US subsidiary to PNC Financial Service Group. Lastly, we analyzed whether the information disclosed in the notes to the financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Bank.

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Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Bank has a complex technological operating environment that is constantly changing and must reliably and efficiently satisfy business requirements and ensure that financial information is processed correctly. In this respect, correctly assessing the adequacy of the maintenance of the applications and IT systems used to prepare the financial information, of the operation of these systems and applications, and of physical and logical information security is a key aspect. We have therefore considered this a key audit matter.	With the help of our information systems specialists, we performed tests relating to internal control over the processes and systems involved in preparing the financial information, in the following areas: • Understanding of the information flows and identification of the key controls that ensure the processing of the information. • Testing of the key automated processes used in generating the financial information. • Testing of application and system controls related with access to and processing of the information and with the security settings of those applications and systems. • Testing of controls over the operation, maintenance and development of applications and systems. • Analysis of the relevant data and systems migrations occurring in the period. • Substantive audit testing to complement the tests on the Bank's internal control.

Other Information: Management Report

Other information solely comprises the 2020 management report, the preparation of which is the responsibility of the Bank's Directors and which does not form an integral part of the financial statements.

Our audit opinion on the financial statements does not encompass the management report. Our responsibility regarding the information contained in the management report is defined in the legislation regulating the audit of accounts, as follows:

a) Determine, solely, whether the non-financial information statement and certain information included in the Annual Corporate Governance Report, as specified in the Spanish Audit Law, have been provided in the manner stipulated in the applicable legislation, and if not, to report on this matter.

b) Assess and report on the consistency of the rest of the information included in the management report with the financial statements, based on knowledge of the Bank obtained during the audit of the aforementioned financial statements. Also, assess and report on whether the content and presentation of this part of the management report are in accordance with applicable legislation. If, based on the work we have performed, we conclude that there are material misstatements, we are required to report them.

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Based on the work carried out, as described above, we have observed that the information mentioned in section a) above has been provided in the manner stipulated in the applicable legislation, that the rest of the information contained in the management report is consistent with that disclosed in the financial statements for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

Responsibility of the Bank's Directors and Audit Committee for the Financial Statements

The Bank's Directors are responsible for the preparation of the accompanying financial statements in such a way that they give a true and fair view of the equity, financial position and financial performance of the Bank in accordance with the financial reporting framework applicable to the Bank in Spain, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Bank's Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Bank's Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

The Bank's Audit Committee is responsible for overseeing the preparation and presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with prevailing legislation regulating the audit of accounts in Spain, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Bank's Directors.
- Conclude on the appropriateness of the Bank's Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.

We communicate with the Bank's Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Bank's Audit Committee with a statement that we have complied with the applicable ethical requirements, including those regarding independence, and to communicate with them concerning all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated to the Bank's Audit Committee, we determine those that were of most significance in the audit of the financial statements for the year ended 31 December 2020 and which are therefore the key audit matters.

We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital file of Banco Bilbao Vizcaya Argentaria, S.A. for 2020 in European Single Electronic Format (ESEF) comprising an XHTML file with the financial statements for the aforementioned year, which will form part of the annual financial report.

The Directors of Banco Bilbao Vizcaya Argentaria, S.A. are responsible for the presentation of the 2020 annual report in accordance with the format requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital file prepared by the Directors of the Bank, in accordance with prevailing legislation regulating the audit of accounts in Spain. This legislation requires that we plan and perform our audit procedures to determine whether the content of the financial statements included in the digital file fully corresponds to the financial statements we have audited, and whether the financial statements have been formatted, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital file examined fully corresponds to the audited financial statements, and these are presented, in all material respects, in accordance with the requirements of the ESEF Regulation.

Additional Report to the Bank's Audit Committee

The opinion expressed in this report is consistent with our additional report to the Bank's Audit Committee dated 5 February 2021.

Contract Period

We were appointed as auditor by the shareholders at the ordinary general meeting held on 13 March 2020 for a period of one year, from the year commenced 1 January 2020.

Previously, we had been appointed for a period of three years, by consensus of the shareholders at their ordinary general meeting, and have been auditing the financial statements since the year ended 31 December 2017.

KPMG Auditores, S.L.
On the Spanish Official Register of Auditors ("ROAC") with No. S0702

(*Signed on original in Spanish*)

Luis Martín Riaño
On the Spanish Official Register of Auditors ("ROAC") with No. 18,537

10 February 2021

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APPENDICES

MANAGEMENT REPORT

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets for the years ended December 31, 2020 and 2019

ASSETS (Millions of Euros)	Notes	2020	2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**7**	**44,107**	**18,419**
FINANCIAL ASSETS HELD FOR TRADING	**8**	**87,677**	**83,841**
Derivatives		36,545	31,987
Equity instruments		10,682	8,205
Debt securities		9,983	10,213
Loans and advances to central banks		53	484
Loans and advances to credit institutions		19,472	20,688
Loans and advances to customers		10,941	12,263
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**9**	**409**	**855**
Equity instruments		183	125
Debt securities		142	128
Loans and advances to customers		84	602
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**-**	**-**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**11**	**37,528**	**24,905**
Equity instruments		881	1,749
Debt securities		36,648	23,156
FINANCIAL ASSETS AT AMORTIZED COST	**12**	**225,914**	**225,369**
Debt securities		23,241	21,496
Loans and advances to central banks		7	5
Loans and advances to credit institutions		8,762	8,049
Loans and advances to customers		193,903	195,819
DERIVATIVES - HEDGE ACCOUNTING	**13**	**1,011**	**953**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**51**	**28**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**14**	**18,380**	**30,563**
Subsidiaries		17,547	29,445
Joint ventures		54	54
Associates		780	1,065
TANGIBLE ASSETS	**15**	**3,915**	**4,467**
Properties, plant and equipment		3,836	4,384
For own use		3,836	4,384
Other assets leased out under an operating lease		-	-
Investment properties		80	83
INTANGIBLE ASSETS	**16**	**840**	**905**
Goodwill		-	-
Other intangible assets		840	905
TAX ASSETS	**17**	**12,764**	**13,760**
Current tax assets		633	1,443
Deferred tax assets		12,131	12,317
OTHER ASSETS	**18**	**2,837**	**2,600**
Insurance contracts linked to pensions	22	2,074	2,096
Inventories		-	-
Other		763	504
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**19**	**9,978**	**967**
TOTAL ASSETS		**445,411**	**407,632**

(*) Presented for comparison purposes only (Note 1.3).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets for the years ended December 31, 2020 and 2019

LIABILITIES AND EQUITY (Millions of Euros)	Notes	2020	2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**8**	**69,514**	**73,362**
Derivatives		35,396	31,501
Short positions		9,625	9,956
Deposits from central banks		1,256	1,867
Deposits from credit institutions		16,083	24,425
Customer deposits		7,154	5,612
Debt certificates		-	-
Other financial liabilities		-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10**	**3,267**	**2,968**
Deposits from central banks		-	-
Deposits from credit institutions		-	-
Customer deposits		3,267	2,968
Debt certificates		-	-
Other financial liabilities		-	-
Memorandum item: Subordinated liabilities		*-*	*-*
FINANCIAL LIABILITIES AT AMORTIZED COST	**20**	**331,189**	**285,260**
Deposits from central banks		37,903	24,390
Deposits from credit institutions		22,106	18,201
Customer deposits		217,360	191,461
Debt certificates		43,692	40,845
Other financial liabilities		10,127	10,362
Memorandum item: Subordinated liabilities		*11,096*	*10,362*
DERIVATIVES - HEDGE ACCOUNTING	**13**	**1,510**	**1,471**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**13**	**-**	**-**
PROVISIONS	**21**	**4,449**	**4,616**
Pensions and other post employment defined benefit obligations		3,544	3,810
Other long term employee benefits		18	25
Provisions for taxes and other legal contingencies		439	359
Commitments and guarantees given		270	235
Other provisions		177	188
TAX LIABILITIES	**17**	**1,071**	**1,120**
Current tax liabilities		173	149
Deferred tax liabilities		898	972
OTHER LIABILITIES	**18**	**1,543**	**1,645**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		**-**	**-**
TOTAL LIABILITIES		**412,543**	**370,444**

(*) Presented for comparison purposes only (Note 1.3).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets for the years ended December 31, 2020 and 2019

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	Notes	2020	2019 (*)
SHAREHOLDERS' FUNDS		**33,992**	**37,570**
Capital	**23**	**3,267**	**3,267**
Paid up capital		3,267	3,267
Unpaid capital which has been called up		-	-
Share premium	**24**	**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**
Equity component of compound financial instruments		-	-
Other equity instruments issued		-	-
Other equity		**34**	**48**
Retained earnings	**25**	**8,859**	**9,107**
Revaluation reserves	**25**	**-**	**-**
Other reserves	**25**	**31**	**1**
Less: treasury shares	**26**	**(9)**	**-**
Profit or loss attributable to owners of the parent		**(2,182)**	**2,241**
Less: interim dividends		**-**	**(1,086)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**27**	**(1,124)**	**(381)**
Items that will not be reclassified to profit or loss		**(1,376)**	**(520)**
Actuarial gains (losses) on defined benefit pension plans		(61)	(75)
Non-current assets and disposal groups classified as held for sale		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income		(1,294)	(469)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		(21)	24
Items that may be reclassified to profit or loss		**252**	**138**
Hedge of net investments in foreign operations (effective portion)		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		(100)	(196)
Fair value changes of debt instruments measured at fair value through other comprehensive income		352	335
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
TOTAL EQUITY		**32,867**	**37,189**
TOTAL EQUITY AND TOTAL LIABILITIES		**445,411**	**407,632**

MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)

	Notes	2020	2019 (*)
Loan commitments given	29	80,959	73,582
Financial guarantees given	29	8,745	9,086
Other commitments given	29	25,711	28,151

(*) Presented for comparison purposes only (Note 1.3).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Income statements for the years ended December 31, 2020 and 2019.

INCOME STATEMENTS (Millions of Euros)	Notes	2020	2019 (*)
Interest income	33	4,629	4,933
Financial assets at fair value through other comprehensive income		253	285
Financial assets at amortized cost		3,839	4,295
Other interest income		536	353
Interest expense	33	(1,115)	(1,548)
NET INTEREST INCOME		**3,514**	**3,385**
Dividend income	34	1,360	2,853
Fee and commission income	35	2,125	2,144
Fee and commission expense	36	(358)	(447)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	87	107
Financial assets at amortized cost		100	35
Other financial assets and liabilities		(13)	72
Gains (losses) on financial assets and liabilities held for trading, net	37	353	375
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other profit or loss		353	375
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	37	28	35
Reclassification of financial assets from fair value through other comprehensive income		-	-
Reclassification of financial assets from amortized cost		-	-
Other profit or loss		28	35
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	37	(69)	(101)
Gains (losses) from hedge accounting, net	37	13	21
Exchange differences, net	37	(29)	(133)
Other operating income	38	142	125
Other operating expense	38	(529)	(487)
GROSS INCOME		**6,637**	**7,877**
Administrative expense	39	(3,553)	(3,881)
Personnel expense		(2,144)	(2,394)
Other administrative expense		(1,409)	(1,487)
Depreciation and amortization	40	(663)	(673)
Provisions or reversal of provisions	41	(475)	(391)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(1,232)	(175)
Financial assets measured at amortized cost		(1,228)	(176)
Financial assets at fair value through other comprehensive income		(4)	1
NET OPERATING INCOME		**715**	**2,757**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	43	(319)	(610)
Impairment or reversal of impairment on non-financial assets		(105)	(78)
Tangible assets		(105)	(80)
Intangible assets		-	-
Other assets		-	2
Gains (losses) on derecognition of non - financial assets and subsidiaries, net		1	(1)
Negative goodwill recognized in profit or loss		-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	44	(43)	(31)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**249**	**2,037**
Tax expense or income related to profit or loss from continuing operations	17	(36)	49
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**213**	**2,086**
Profit (loss) after tax from discontinued operations	14	(2,396)	155
PROFIT(LOSS) FOR THE YEAR		**(2,182)**	**2,241**

(*) Presented for comparison purposes only (Note 1.3).

(**) Mainly due to BBVA USA (see Note 14).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognized income and expenses for the years ended December 31, 2020 and 2019.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	2020	2019 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**(2,182)**	**2,241**
OTHER RECOGNIZED INCOME (EXPENSE)	**(643)**	**(373)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(757)**	**(367)**
Actuarial gains (losses) from defined benefit pension plans	13	3
Non-current assets and disposal groups classified as held for sale	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(786)	(271)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	4	(133)
Other valuation adjustments	-	-
Income tax related to items not subject to reclassification to income statement	12	34
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**114**	**(6)**
Hedge of net investments in foreign operations (effective portion)	-	-
Foreign currency translation	**-**	**-**
Translation gains (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Cash flow hedges (effective portion)	**92**	**(115)**
Valuation gains (losses) taken to equity	92	(115)
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Hedging instruments (non-designated elements)	-	-
Valuation gains (losses) taken to equity	-	-
Transferred to profit or loss	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**25**	**107**
Valuation gains (losses) taken to equity	86	173
Transferred to profit or loss	(61)	(66)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**-**	**-**
Income tax relating to items subject to reclassification to income statements	**(3)**	**2**
TOTAL RECOGNIZED INCOME/EXPENSE	**(2,825)**	**1,868**

(*) Presented for comparison purposes only (Note 1.3).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2020 and 2019.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2020	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulated other comprehensive income (Note 27)	Total
Balances as of January 1, 2020	**3,267**	**23,992**	**-**	**48**	**9,107**	**-**	**1**	**-**	**2,241**	**(1,086)**	**(381)**	**37,189**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(2,182)**	**-**	**(643)**	**(2,825)**
Other changes in equity	**-**	**-**	**-**	**(14)**	**(248)**	**-**	**30**	**(9)**	**(2,241)**	**1,086**	**(101)**	**(1,497)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,067)	-	-	-	-	-	-	(1,067)
Purchase of treasury shares	-	-	-	-	-	-	-	(688)	-	-	-	(688)
Sale or cancellation of treasury shares	-	-	-	-	-	-	(5)	679	-	-	-	674
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	(2)	1,206	-	51	-	(2,241)	1,086	(100)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	(12)	(387)	-	(16)	-	-	-	-	(415)
Balances as of December 31, 2020	**3,267**	**23,992**	**-**	**34**	**8,859**	**-**	**31**	**(9)**	**(2,182)**	**-**	**(1,124)**	**32,867**

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

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BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2020 and 2019 (continued)

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2019 (*)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income	Total	0
Balances as of January 1, 2019	**3,267**	**23,992**	**-**	**46**	**8,829**	**-**	**(30)**	**(23)**	**2,450**	**(1,114)**	**(8)**	**37,409**
Effect of changes in accounting policies	-	-	-	-	-	-	1	-	-	-	-	1
Adjusted initial balance	**3,267**	**23,992**	**-**	**46**	**8,829**	**-**	**(29)**	**(23)**	**2,450**	**(1,114)**	**(8)**	**37,410**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,241**	**-**	**(373)**	**1,868**
Other changes in equity	**-**	**-**	**-**	**1**	**278**	**-**	**29**	**23**	**(2,450)**	**28**	**-**	**(2,089)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,067)	-	-	-	-	(1,086)	-	(2,153)
Purchase of treasury shares	-	-	-	-	-	-	-	(933)	-	-	-	(933)
Sale or cancellation of treasury shares	-	-	-	-	-	-	36	956	-	-	-	993
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	(1)	1,345	-	(8)	-	(2,450)	1,114	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	-	-	-	-	-	-	-	-	-
Other increases or (-) decreases in equity	-	-	-	2	-	-	1	-	-	-	-	3
Balances as of December 31, 2019	**3,267**	**23,992**	**-**	**48**	**9,107**	**-**	**1**	**-**	**2,241**	**(1,086)**	**(381)**	**37,189**

(*) Presented for comparison purposes only (Note 1.3).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2020 and 2019.

CASH FLOWS STATEMENTS (Millions of Euros)

	2020	2019 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	**25,890**	**(10,032)**
1.Profit (loss) for the year	**(2,182)**	**2,241**
2.Adjustments to obtain the cash flow from operating activities:	**3,320**	**1,755**
Depreciation and amortization	663	673
Other adjustments	2,657	1,082
3.Net increase/decrease in operating assets	**(16,183)**	**(19,739)**
Financial assets held for trading	(3,836)	(9,751)
Non-trading financial assets mandatorily at fair value through profit or loss	447	871
Other financial assets designated at fair value through profit or loss	-	-
Financial assets at fair value through other comprehensive income	(12,623)	(5,632)
Financial assets at amortized cost	(683)	(6,514)
Other operating assets	512	1,287
4.Net increase/decrease in operating liabilities	**40,338**	**5,802**
Financial liabilities held for trading	(3,848)	6,242
Other financial liabilities designated at fair value through profit or loss	298	1,222
Financial liabilities at amortized cost	45,202	(968)
Other operating liabilities	(1,314)	(693)
5.Collection/Payments for income tax	**598**	**(92)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	**(125)**	**(102)**
1.Investment	**(430)**	**(633)**
Tangible assets	(96)	(119)
Intangible assets	(251)	(317)
Investments in subsidiaries, joint ventures and associates	(84)	(196)
Other business units	-	-
Non-current assets classified as held for sale and associated liabilities	-	-
Other collections related to investing activities	-	-
2.Divestments	**306**	**531**
Tangible assets	29	10
Intangible assets	-	-
Investments in subsidiaries, joint ventures and associates	70	103
Other business units	-	-
Non-current assets and disposal groups classified as held for sale and associated liabilities	206	418
Other collections related to investing activities	-	-
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(662)**	**(2,314)**
1. Payments	**(3,686)**	**(6,114)**
Dividends	(1,067)	(2,153)
Subordinated liabilities	(1,937)	(3,005)
Treasury stock amortization	-	-
Treasury stock acquisition	(682)	(956)
Other items relating to financing activities	-	-
2. Collections	**3,024**	**3,799**
Subordinated liabilities	2,334	2,640
Common stock increase	-	-
Treasury stock disposal	674	993
Other items relating to financing activities	17	167
D) EFFECT OF EXCHANGE RATE CHANGES	**584**	**(54)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**25,688**	**(12,503)**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**18,419**	**30,922**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**44,107**	**18,419**

COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)

	Notes	2020	2019 (*)
Cash	7	972	1,046
Balance of cash equivalent in central banks	7	40,485	15,417
Other financial assets	7	2,650	1,956
Less: Bank overdraft refundable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		**44,107**	**18,419**

(*) Presented for comparison purposes only (Note 1.3).

The accompanying Notes and Appendices are an integral part of the balance sheets as of December 31, 2020.

Notes to the Financial Statements for the year ended December 31, 2020.

1. Introduction, basis for presentation of the Financial Statements, Internal Control over Financial Information and other information

1.1 Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter “the Bank”, “BBVA" or “BBVA,S.A”) is a private-law entity subject to the laws and regulations governing banking entities operating in Spain. It carries out its activity through branches and agencies across the country and abroad.

The Bylaws and other public information are available for consultation at the Bank’s registered address (Plaza San Nicolás, 4 Bilbao) and on its official website: www.bbva.com.

In addition to the transactions it carries out directly, the Bank heads a group of subsidiaries, jointly controlled and associated entities which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter, “the Group” or “the BBVA Group”). In addition to its own individual financial statements, the Bank is therefore obliged to prepare the Group’s Financial Statements.

The Bank’s Financial Statements for the year ended December 31, 2019 were approved by the shareholders at the Bank’s Annual General Meeting (“AGM”) held on March 13, 2020.

The Bank’s Financial Statements for the year ended December 31, 2020 are pending approval by the Annual General Meeting. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without any changes.

1.2. Basis for the presentation of the Financial Statements

The Bank's Financial Statements for 2020 are presented in accordance with Bank of Spain Circular 4/2017, dated November 27, and as amended thereafter (in the following, “Circular “4/2017), and with any other legislation governing financial reporting which is applicable and with the format and mark-up requirements established in the EU Delegated Regulation 2019/815 of the European Commission. The aforementioned Circular 4/2017 constitutes the development and adaptation to the Spanish credit institutions sector of the International Financial Reporting Standards adopted by the European Union (IFRS-EU) in accordance with the provisions of Regulation 1606/2002 of the Parliament and Council regarding the application of these rules.

The Bank's Financial Statements for the year ended December 31, 2020 have been prepared by the Bank’s directors (at the Board of Directors meeting held on February 8, 2021) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank's equity and financial position as of December 31, 2020, together with the results of its operations and cash flows generated during the year ended on that date.

All effective accounting standards and valuation criteria with a significant effect in the Financial Statements were applied in their preparation.

The amounts reflected in the accompanying Financial Statements are presented in millions of euros, unless it is more appropriate to use smaller units. Some items that appear without a balance in these Financial Statements are due to how units are expressed. Also, in presenting amounts in millions of euros, the accounting balances have been rounded up or down. It is therefore possible that the amounts appearing in some tables are not the exact arithmetical sum of their component figures.

The percentage changes in amounts have been calculated using figures expressed in thousands of euros.

1.3. Comparative information

The comparative information included in the accompanying financial statements relating to the year ended December 31, 2019 and 2018, in accordance to the applicable regulation, has been subject of certain no significant modifications with the purpose of a better comparability with the 2020 year figures.

Agreement for the sale of BBVA’s U.S. subsidiary

As mentioned in Note 14, in 2020 the sale of the BBVA subsidiary in the United States was announced. The on-balance figures corresponding headings “Dividend income” and “Impairment or (reversal) of impairment on non-financial assets and investments in subsidiaries, joint ventures or associates”, net of tax effects, corresponding to the companies held for sale were reclassified under the heading” Profit (loss) after tax from discontinued operations “of the accompanying income statement. Additionally, the results corresponding to 2019 have been reclassified, to facilitate the comparison between years, to that same section of the respective income statements for both years. The balances of assets corresponding to said companies for sale have been reclassified from their corresponding accounting headings to the headings "Non-current assets and disposal groups classified as held for sale".

Collection of interest on impaired financial assets

As a consequence of the application of the interpretation issued by the IFRIC in its "IFRIC Update" of March 2019 regarding the collection of interest on impaired financial assets, such collections are presented since 2020 as reductions in credit-related write-offs whereas previously they were included as interest income. In order to make the information comparable, the income statement has been restated by recognizing a €78 million reduction in the heading "Interest income - Financial assets at amortized cost" of 2019, against the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification - Financial assets at amortized cost". This reclassification has had no impact on the profit for the year ended December 31, 2019, nor on the net equity as of December 31, 2019.

Trading derivatives recognition

Information as of and for the year ended December 31, 2020 has been subject to certain balance presentation modifications related to non-significant cross currency swaps transactions. In order to make the information as of and for the years ended December 31, 2019 comparable with the information as of and for the year ended December 31, 2020, figures as of and for the years ended December 31, 2019 have been restated by recognizing a 1,001 million reduction in the Total Assets and Total Liabilities.

1.4. Seasonal nature of income and expenses

The nature of the most significant operations carried out by the Bank is mainly related to typical activities carried out by financial institutions, which are not significantly affected by seasonal factors within the same year.

1.5. Management and impacts of the COVID-19 pandemic

The appearance of the Coronavirus COVID-19 in China and its global expansion to a large number of countries, motivated the viral outbreak to be classified as a global pandemic by the World Health Organization since last March 11, 2020. The pandemic has affected and continues 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. The governments of the different countries in which the Group operates have adopted different measures that have conditioned the evolution of the year (See Note 5.2).

In this pandemic situation, BBVA has focused its attention on ensuring the continuity of the business operational security as a priority and monitoring the impacts on the business and on the risks of the Bank (such as the impacts on results, capital or liquidity). Additionally, BBVA adopted from the beginning a series of measures to support its main interest groups. In this sense, the purpose and the Group's long-term strategic priorities remain the same and are even reinforced, with a commitment to technology and data-driven decision-making.

With the aim of mitigating the impact of COVID-19, various European and International bodies have made pronouncements aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks BBVA has taken these pronouncements into consideration when preparing these financial statements (see Note 5.2.1).

The main impacts of COVID-19 pandemic in the BBVA S.A. Financial Statements are detailed in the following Notes:

- Note 1.6 includes information on the consideration of the COVID-19 pandemic in the estimates made.
- Note 3 mentions the amendment of the Group's shareholder remuneration policy, in accordance with the recommendation issued by the European Central Bank (ECB), which no longer pays any amount as a dividend for the financial year 2020 until as long as the uncertainties generated by the pandemic remain.
- Note 5.1 details the main risks associated with the pandemic as well as the impacts that have occurred both in the activity and in the financial statements of the Bank for the year ended December 31, 2020. Information on the impact of COVID-19 is included in the macroeconomic forecasts and in the calculation of expected losses.
- Note 5.2 includes information related to the initiatives carried out by the Bank to help the most affected clients, jointly with the corresponding governments. Likewise, it contains, among others, information regarding the number of operations and the amount corresponding to moratorium measures, both public and private, granted by the Bank.
- Note 5.5 presents information regarding the impact on liquidity and financing risk.
- Note 14 includes information concerning the impairment of the participation on BBVA USA Bancshares Inc., carried out during the first quarter of 2020, mainly due to the impact of COVID-19 in updating macroeconomics scenario and the expected evolution of interest rates.
- Note 28 includes information with regard to the impact on the Bank's capital.
- Note 42 includes information on the impact of the update of the macroeconomic scenario affected by the COVID-19 pandemic.

1.6. Responsibility for the information and for the estimates made

The information contained in the Bank's Financial Statements is the responsibility of the Bank's Directors.

Estimates were required to be made at times when preparing these Financial Statements in order to calculate the recorded or disclosed amount of some assets, liabilities, income, expenses and commitments. These estimates relate mainly to the following:

- Loss allowances on certain financial assets (see Notes 5, 6, 11 and 12).
- The assumptions used to quantify certain provisions (see Note 21) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 22).
- The useful life and impairment losses of tangible and intangible assets (see Notes, 15, 16 and 19).
- The fair value of certain unlisted financial assets and liabilities in organized markets (see Notes 5, 6, 8, 9, 10, 11 and 12).
- The recoverability of deferred tax assets (See Note 17).

As mentioned before, on March 11, 2020, COVID-19 was declared as a global pandemic by the World Health Organization (see Note 1.5). The great uncertainty associated to the unprecedented nature of this pandemic entails a greater complexity of developing reliable estimations and applying judgment.

Therefore, these estimates were made on the basis of the best available information on the matters analyzed, as of December 31. 2020. However, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the corresponding income statement.

During 2020 there were no significant changes to the assumptions and estimations made as of December 31, 2019, except as indicated in these Financial Statements.

1.7. Control of the BBVA Group's Financial Reporting

The description of the BBVA Group's Internal Control over Financial Reporting model is described in the management report accompanying the consolidated Financial Statements for 2020.

1.8. Deposit guarantee fund and Resolution fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). The expense incurred by the contributions made to this Agency and other similar to those that are subject certain foreign branches in 2020 and 2019 amounted to €216 million and €196 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statements (see Note 38).

The contributions made to the single European resolution fund in the years 2020 and 2019 have amounted to €166 and €144 million euros respectively (see Note 38).

1.9. Consolidated Financial Statements

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2020 have been prepared by the Group's Directors (at the Board of Directors meeting held on February 8, 2021) in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards adopted by the European Union (in the following "EU-IFRS") and applicable at the close of 2020, taking into account Bank of Spain Circular 4/2017, and with any other legislation governing financial reporting which are applicable and with the format and markup requirements established in the EU Delegated Regulation 2019/815 of the European Commission

The management of the Group's operations is carried out on a consolidated basis, independently of the individual allocation of the corresponding equity changes and their related results. Consequently, the Bank's annual Financial Statements have to be considered within the context of the Group, due to the fact that they do not reflect the financial and equity changes that result from the application of the consolidation policies (full consolidation or proportionate consolidation methods) or the equity method.

These changes are reflected in the Consolidated Financial Statements of the BBVA Group for the year 2020, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's Consolidated Financial Statements. In accordance with the content of these Consolidated Financial Statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2020 amounted to €736.176 million and €50.020 million, respectively, while the consolidated net profit attributed to the parent company of this period amounted to €1.305 million.

2. Accounting policies and valuation criteria applied

The Glossary includes the definition of some of the financial and economic terms used in Note 2 and subsequent Notes.

The accounting standards and policies and valuation criteria used in preparing these financial statements are as follows:

2.1. Financial instruments

Circular 4/2017 became effective as of January 1, 2018 to collect changes in the classification and measurement of financial instruments, impairment and hedge accounting, as a consequence of the entry into force of IFRS 9. The Bank has chosen to continue applying the accounting standards for hedges that were applicable up to now and not applying the changes introduced in the Circular 4/2017 on hedge accounting until the completion of the macro-hedging project as permitted by the Circular itself.

2.1.1 Classification and measurement of financial assets

Classification of financial assets

Circular 4/2017 contains three main categories for financial assets classification: measured at amortized cost, measured at fair value with changes through other comprehensive income, and measured at fair value through profit or loss.

The classification of financial instruments in the categories of amortized cost or fair value depends on the business model with which the entity manages the assets and the contractual characteristics of the cash flows, commonly known as the "solely payments of principle and interest" criterion (hereinafter, the SPPI).

The assessment of the business model should reflect the way the Group manages groups of financial assets and does not depend on the intention for an individual instrument.

In order to determine the business model, the following aspects are taken into account:

- The way in which the performance of the business model (and that of the assets which comprise such business model) is evaluated and reported to the entity's key personnel;
- The risks and the way in which the risks that affect the performance of the business model are managed;
- The way in which business model managers are remunerated;
- The frequency, amount and timing of sales in previous years, the reasons for such sales and expectations regarding future sales.

Regarding the SPPI test, the analysis of the cash flows aims to determine whether the contractual cash flows of the assets correspond only to payments of principal and interest on the principal amount outstanding at the beginning of the transaction. Interest is understood here as the consideration for the time value of money, for the credit risk associated with the principal amount outstanding of collection during a specific period, for financing and structure costs, plus a profit margin.

The most significant judgments used by the Bank in evaluating compliance with the conditions of the SPPI test are the following:

- Modified time value: in the event that a financial asset includes a periodic interest rate adjustment but the frequency of this adjustment does not coincide with the term of the reference interest rate (for example, the interest rate reset every six months to a one-year rate), the Bank assesses, at the time of the initial recognition, this mismatch to determine whether the contractual cash flows (undiscounted) differ significantly or not from the cash flows (undiscounted) of a benchmark financial asset which there would be no change in the time value of money. The defined tolerance thresholds are 10% for the differences in each period and 5% for the analysis accumulated throughout the financial asset life.
- The contractual clauses that can modify the calendar or the amount of the contractual cash flows are analyzed to verify if the contractual cash flows that would be generated during the life of the instrument due to the exercise of that clause are only payments of principal and interest on the principal amount outstanding. To do this, the contractual cash flows that may be generated before and after the modification are analyzed.

The main criteria taken into account in the analysis are:

  - Early termination clauses: generally a contractual clause that permits the debtor to prepay a debt instrument before maturity is consistent with SPPI when the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding (which may include reasonable additional compensation for the early termination of the contract)

- Instruments with an interest rate linked to contingent events:

    - An instrument whose interest rate is reset to a higher rate if the debtor misses a particular payment may meet the SPPI criterion because of the relationship between missed payments and an increase in credit risk.

        - An instrument with contractual cash flows that are indexed to the debtor's performance, – e.g. net income or is adjusted based on a certain index or stock market value would not meet the SPPI criterion

    - Perpetual instrument: to the extent that they can be considered instruments with continuous (multiple) extension options, they meet the SPPI test if the contractual flows meet it. When the issuer can defer the payment of interest, if such payment would affect their solvency, they would meet the SPPI test if the deferred interest accrues additional interest, while if they do not, they would not meet the test.

- Non-recourse financial instruments: In the case of debt instruments that are repaid primarily with the cash flows of specific assets or projects and the debtor has no legal responsibility, the underlying assets or cash flows are evaluated to determine whether the contractual cash flows of the instrument are consistent with payments of principal and interest on the principal amount outstanding.
    - If the contractual terms do not give rise to additional cash flows to payments of principal and interest on the amount of principal outstanding or limitations to these payments, the SPPI test is met.
    - If the debt instrument effectively represents an investment in the underlying assets and its cash flows are inconsistent with principal and interest (because they depend on the performance of a business), the SPPI test is not met.
- Contractually linked instruments: a look-through analysis is carried out in the case of transactions that are set through the issuance of multiple financial instruments forming tranches that create concentrations of credit risk (Ex: Securitisations) in which there is an order of priority that specifies how the flows of cash generated by the underlying set of financial instruments are allocated to the different tranches. The debt tranches of the instrument will comply with the requirement that their cash flows represent only payment of principal and interest on the outstanding principal:
    a) the contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding
    b) the underlying pool of financial instruments comprises instruments with cash flow that are solely payments of principal and interest on the principal amount outstanding, and
    c) the exposure to credit risk in the underlying pool of financial instruments inherent in the tranche is equal to or lower than the exposure to credit risk of the underlying pool of financial instruments (for example, the credit rating of the tranche being assessed for classification is equal to or higher than the credit rating that would apply to a single tranche that funded the underlying pool of financial instruments)

In any event, the contractual conditions that, at the time of the initial recognition, have a minimal effect on cash flows or depend on the occurrence of exceptional and highly unlikely events do not prevent compliance with the conditions of the SPPI test.

Based on the above characteristics, financial assets will be classified and valued as described below.

A debt instrument will be classified in the amortized cost portfolio if the two following conditions are fulfilled:

- The financial asset is managed within a business model whose purpose is to maintain the financial assets to maturity, to receive contractual cash flows; and
- The contractual conditions of the financial asset give rise to cash flows that are only payments of principal and interest.

A debt instrument will be classified in the portfolio of financial assets at fair value with changes through other comprehensive income if the two following conditions are fulfilled:

- The financial asset is managed with a business model whose purpose combines collection of the contractual cash flows and sale of the assets, and
- The contractual characteristics of the instrument generate cash flows which only represent the return of the principal and interest,

A debt instrument will be classified at fair value with changes in profit and loss provided that the entity's business model for their management or the contractual characteristics of its cash flows do not require classification into one of the portfolios described above.

In general, equity instruments will be measured at fair value through profit or loss. However BBVA may make an irrevocable election at initial recognition to present subsequent changes in the fair value through "other comprehensive income".

Financial assets will only be reclassified when BBVA decides to change the business model. In this case, all of the financial assets assigned to this business model will be reclassified. The change of the objective of the business model should occur before the date of the reclassification.

Measurement of financial assets

All financial instruments are initially recognized at fair value, plus, those transaction costs which are directly attributable to the acquisition or issue of the particular instrument, with the exception of those financial assets are classified at fair value through profit or loss.

All changes in the value of financial assets due to the interest accrual and similar items are recorded in the headings "Interest income and other similar income" or "Interest expenses", of the income statement of the year in which the accrual occurred (see Note 33), except in the case of trading derivatives that are not part of the economic and accounting hedges.

The changes in fair value after the initial recognition, for reasons other than those mentioned in the preceding paragraph, are treated as described below, according to the categories of financial assets.

“Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit and loss” and “Financial assets designated at fair value through profit or loss”

Financial assets are recorded under the heading “Financial assets held for trading” if the objective of the business model is to generate gains by buying and selling these financial instruments or generate short-term results. The financial assets recorded in the heading “Non-trading financial assets mandatorily at fair value through profit and loss” are assigned to a business model which objective is to obtain the contractual cash flows and / or to sell those instruments but its contractual cash flows do not comply with the requirements of the SPPI test. In “Financial assets designated at fair value through profit or loss” the Bank classifies financial assets only if it eliminates or significantly reduces a measurement or recognition inconsistency (an ‘accounting mismatch’) that would otherwise arise from measuring financial assets or financial liabilities or recognizing gains or losses on them, on different bases.

The assets recognized under these headings of the balance sheet are measured upon acquisition at fair value and changes in the fair value (gains or losses) are recognized as their net value under the headings “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit and loss, net” and “Gains (losses) on financial assets designated at fair value through profit or loss, net” in the accompanying income statement (see Note 37). Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading “Exchange differences, net” (Note 37).

”Financial assets at fair value through other comprehensive income”

- Debt instruments

  Assets recognized under this heading in the balance sheets are measured at their fair value. This category of valuation implies the recognition of the information in the income statement as if it were an instrument valued at amortized cost, while the instrument is valued at fair value in the balance sheet. Thus, both interest income of these instruments and the exchange differences and impairment that arise in their case are recorded in the profit and loss account, while subsequent changes in its fair value (gains or losses) are recognized temporarily,(by the amount net of tax effect) under the heading “Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income” in the balance sheets (see Note 27).

  The amounts recognized under the headings “Accumulated other comprehensive income- Items that may be reclassified to profit or loss - Fair value changes of financial assets measured at fair value through other comprehensive income” continue to form part of the Bank's equity until the corresponding asset is derecognized from the balance sheet or until a loss allowance is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings “Gains (losses) on financial assets and liabilities, net” (see Note 37).

  The net loss allowances in financial assets at fair value through other comprehensive income over the year are recognized under the heading “Loss allowances on financial assets, net – Financial assets at fair value through other comprehensive income” in the income statements for that year (see Note 42).

  Interest income of these instruments are recorded in the profit and loss account (see Note 33) and the changes in foreign exchange rates are recognized under the heading “Exchange differences, net" in the accompanying income statement (see Note 37).

- Equity instruments

  At the time of initial recognition of specific investments in equity instruments, the BBVA Group may make the irrevocable decision to present subsequent changes in fair value in other comprehensive income. Subsequent changes in this valuation will be recognized in the heading "Other accumulated comprehensive income - Items that will not be reclassified in results - Changes in the fair value of equity instruments measured at fair value with changes in other comprehensive income" (see Note 27). Dividends received from these investments are recorded in the heading "Dividend income" in the income statement (see Note 34). These instruments are not subject to the impairment model of IFRS 9.

“Financial assets at amortized cost”

The assets under this category are subsequently measured at amortized cost, using the effective interest rate method.

Net loss allowances of assets recorded under these headings arising in each period are recognized under the heading “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss – financial assets measured at cost in the income statement for that year ” (see Note 42).

2.1.2 Classification and measurement of financial liabilities

Classification of financial liabilities

Financial liabilities are classified in the following categories:

- Financial liabilities at amortized cost
- Financial liabilities that are held for trading including derivatives are financial instruments which are recorded in this category when the Bank's objective is to generate gains by buying and selling these financial instruments;
- Financial liabilities that are designated at fair value through profit or loss on initial recognition under the Fair Value Option. The Bank has the option to designate irrevocably, on the initial moment of recognition, a financial liability as at fair value through profit or loss provided that doing so results in the elimination or significant reduction of measurement or recognition inconsistency, or if a group of financial liabilities, or a group of financial assets and financial liabilities, has to be managed, and its performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy.

Measurement of financial liabilities

Financial instruments are initially recognized at fair value, minus, those transaction costs which are directly attributable to the issue of the particular instrument, except for financial instruments that are classified at fair value through profit or loss.

Variations in the value of financial liabilities due to the interest accrual and similar items are recorded in the headings "Interest income" or "Interest expense", of the income statement for the year in which the accrual occurred (see Note 33), except for trading derivatives that are not economic and accounting hedges.

The changes in fair value after the initial recognition, for reasons other than those mentioned in the preceding paragraph, are treated as described below, according to the categories of financial liabilities.

"Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss"

The subsequent changes in the fair value (gains or losses) of the liabilities recognized under these headings of the balance sheets are recognized as their net value under the headings "Gains (losses) on financial assets and liabilities held for trading, net" and "Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net" in the accompanying income statements (see Note 37). Nevertheless, the changes in the own credit risk of the liabilities designated under the fair value option is presented in "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk" (see Note 27), unless this treatment brings about or increases an asymmetry in the income statement. However, changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying income statements (see Note 37).

"Financial liabilities at amortized cost"

The liabilities under this category are subsequently measured at amortized cost, using the effective interest rate method.

Hybrid financial liabilities

When a financial liability contains an embedded derivative, BBVA analyzes whether the economic characteristics and risks of the embedded derivative and the host instrument are closely related.

If the characteristics and risks of the host and the derivative are closely related, the instrument as a whole will be classified and measured according to the general rules for financial liabilities. If, on the other hand, the economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host, its terms meet the definition of a derivative and the hybrid contract is not measured at fair value with changes in fair value recognised in profit or loss, the embedded derivative shall be separated from the host and accounted for as a derivative separately at fair value with changes in profit and loss and the host instrument will be classified and measured according to its nature.

2.1.3 "Derivatives-Hedge Accounting" and "Fair value changes of the hedged items in portfolio hedges of interest-rate risk"

BBVA uses financial derivatives as a tool for managing financial risks, mainly interest rates and exchange rates (See Note 5).

When these operations meet certain requirements, they are considered "hedging".

Changes occurring subsequent to the designation of the hedging relationship in the measurement of financial instruments designated as hedged items as well as financial instruments designated as hedge accounting instruments are recognized as follows:

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading "Gains (losses) from hedge accounting, net" in the income statement (see Note 37), with a corresponding offset under the headings where hedging items ("Hedging derivatives") and the hedged items are recognized, as applicable, except for interest-rate risks hedges (which are almost all of the hedges used by the Bank). Therefore, the valuation changes are recognized under the headings “Interest income” or “Interest expense”, as appropriate, in the accompanying income statement (see Note 33).

- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the income statement with a corresponding offset under the heading “Derivatives – Hedging derivatives”, and the gains or losses that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are also recognized in the income statement (in both cases under the heading “Gains (losses) from hedge accounting, net” (see Note 37), using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the balance sheets, as applicable.
- In cash flow hedges, the gain or loss on the hedging instruments are recognized temporarily under the heading ”Accumulated other comprehensive income - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges” in the balance sheets, with a balancing entry under the heading “Hedging derivatives” of the Assets or Liabilities of the balance sheets as applicable. These differences are recognized in the accompanying income statement at the time when the gain or loss in the hedged instrument affects profit or loss, when the forecast transaction is executed or at the maturity date of the hedged item (see Note 33).
- Differences in the measurement of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading “Gains (losses) from hedge accounting, net” in the income statement (see Note 37).
- In the hedges of net investments in foreign operations, the differences attributable to the effective portions of hedging items are recognized temporarily under the heading "Accumulated other comprehensive income - Items that may be reclassified to profit or loss – Hedging of net investments in foreign transactions" in the balance sheets with a balancing entry under the heading “Hedging derivatives” of the Assets or Liabilities of the balance sheets as applicable. These differences in valuation are recognized under the heading “Exchange differences, net" in the income statement when the investment in a foreign operation is disposed of or derecognized (see Note 37).

2.1.4 Loss allowances on financial assets

The “expected losses” impairment model is applied to financial assets valued at amortized cost, to debt instruments valued at fair value with changes in other accumulated comprehensive income, to financial guarantee contracts and other commitments. All financial instruments valued at fair value through profit or loss are excluded from the impairment mode.

The standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized (Stage 1); the second comprises the financial assets for which a significant increase in credit risk has been identified since its initial recognition (Stage 2) and the third one, the impaired financial assets (Stage 3).

The calculation of the provisions for credit risk in each of these three categories must be done differently. In this way, expected loss up to 12 months for the financial assets classified in the first of the aforementioned categories must be recorded, while expected losses estimated for the remaining life of the financial assets classified in the other two categories must be recorded. Thus, Circular 4/2017 differentiates between the following concepts of expected loss:

- Expected loss at 12 months: expected credit loss that arises from possible default events within 12 months following the presentation date of the financial statements; and
- Expected loss during the life of the transaction: this is the expected credit loss that arises from all possible default events over the remaining life of the financial instrument.

All this requires considerable judgment, both in the modeling for the estimation of the expected losses and in the forecasts, on how the economic factors affect such losses, which must be carried out on a weighted probability basis.

The Bank has applied the following definitions in accordance with Circular 4/2017:

- Default

BBVA has applied a definition of default for financial instruments that is consistent with that used in internal credit risk management, and coherent with the definition applied by the Bank within the prudential context. The Bank has considered the existence of default when one of the following situations occurs:

- payment past-due for more than 90 days; or
- there are reasonable doubts regarding the full reimbursement of the instrument.
- The 90-day past-due stipulation may be waived in cases where the entity considers it appropriate, based on reasonable and documented information that it is appropriate to use a longer term. As of December 31, 2020, the Bank has not considered periods higher than 90 days for any significant portfolio.

Credit impaired asset

An asset is credit-impaired according to Circular 4/2017 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- Significant financial difficulty of the issuer or the borrower.
- A breach of contract (e.g. a default or past due event).
- A lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider.
- It becoming probable that the borrower will enter bankruptcy or other financial reorganization.
- The disappearance of an active market for that financial asset because of financial difficulties.
- The purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

It may not be possible to identify a single discrete event. Instead, the combined effect of several events may cause financial assets to become credit-impaired.

The definition of impaired financial assets in the Bank is aligned with the definition of default explained in the above paragraphs.

Credit risk management for wholesale counterparties is carried out at the customer (or group) level. For this reason, the classification of any of a client's exposures as impaired, whether due to more than 90 days of default or due to any of the subjective criteria, implies the classification as impaired of all the client's exposures. There may be some justified exception that, in any case, are not significant.

Regarding retail clients, which are managed at the transaction level, the scoring systems review their score, among other reasons, in the event of default in any of their transactions, which also triggers the necessary recovery actions, including find the refinancing measures which, where appropriate, may lead to all the client's operations being considered impaired. Also, given the granularity of the retail portfolios, the differential behavior of these clients in relation to their products and the given guarantees, as well as the time necessary to find the best solution, the Bank has established as an indicator that when a there was a default in a retail transaction in excess of 90 days and represents more than 20% of the client's exposure, all of its operations are considered impaired.

Significant increase in credit risk

The objective of the impairment requirements is to recognize lifetime expected credit losses for financial instruments for which there have been significant increases in credit risk since initial recognition considering all reasonable and supportable information, including that which is forward-looking.

The model developed by the Bank for assessing the significant increase in credit risk has a two-prong approach (See Note 5.2.1)

- Quantitative criterion: the Bank uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life (Note 5.2.1).
- Qualitative criterion: most indicators for detecting significant risk increase are included in the Bank's systems through rating and scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Bank will use additional qualitative criteria to identify a significant risk increase and include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used. These qualitative criterion are the following:
  - Non-payment for more than 30 days past due. According to Circular 4/2017, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2020, the Bank has not considered periods higher than 30 days.
  - Watch list: They are subject to special watch by the Risk units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
  - Refinance or restructuring that does not show evidence of impairment, or that, have been previously identified, the existence of significant increase in credit risk is still considered.

Although the standard introduces a series of operational simplifications, also called practical solutions for analyzing the increase in significant risk, the Bank does not use them as a general rule. However, for high-quality assets, mainly related to certain government institutions and bodies, the standard allows for considering that their credit risk has not increased significantly because they have a low credit risk at the presentation date. This possibility is limited to those financial instruments that are classified as having high credit quality and high liquidity to comply with the liquidity coverage ratio ("LCR"). This does not prevent these assets from being assigned the credit risk coverage that corresponds to their classification as Stage 1 based on their credit rating and macroeconomic expectations.

The classification of financial instruments subject to impairment under Circular 4/2017 is as follows:

- Stage 1– without significant increase in credit risk

Financial assets which are not considered to have significantly increased in credit risk have loss allowances measured at an amount equal to 12 months expected credit losses derived from defaults.

- Stage 2– significant increases in credit risk

When the credit risk of a financial asset has increased significantly since the initial recognition, the loss allowances of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

- Stage 3 – Impaired

When there is objective evidence that the instrument is credit impaired, the financial asset is transferred to this category in which the provision for losses of that financial instrument is calculated as the expected credit loss during the entire life of the asset.

When the recovery of any recognized amount is considered remote, such amount is written-off on the balance sheet, without prejudice to any actions that may be taken in order to collect the amount until the rights extinguish in full either because it is time-barred debt, the debt is forgiven, or other reasons.

Method for calculating expected credit loss

Method for calculating expected loss

In accordance with Circular 4/2017, the measurement of expected losses must reflect:

- A considered and unbiased amount, determined by evaluating a range of possible results;
- The time value of money, and
- reasonable and supportable information that is available without undue cost or effort and that reflects current conditions and forecasts of future economic conditions.

Expected losses are measured both individually and collectively.

The amount of credit losses is calculated as the difference between expected discounted cash flows at the effective interest rate of the transaction and the carrying amount of the instrument (See Note 5.2.1):

For the collective measurement of expected losses the instruments are grouped into groups of assets based on their risk characteristics. Exposure within each group is segmented according to the common credit risk characteristics, similar characteristics of the credit risk, indicative of the payment capacity of the borrower in accordance with their contractual conditions. These risk characteristics have to be relevant in estimating the future flows of each group. The characteristics of credit risk may consider, among others, the following factors (See Note 5.2.1):

- Type of instrument.
- Rating or scoring tools.
- Credit risk scoring or rating.
- Type of collateral.
- Amount of time at default for stage 3.
- Segment.
- Qualitative criteria which can have a significant increase in risk.
- Collateral value if it has an impact on the probability of a default event.

The estimated losses are derived from the following parameters:

- PD: estimate of the probability of default in each period.

- EAD: estimate of the exposure in case of default at each future period, taking into account the changes in exposure after the presentation date of the financial statements.
- LGD: estimate of the loss in case of default, calculated as the difference between the contractual cash flows and receivables, including guarantees. For these purposes, the probability of executing the guarantee is considered in the estimation, the moment until its ownership, the expected cashflows and acquisition and sale costs.
- CCF: Conversion factor in cash, is the estimation conducted off-balance to determine the credit risk exposure in case of default.

In BBVA, the expected credit losses calculated are based on internal models developed for all portfolios within the scope of Circular 4/201, except for the cases that are subject to individual estimation.

The calculation and recognition of expected losses includes exposures with governments and credit institutions, for which, despite having a reduced number of defaults in the information databases, internal models have been developed, considering, as sources of information, the data provided by external rating agencies or other observed in the market, such as changes in bond yields, prices of credit default swaps or any other public information on them

Use of present, past and future information

Circular 4/2017 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss.

The standard does not require identification of all possible scenarios for measuring expected loss. However, the probability of a loss event occurring and the probability it will not occur will also have to be considered, even though the possibility of a loss may be very low. To achieve this, BBVA generally evaluates the linear relationship between its estimated loss parameters (PD, GDP, EAD) with the history and future forecasts of the macroeconomic scenarios

Also, when there is no linear relation between the different future economic scenarios and their associated expected losses, more than one future economic scenario must be used for the measurement.

BBVA uses a methodology based on three scenarios. The first is the most probable scenario (baseline scenario) consistent with the employee on the Bank's internal management processes, and other additional two, one more positive and the other more negative. The combined outcome of these three scenarios is calculated considering the weight given to each of them. The main macroeconomic variables that are valued in each of the scenarios are Gross Domestic Product (GDP), interest rates, unemployment rate and price of real estate properties. (For more details see Note 5.2.1).

2.1.5 Transfers and derecognition of financial assets and liabilities

The accounting treatment of transfers of financial assets is determined by the form in which risks and benefits associated with the financial assets involved are transferred to third parties. Thus the financial assets are only derecognized from the balance sheet when the cash flows that they generate are extinguished, or when their implicit risks and benefits have been substantially transferred to third parties, or when the control of financial asset is transferred even in case of no physical transfer or substantial retention of such assets. In the latter case, the financial asset transferred is derecognized from the balance sheet, and any right or obligation retained or created as a result of the transfer is simultaneously recognized.

Similarly, financial liabilities are derecognized from the balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

The Bank is considered to have transferred substantially all the risks and benefits if such risks and benefits account for the majority of the risks and benefits involved in ownership of the transferred financial assets. If substantially all the risks and/or benefits associated with the transferred financial asset are retained:

- The transferred financial asset is not derecognized from the balance sheet and continues to be measured using the same criteria as those used before the transfer.
- A financial liability is recognized at the amount equal to the amount received, which is subsequently measured at amortized cost or fair value with changes in the income statement, whichever the case.
- Both the income generated on the transferred (but not derecognized) financial asset and the expense of the new financial liability continue to be recognized.

In the specific case of securitizations, this liability is recognized under the heading "Financial liabilities at amortized cost – Customer deposits" in the balance sheets (see Note 20). As these liabilities do not constitute a current obligation, when measuring such a financial liability the Bank deducts those financial instruments owned by it which constitute financing for the entity to which the financial assets have been transferred, to the extent that these instruments are deemed specifically to finance the transferred assets.

The criteria followed with respect to the most common transactions of this type made by the Bank are as follows:

- Purchase and sale commitments: Financial instruments sold with a repurchase agreement are not derecognized from the balance sheets and the amount received from the sale is considered to be financing from third parties.

- Financial instruments acquired with an agreement to subsequently resell them are not recognized in the balance sheets and the amount paid for the purchase is considered to be credit given to third parties.

- Securitization: The Bank has applied the most stringent criteria for determining whether or not it retains substantially all the risk and rewards on such assets for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the securitized assets from the balance sheets (see Note 12 and Appendix VI), as the Bank retains substantially all the expected credit risks and possible changes in net cash flows, while retaining the subordinated loans and lines of credit extended to these securitization funds.

2.2. Financial guarantees

Financial guarantees are considered to be those contracts that require their issuer to make specific payments to reimburse the holder of the financial guarantee for a loss incurred when a specific borrower breaches its payment obligations on the terms – whether original or subsequently modified – of a debt instrument, irrespective of the legal form it may take. Financial guarantees may take the form of a deposit, financial guarantee, insurance contract or credit derivative, among others.

In their initial recognition, financial guarantees are recognized as liabilities in the balance sheet at fair value, which is generally the present value of the fees, commissions and interest receivable from these contracts over the term thereof, and we simultaneously recognize a corresponding asset in the side of the balance sheet for the amount of the fees and commissions received at the inception of the transactions and the amounts receivable at the present value of the fees, commissions and interest outstanding.

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying loss allowances on debt instruments measured at amortized cost (see Note 2.1.4).

The provisions recognized for financial guarantees are recognized under the heading “Provisions - Provisions for contingent risks and commitments” on the liability side in the balance sheets (see Note 21). These provisions are recognized and reversed with a charge or credit, respectively, to “Provisions or reversal of provision” in the income statements (see Note 41).

Income from financial guarantees is recorded under the heading “Fee and commission income” in the income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 35).

Synthetic securitizations made by the Bank to date, meet the requirements of the accounting regulations for accounting as guarantees.

2.3. Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale

The heading “Non-current assets and disposal groups classified as held for sale” in the balance sheet includes the carrying amount of individual items or items integrated in a group ("disposal group") or that form part of a significant business line or geographic area that it is intended to be disposed of (“discontinued operation”) whose sale is highly probable that it will take place under the conditions in which such assets are currently located within a period of one year from the date to which the financial statements refer. Additionally, assets that are expected to be disposed of within a year but which disposal is delayed is caused by events and circumstances beyond the control of the Bank can be classified as held for sale (see Note 19).

Symmetrically, the heading “Liabilities included in disposal groups classified as held for sale” in the balance sheets reflects the balances payable arising from disposal groups and discontinued operations.

The heading "Non-current assets and disposal groups as held for sale" includes the assets received for the satisfaction, in whole or in part, of the payment obligations of their debtors (foreclosed or received in payment of debt or recoveries from financial leasing transactions, unless the Group has decided to make continued use of those assets.

Non-current assets and disposal groups classified as held for sale are measured, at the acquisition date and at any later date deemed necessary, at either their carrying amount or the fair value of the property (less costs to sell), whichever is lower. An impairment or reversal of impairment for the difference is recognized if applicable. When the amount of the sale less estimated costs of sale is higher than the carrying value, the gain is not recognized until the moment of disposal and derecognition from the balance sheet.

Non-current assets and disposal groups held for sale groups classified as held for sale are not depreciated while included under the heading “Non-current assets and disposal groups classified as held for sale”.

In the case of real estate assets foreclosed or received in payment of debts, they are initially recognized at the lower of: the restated carrying amount of the financial asset and the fair value at the time of the foreclosure or receipt of the asset less estimated sales costs. The carrying amount of the financial asset is updated at the time of the foreclosure, treating the real property received as a secured collateral and taking into account the credit risk coverage that would correspond to it according to its classification prior to the delivery. For these purposes, the collateral will be valued at its current fair value (less sale costs) at the time of foreclosure. This carrying amount will be compared with the previous carrying amount and the difference will be recognized as a provision increase, if applicable. On the other hand, the fair value of the foreclosed assets is based mainly on appraisals or valuations carried out by independent experts on an annual basis or more frequently if there are indications of impairment by appraisal, evaluating the need to apply a discount on the asset derived from the specific conditions of the asset or the market situation for these assets, and in any case, deducting the company's estimated sale costs.

Fair value of non-current assets held for sale from foreclosures or recoveries is based mainly in appraisals or valuations made by independent experts on annual basis or more frequently, should there be indicators of impairment. The Bank applies the rule that these appraisals may not be older than one year, and their age is reduced if there is an indication of deterioration in the assets. The Bank mainly uses the services of the following valuation and appraisal companies. None of them is linked to the BBVA Group and all are entered in the official Bank of Spain register: Sociedad de Tasación, S.A.; Krata, S.A.; Gesvalt, S.A.; Tasvalor, S.A.; Tinsa, S.A.; Valmesa, S.A.; Arco Valoraciones, S.A., Tecnitasa, S.A., Eurovaloraciones, S.A., JLL Valoraciones, S.A., Tasibérica, S.A., Uve Valoraciones, S.A. and Global Valuation, S.A.U.

Gains and losses generated on the disposal of assets, disposal groups and liabilities classified as non-current held for sale, and liabilities included in disposal groups classified as held for sale as well as impairment losses and, where pertinent, the related recoveries, are recognized in "Profit or loss from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the income statements (see Note 45). The remaining income and expense items associated with these assets and liabilities are classified within the relevant income statement headings.

Income and expense for discontinued operations, whatever their nature, generated during the year, even if they have occurred before their classification as discontinued operations, are presented net of the tax effect as a single amount under the heading "Profit (loss) after tax from discontinued operations" in the income statement (see Note 1.3 and 14). This heading includes the earnings from their sale or other disposal (net of tax effects).

2.4. Tangible assets

Property, plant and equipment for own use

This heading includes the assets under ownership or acquired as right to use assets under lease terms, (right to use) intended for future or current use by the Bank and that it expects to hold for more than one year. It also includes tangible assets received by the Bank in full or partial settlement of financial assets representing receivables from third parties and those assets expected to be held for continuing use.

For more information regarding the accounting treatment of right to use assets under lease terms, see Note 2.15 "Leases".

Property, plant and equipment for own use are presented in the balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net carrying amount of each item with its corresponding recoverable value (see Note 15).

Depreciation is calculated using the straight-line method, during the useful life of the asset, on the basis of the acquisition cost of the assets less their residual value; the land is considered to have an indefinite life and is therefore not depreciated.

The tangible asset depreciation charges are recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

Depreciation rates for tangible assets

Type of assets	Annual Percentage
Buildings for own use	1% - 4%
Furniture	8% - 10%
Fixtures	6% - 12%
Office supplies and computerization	8% - 25%
Right of use asset by lease	The lesser of the lease term or the useful life of the underlying asset

At each reporting date, the Bank analyzes whether there are internal or external indicators that a tangible asset may be impaired. When there is evidence of impairment, the entity then analyzes whether this impairment actually exists by comparing the asset's net carrying amount with its recoverable amount (as the higher between its recoverable amount less disposal costs and its value in use). When the carrying amount exceeds the recoverable amount, the carrying amount is written down to the recoverable amount and depreciation charges going forward are adjusted to reflect the asset's remaining useful life.

Similarly, if there is any indication that the value of a previously impaired tangible asset has been recovered, the entities will estimate the recoverable amounts of the asset and recognize it in the income statement, registering the reversal of the impairment loss recognized in previous years and thus adjusting future depreciation charges. Under no circumstances may the reversal of an impairment loss on an asset raise its carrying amount above that which it would have if no impairment losses had been recognized in prior years.

In BBVA, most of the buildings held for own use are assigned to the different Cash-Generating-Units (CGU) to which they belong. The corresponding impairment analysis are performed for these CGUs to check whether sufficient cash flows are generated to support the value of the assets comprised within.

Running and maintenance expense relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the income statements under the heading " Administration costs - Other administrative expense - Property, fixtures and equipment " (see Note 39.2).

Other assets leased out under an operating lease

The criteria used to recognize the acquisition cost of assets leased out under operating leases, to calculate their depreciation and their respective estimated useful lives and to recognize the impairment losses on them, are the same as those described in relation to tangible assets for own use.

Investment properties

The heading "Tangible assets - Investment properties" in the balance sheet reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated loss allowance) of the land, buildings and other structures that are held either to earn rentals or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 15).

The criteria used to recognize the acquisition cost of investment properties, calculate their depreciation and their respective estimated useful lives and register the impairment losses on them, are the same as those described in relation to tangible assets held for own use.

BBVA determines periodically the fair value of its investment properties in such a way that, at the end of the financial year, the fair value reflects the market conditions of investment property assets' market at such date. This fair value will be determined taking as references the valuations performed by independent experts.

2.5. Intangible assets

Intangible assets in the financial statements of the Bank have a finite useful life.

The useful life of intangible assets is, at most, equal to the period during which the entity is entitled to use the asset; If the right of use is for a limited renewable period, the useful life includes the renewal period only when there is evidence that the renewal will be carried out without a significant cost (see Note 16).

When the useful life of intangible assets cannot be estimated reliably, they are amortized over a ten year period.

Intangible assets are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The defined useful life intangible asset is made up mainly of IT applications acquisition costs which have a useful life of 3 to 5 years. The depreciation charge for these assets is recognized in the accompanying income statements under the heading "Depreciation and amortization" (see Note 40).

The Bank recognizes any loss allowance on the carrying amount of these assets with charge to the heading "Impairment or reversal of impairment on non - financial assets- Intangible assets" in the accompanying income statements (see Note 44). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of loss allowances previously recognized, are similar to those used for tangible assets.

2.6. Tax assets and liabilities

Expense on corporate income tax applicable to Spanish companies are recognized in the income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

The total corporate income tax expense is calculated by aggregating the current tax arising from the application of the corresponding tax rate as per the tax base for the year (after deducting the tax credits or discounts allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the income statement.

Deferred tax assets and liabilities include temporary differences, defined as at the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and tax loss and tax credit or discount carry forwards. These amounts are registered by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 17).

The "Tax Assets" line item in the accompanying balance sheets includes the amount of all the assets of a tax nature, broken down into: "Current" (amounts of tax recoverable in the next twelve months) and "Deferred" (which includes the amount of tax to be recovered in future years, including those arising from tax losses or credits for deductions or rebates that can be compensated). The "Tax Liabilities" line item in the accompanying balance sheets includes the amount of all the liabilities of a tax nature, except for provisions for taxes, broken down into: "Current" (income tax payable on taxable profit for the year and other taxes payable in the next twelve months) and "Deferred" (the amount of corporate tax payable in subsequent years).

Deferred tax liabilities attributable to taxable temporary differences associated with investments in subsidiaries, associates or joint venture entities are recognized as such, except where the Bank can control the timing of the reversal of the temporary difference and it is unlikely that it will reverse in the future. Deferred tax assets are recognized to the extent that it is considered probable that they will have sufficient taxable profits in the future against which the deferred tax assets can be utilized and are not from the initial recognition of other assets or liabilities in a transaction that does not affect the fiscal outcome.

The deferred tax assets and liabilities recognized are reassessed by the Bank at the close of each accounting period in order to ascertain whether they still qualify as deferred tax assets and liabilities, and the appropriate adjustments are made on the basis of the findings of the analyses performed. In those circumstances in which it is unclear how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authority in future, the entity recognizes current and deferred tax liabilities and assets considering whether it is probable or not that a taxation authority will accept an uncertain tax treatment. Thus, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity uses the amount expected to be paid to (recovered from) the taxation authorities.

The income and expense directly recognized in equity that do not increase or decrease taxable income are accounted for as temporary differences.

2.7. Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the balance sheet includes amounts recognized to cover the Bank's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations by the Bank is deemed likely to entail an outflow of resources embodying economic benefits (see Note 21). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by the Bank relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Bank will certainly be subject.

The provisions are recognized in the balance sheets when each and every one of the following requirements is met:

- They represent a current obligation that has arisen from a past event.
- At the date referred to by the financial statements, there is more probability that the obligation will have to be met than that it will not.
- It is probable that an outflow of resources embodying economic benefits will be required to settle the obligation.
- The amount of the obligation can be reasonably estimated.

Among other items, these provisions include the commitments made to employees (mentioned in section 2.8), as well as provisions for tax and legal litigation.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Bank. Contingent assets are not recognized in the balance sheet or in the income statement; however, they will be disclosed, should they exist, provided that it is probable that these assets will give rise to an increase in resources embodying economic benefits (see Note 30).

Contingent liabilities are possible obligations of the Bank that arise from past events and whose existence is conditional on the occurrence or non-occurrence of one or more future events beyond the control of the entity. They also include the existing obligations of the entity when it is not probable that an outflow of resources embodying economic benefits will be required to settle them; or when, in extremely rare cases, their amount cannot be measured with sufficient reliability.

Contingent liabilities are not recognized in the balance sheet or the income statement (excluding contingent liabilities from business combination) but are disclosed in the Notes to the Financial Statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.8. Post-employment and other employee benefit commitments

Below we provide a description of the most significant accounting criteria relating to post-employment and other employee benefit commitments assumed by the Bank (see Note 22).

Short-term employee benefits

Benefits for current active employees which are accrued and settled during the year and for which a provision is not required in the entity´s accounts. These include wages and salaries, social security charges and other personnel expense.

Costs are charged and recognized under the heading “Administration costs – Personnel expense – Other personnel expense” of the income statement (see Note 39.1).

Post-employment benefits – Defined-contribution plans

The Bank sponsors defined-contribution plans for its active employees. The amount of these benefits is established as a percentage of remuneration and/or as a fixed amount.

The contributions made to these plans in each period by the Bank are charged and recognized under the heading “Administration costs – Personnel expense – Defined-contribution plan expense” of the income statement (see Note 39.1).

Post-employment benefits – Defined-benefit plans

The Bank maintains pension commitments with employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. These commitments are covered by insurance contracts, pension funds and internal provisions.

In addition, the Bank have offered certain employees the option to retire before their normal retirement age stipulated, recognizing the necessary provisions to cover the costs of the associated benefit commitments, which include both the liability for the benefit payments due as well as the contributions payable to external pension funds during the early retirement period.

Furthermore, the Bank provides welfare and medical benefits which extend beyond the date of retirement of the employees entitled to the benefits.

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading “Provisions – Provisions for pensions and similar obligations” and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the financial statements (see Note 21).

Current service cost are charged and recognized under the heading “Administration costs – Personnel expense – Defined-benefit plan expense” of the income statement (see Note 39.1).

Interest credits/charges relating to these commitments are charged and recognized in net terms under the headings “Interest income” or, where appropriated, “Interest expense” of the income statement. (see Note 33).

Past service costs arising from benefit plan changes as well as early retirements granted during the period are recognized under the heading “Provisions or reversals of provisions” of the income statement (see Note 41).

Other long-term employee benefits

In addition to the above commitments, the Bank provides leave and long-service awards to their employees, consisting of either an established monetary amounts or shares in Banco Bilbao Argentaria S.A. granted upon completion of a number of years of qualifying service.

These commitments are quantified based on actuarial valuations and the amounts recorded under the heading “Provisions – Other long-term employee benefits” of the balance sheet (see Note 21).

Valuation of commitments: actuarial assumptions and recognition of gains/losses

The present value of these commitments is determined based on individual member data. Active employee costs are determined using the “projected unit credit” method, which treats each period of service as giving rise to an additional unit of benefit and values each unit separately.

In establishing the actuarial assumptions we take into account that:

- They should be unbiased, i.e. neither unduly optimistic nor excessively conservative.

- Each assumption does not contradict the others and adequately reflect the existing relationship between economic variables such as price inflation, expected wage increases, discount rates and the expected return on plan assets, etc. Future wage and benefit levels should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.

- The interest rate used to discount benefit commitments is determined by reference to market yields, at the balance sheet date, on high quality bonds.

The Bank recognizes actuarial gains/losses relating to early retirement benefits, long service awards and other similar items under the heading “Provisions or reversal of provisions” of the income statement for the period in which they arise (see Note 41). Actuarial gains/losses relating to pension benefits are directly charged and recognized under the heading "Accumulated other comprehensive income – Items that will not be reclassified to profit or loss – Actuarial gains or losses on defined benefit pension plans" of equity in the balance sheet (see Note 27).

2.9. Equity-settled share-based payment transactions

Provided they constitute the delivery of such equity instruments following the completion of a specific period of services, equity-settled share-based payment transactions are recognized as an expense for services being provided by employees, by way of a balancing entry under the heading “Shareholders’ funds – Other equity elements” in the balance sheet. These services are measured at fair value for the employees services received, unless such fair value cannot be calculated reliably. In such case, they are measured by reference to the fair value of the equity instruments granted, taking into account the date on which the commitments were granted and the terms and other conditions included in the commitments.

When the initial compensation agreement includes what may be considered market conditions among its terms, any changes in these conditions will not be reflected in the income statement, as these have already been accounted for in calculating the initial fair value of the equity instruments. Non-market vesting conditions are not taken into account when estimating the initial fair value of equity instruments, but they are taken into account when determining the number of equity instruments to be issued. This will be recognized on the income statement with the corresponding increase in equity.

2.10. Termination benefits

Termination benefits are recognized in the financial statements when the Bank agrees to terminate employment contracts with its employees and has established a detailed plan.

2.11. Treasury shares

The value of common stock -basically, shares and derivatives over the Bank's shares held by itself that comply with the requirements to be recognized as equity instruments- is recognized as a decrease to net equity under the heading "Shareholders’ funds – other reserves" in the balance sheets (see Note 26).

These financial assets are recognized at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading “Shareholders’ funds – other reserves ” in the balance sheet (see Note 25).

2.12. Foreign-currency transactions

Assets, liabilities and futures transactions

The assets and liabilities in foreign currencies, including those of branches abroad, and the unmatured hedging forward foreign currency purchase and sale transactions, are converted to euros at the average exchange rates on the Spanish spot currency market (or based on the price of the U.S. dollar on local markets for the currencies not listed on this market) at the end of each period, with the exception of:

- Non-current investments in securities denominated in foreign currencies and financed in euros or in a currency other than the investment currency, which are converted at historical exchange rates.

- Unmatured non-hedging forward foreign currency purchase and sale transactions, which are converted at the exchange rates on the forward currency market at the end of each period as published by the Bank of Spain for this purpose.

The exchange differences that arise when converting these foreign-currency assets and liabilities (including those of the branches) into euros are recognized under the heading “Exchange differences, net" in the income statement, except for those differences that arise in non-monetary measured at fair value are recorded to equity under the heading “Accumulated other comprehensive income or loss - Items not subject to reclassification to income statement - Fair value changes of equity instruments measured at fair value through other comprehensive income”.

The breakdown of the main balances in foreign currencies as of December 31, 2020 and 2019, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

Structural currency positions

As a general policy, the Bank's investments in foreign subsidiaries and the endowment funds provided to branches abroad are financed in the same currency as the investment in order to eliminate the future currency risk arising from these transactions. However, the investments made in countries whose currencies do not have a market which permits the obtainment of unlimited, lasting and stable long-term financing are financed in another currency.

2.13. Recognition of income and expense

The most significant policies used by the Bank to recognize its income and expense are as follows.

- Interest income and expense and similar items

As a general rule, interest income and expense and similar items are recognized on the basis of their period of accrual using the effective interest rate method.

They shall be recognized within the income statement according to the following criteria, independently from the financial instruments' portfolio which generates the income or expense:

- The interest income past-due before the initial recognition and pending to be received will form part of the gross carrying amount of the debt instrument.
- The interest income accrued after the initial recognition will form part of the gross carrying amount of the debt instrument until it will be received.

The financial fees and commissions that arise on the arrangement of loans and advances (basically origination and analysis fees) are deferred and recognized in the income statement over the expected life of the loan. From that amount, the transaction costs identified as directly attributable to the arrangement of the loans and advances will be deducted. These fees are part of the effective interest rate for the loans and advances.

Once a debt instrument has been impaired, interest income is recognized applying the effective interest rate used to discount the estimated recoverable cash flows on the carrying amount of the asset.

- Income from dividends received:

Dividends shall be recognized within the income statement according to the following criteria, independently from the financial instruments' portfolio which generates this income:

- When the right to receive payment has been declared before the initial recognition and when the payment is pending to be received, the dividends will not form part of the gross carrying amount of the equity instrument and will not be recognized as income. Those dividends are accounted for as financial assets separately from the net equity instrument.
- If the right to receive payment is received after the initial recognition, the dividends from the net equity instruments will be recognized within the income statement. If the dividends correspond indubitable to the profits of the issuer before the date of initial recognition, they will not be recognized as income but as reduction of the gross carrying amount of the equity instrument because it represents a partly recuperation of the investment. Amongst other circumstances, the generation date can be considered to be prior to the date of initial recognition if the amounts distributed by the issuer as from the initial recognition are higher than its profits during the same period.

- Commissions, fees and similar items

Income and expense relating to commissions and similar fees are recognized in the income statement using criteria that vary according to the nature of such items. The most significant items in this connection are:

- Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected/paid.
- Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
- Those relating to a singular transaction, which are recognized when this single act is carried out.

- Non-financial income and expenses

These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments

These are recognized for accounting purposes at the amount resulting from discounting the expected cash flows at market rates.

2.14. Sales of assets and income from the provision of non-financial services

The heading “Other operating income” in the income statement includes the proceeds of sales of assets and income from the provision of non-financial services (see Note 38).

2.15. Leases

As of January 1, 2019, Circular 2/2018 came into force and includes changes in the lessee accounting model. The single lessee accounting model requires the lessee to record assets and liabilities for all lease contracts. The standard provides two exceptions to the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA elected to apply both exceptions. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings ‘‘ Tangible assets – Property plants and equipment’’ and‘‘ Tangible assets – Investment properties’’ of the balance sheet (see Note 15) and a lease liability representing its obligation to make lease payments which are recorded under the heading ‘‘ Financial liabilities at amortized cost – Other financial liabilities’’ in the balance sheet (see Note 20.5).

At the initial date of the lease, the lease liability represents the present value of all lease unpaid payments. The liabilities registered under this heading of the balance sheets are measured after their initial recognition at amortized cost, this being determined in accordance with the “effective interest rate” method.

The right to use assets are initially recorded at cost. This cost consists of the initial measurement of the lease liability, any payment made before the initial date less any lease incentives received, all direct initial expenses incurred, as well as an estimate of the expenses to be incurred by the lessee, such as expenses related to the removal and dismantling of the underlying asset. The assets recorded under this heading of the balance sheets are measured after their initial recognition at cost less:

- The accumulated depreciation and accumulated impairment
- Any remeasurement of the lease liability.

The interest expense on the lease liability is recorded in the income statements under the heading “Interest expense” (see note 33). Variable payments not included in the initial measurement of the lease liability are recorded under the heading “Administration costs – Other administrative expense” (see Note 39).

Amortization is calculated using the straight-line method over the lifetime of the lease contract, on the basis of the cost of the assets. The tangible asset depreciation charges are recognized in the accompanying income statements under the heading "Depreciation and Amortization" (see Note 40).

In case of electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the balance sheets, payments related to the corresponding lease are recognized in the income statements, over the contract period, lineally, or in the way that best represents the structure of the lease operation, under the heading "Operating expense -Other administrative expense” (see note 39).

Operating leases and subleases incomes are recognized in the income statements under the heading “Other operating income” (see Note 38).

As a lessor, lease contracts are classified as finance leases from the inception of the transaction if they substantially transfer all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. Leases other than finance leases are classified as operating leases.

When the entities act as the lessor of an asset under finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee’s purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading “Loans and receivables” in the accompanying balance sheets (see Note 12).

When the entities act as lessors of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" in the balance sheets (see Note 15). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the income statement on a straight-line basis within “Other operating income” and "Other operating expense" (see Note 38)

If a fair value sale and leaseback results in a lease, the profit or loss generated from the sale (only for the effectively transmitted part) is recognized in the income statement at the time of sale.

2.16. Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2017 and subsequent amendments. Accordingly, as of December 31, 2020 and 2019 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

2.17. Statements of recognized income and expense

The statements of recognized income and expense reflect the income and expenses generated each year. They distinguish between income and expense recognized as results in the income statements and "Accumulated other comprehensive income" (see Note 27) recognized directly in equity. "Accumulated other comprehensive income" include the changes that have taken place in the year in the "Accumulated other comprehensive income" broken down by item.

The sum of the changes to the heading "Accumulated other comprehensive income" of the total equity and the net income of the year forms the "Accumulated other comprehensive income".

2.18. Statements of changes in equity

The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.

The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Accumulated other comprehensive income" (see Note 27), are included in the Bank's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.

2.19. Statements of cash flows

The indirect method has been used for the preparation of the statement of cash flows. This method starts from the Bank's net income and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and cash equivalents.

When preparing these financial statements the following definitions have been used:

- Cash flows: Inflows and outflows of cash and cash equivalents.
- Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities.
- Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities.
- Financing activities: Activities that result in changes in the size and composition of the Bank's equity and of liabilities that do not form part of operating activities.

2.20. Recent pronouncements

During 2020, several modifications to Circular 4/2017 have come into force in order to respond to aspects related to the uncertainty generated by the COVID-19 pandemic in the classification of refinanced operations, as well as to include some of the modifications necessary to attend to the accounting effects caused by the uncertainty in the period prior to the replacement of the IBOR benchmarks. Additionally, it has been modified with minor changes to obtain a greater alignment with the international IFRS regulations.

Circular 3/2020 enables entities to make greater use of the flexibility incorporated by international regulations in relation to the classification of refinancing or restructuring that serves as the basis for estimating their credit risk coverage. Thus, refinancing may be classified as stage 1 on the refinancing date provided that the entity can justify that there has not been a significant increase in credit risk since initial recognition. Likewise, refinancing previously classified in stage 2 may be reclassified to stage 1 if the significant increase in risk has reversed, without having to wait for the 2-year cure period. In any case, they will continue to be identified as refinanced operations for a period of 2 years.

Circular 2/2020, introduces minor changes to Circular 4/2017 to achieve greater alignment with IFRS by incorporating the new definition of business introduced in IFRS 3 and clarifying that when control of an investee is lost, the gain or loss from the revaluation of the remaining interest at fair value is recognized in the income statement.

Circular 5/2020 introduces an amendment to Circular 4/2017 to simplify in the retrospective analysis of the effectiveness of the hedging relationships directly affected by the reform of the benchmark interest rate indices. Specifically, it details that the result of the hedging instrument will not be required to fluctuate within a variation range of 80% to 125% with respect to the result of the hedged item, provided the rest of the conditions allowed for the application of hedge accounting are met.

On the other hand, this Circular 5/2020 also includes minor amendments to Circular 4/2017 that will enter into force in January 2021, and that aim to maintain its alignment with the European accounting framework and the guidance of the European Central Bank for credit institutions on non-performing loans, expressly regulates issues not covered and introduces clarifications that facilitate their understanding.

3. Shareholder remuneration system

Cash Dividends

Throughout 2019 and 2020, BBVA's Board of Directors approved the payment of the following dividends (interim or final dividends) fully in cash, recorded in "Total Equity- Interim Dividends" and "Total Equity – Retained earnings" of the balance sheet of the relevant year:

- The Annual General Meeting of BBVA held on March 15, 2019, approved, under item 1 of the Agenda, the payment of a final dividend for 2018, in addition to other dividends previously paid, in cash for an amount equal to €0.16 (€0.1296 withholding tax) per BBVA share. The total amount paid to shareholders on April 10, 2019, after deducting treasury shares held by the Group's Companies, amounted to €1,067 million and is recognized under the heading "Total equity- Interim dividends" of the balance sheet as of December 31, 2019.
- The Board of Directors, at its meeting held on October 2, 2019, approved the payment in cash of €0.10 (€0.081 net of withholding tax rate of 19%) per BBVA share, as gross interim dividend based on 2019 results. The total amount paid to shareholders on October 15, 2019, after deducting treasury shares held by the Group´s companies, amounted 667 million and is recognized under heading "Total equity- Interim dividends" of the balance sheet as of December 31, 2019.
- The Annual General Meeting of BBVA held on March 13, 2020, approved, under item 1 of the Agenda, the payment of a final dividend for 2019, in addition to other dividends previously paid, in cash for an amount equal to €0.16 (€0.1296 net of withholding tax) per BBVA share, which was paid to shareholders on April 9, 2020. The total amount paid to shareholders, amounted to €1,067 million and is recognized under the heading "Total equity- Retained Earnings" of the balance sheet as of December 31, 2020.

In accordance with recommendation ECB/2020/19 issued by the ECB on March 27, 2020 on dividend distributions during the COVID-19 pandemic, the Board of Directors of BBVA resolved to modify for the financial year corresponding to 2020 the dividend policy of the Group, announced on February 1, 2017, determining as new policy for the year 2020 not to pay any dividend amount corresponding to 2020 until the uncertainties caused by COVID-19 disappear and, in any case, never before the end of such fiscal year. On July 27, 2020, the ECB prolonged this recommendation until January 1, 2021 by adopting recommendation ECB/2020/35.

On December 15, 2020 the ECB issued recommendation ECB/2020/62, repealing recommendation ECB/2020/35 and recommending that significant credit institutions exercise extreme prudence when deciding on or paying out dividends or performing share buy-backs aimed at remunerating shareholders. Recommendation ECB/2020/62 circumscribes prudent distributions to results of 2019 and 2020 but excluding distributions regarding 2021 until September 30, 2021, when the ECB will reevaluate the economic situation. BBVA intends to reinstate its dividend policy of the Group announced on February 1, 2017 once the recommendation ECB/2020/62 is repealed and there are no additional restrictions or limitations. (See Note 51).

Proposal on application of earnings for 2020

The Board of Directors will submit for the approval of the Ordinary General Shareholders' Meeting the proposal to apply the result of Banco Bilbao Vizcaya Argentaria, S.A. for the 2020 financial year amounting to €2,182 million of losses to the prior years' losses account. Furthermore, the offsetting of the prior years' losses will likewise be submitted for approval, the amount of which amounts to €2,182 million, after the application of the 2020 financial year results in accordance with the previous paragraph, against the voluntary reserves account under the "Retained earnings" heading.

Other shareholder remuneration

On January 29, 2021, it was announced that a cash distribution in the amount of €0.059 gross per share as shareholder remuneration in relation to the Group's result in the 2020 financial year was expected to be submitted to the relevant governing bodies of BBVA for consideration (see Note 51).

4. Earnings per share

Basic and diluted earnings per share are calculated in accordance with the criteria established by IAS 33. For more information see Glossary of terms.

The calculation of earnings per share of BBVA is as follows:

Basic and Diluted Earnings per Share

	2020	2019
Numerator for basic and diluted earnings per share (millions of euros)		
Profit attributable to parent company	1,305	3,512
Adjustment: Additional Tier 1 securities (1)	(387)	(419)
Profit adjusted (millions of euros) (A)	**917**	**3,093**
Of which: profit from discontinued operations (net of non-controlling interest) (B) (See Note 14)	*(1,729)*	*(758)*
Denominator for basic earnings per share (number of shares outstanding)	-	-
Weighted average number of shares outstanding (2)	6,668	6,668
Weighted average number of shares outstanding x corrective factor (3)	6,668	6,668
Adjusted number of shares - Basic earnings per share (C)	**6,655**	**6,648**
Adjusted number of shares - diluted earnings per share (D)	**6,655**	**6,648**
Earnings (losses) per share (*)	**0.14**	**0.47**
Basic earnings (losses) per share from continued operations (Euros per share)A-B/C	0.40	0.58
Diluted earnings (losses) per share from continued operations (Euros per share)A-B/D	0.40	0.58
Basic earnings (losses) per share from discontinued operations (Euros per share)B/C	(0.26)	(0.11)
Diluted earnings (losses) per share from discontinued operations (Euros per share)B/D	(0.26)	(0.11)

(1) Remuneration in the year related to contingent convertible securities recognized in equity (See Note 20.4).

(2) Weighted average number of shares outstanding (millions of euros), excluding weighted average of treasury shares during the year.

(3) Corrective factor, due to the capital increase with pre-emptive subscription right, applied for the previous years.

(*) During 2020 and 2019 the weighted average number of shares outstanding was 6,668 and the adjustment of additional Tier 1 securities amounted to €387 million and €419 million respectively.

(**) Amounts in December 2019 have been restated (see Note 1.3).

As of December 31, 2020 and 2019 there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same for both dates.

5. Risk management

5.1. Risk factors

BBVA has processes in place for identifying risks and analyzing scenarios in order to enable to manage risks in a dynamic and proactive way.

The risk identification processes are forward looking to seek the identification of emerging risks and take into account the concerns of both the business areas, which are close to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are identified and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyses and stress testing and considers the controls to which the risks are subjected. As part of this process, a forward projection of the risk appetite framework variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Group's business, where the Bank operates, including the below:

- Risks associated with the new coronavirus (COVID-19) pandemic

The coronavirus (COVID-19) pandemic is affecting adversely the world economy and economic activity and conditions in the countries in which the Group operates, leading many of them to economic recession in 2020 and a relatively moderated increase of the activity in 2021 in such a way that probably the GDP levels observed before the crisis will only start recovering in 2022. 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 including exchange rates and falls in the value of assets and investments, all of which have a negative impact on the Group's results in the year 2020, and are expected to continue affecting the results in the future.

Furthermore, the Group may be affected by the specific measures adopted by regulatory authorities in the banking sector, including but not limited to, the recent reductions in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments, 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 programs.

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 decreased since the beginning of mobility restriction measures 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 and 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 and reduced hours of working with the public, and the teams that provide central services have been working remotely. These measures are being gradually, however, due to the continued expansion of the COVID-19 pandemic, it is unclear how long it will take for normal operations to be fully resumed. 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, the COVID-19 pandemic has had an adverse effect on the Group's results and capital base. During the year 2020 the main accumulated impacts were:

(i) an increase in the cost of risk associated with the lending activity, mainly due to the deterioration of the macroeconomic environment, which has had a negative impact of €2,009 million in the Group (including the initial adverse effect of the deferment of payment) and provisions for credit risk and contingent commitments for €95 million, (see Notes 6.2, 41 and 42); and

(ii) a deterioration on the participation on BBVA USA Bancshares Inc., mainly due to the deterioration of the macroeconomic scenario in the United States, which has had a net negative impact of €2,084 million on the Group's attributed profit in this period (although this impact does not affect the tangible book value, nor the solvency or the liquidity of the Group).

As of June 30, 2020, and as a consequence of the general deterioration of the global macroeconomic scenario, the specific effects of the same cannot be isolated, affecting all of the Bank Financial Statements.

- Macroeconomic and geopolitical risks

The Global economy is being severely affected by the COVID-19 pandemic. Supply, demand and financial factors caused an unprecedented fall in GDP in the first half of 2020. Supported by strong fiscal and monetary policy measures, as well as greater control over the spread of the virus, global growth rebounded more than expected in the third quarter, before slowing down in the fourth, when the number of infections rose again in many regions, mainly in the United States and Europe. As for 2021, the unfavorable evolution of the pandemic is expected to adversely affect activity in the short term, while new fiscal and monetary stimuli, as well as the administering of coronavirus vaccines, are expected to support recovery from mid-year onwards.

Following the massive fiscal and monetary stimuli to support economic activity and reduce financial tensions, government debt has increased across the board and interest rates have been cut, and are now at historical low levels. Additional countercyclical measures may be required. Similarly, a significant reduction in current stimuli is not expected, at least until the recovery takes hold.

Tensions in the financial markets have moderated rapidly since the end of March 2020, following the decisive actions taken by the main central banks and the fiscal packages announced in many countries. In recent months, the markets have shown relative stability and, at certain times, risk-taking movements. Likewise, progress related to the development of COVID-19 vaccines and prospects for economic recovery should pave the way for financial volatility to persist at relatively low levels in general going forward.

BBVA Research estimates that global GDP contracted by around 2.6% in 2020 and will expand by around 5.3% in 2021 and 4.1% in 2022. Activity will recover gradually and heterogeneously among countries. Various epidemiological, financial and geopolitical factors are also contributing to the persistent exceptionally high uncertainty.

With regard to the banking system, in an environment in which much of the economic activity has been at a stand still for several months, the services provided have played an essential role, basically for two reasons: firstly, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; secondly, the granting of new lending or the renewal of existing lending has reduced the impact of the economic slowdown on household and business income. The support provided by the banks over the months of lockdown and public guarantees have been essential in softening the impact of the crisis on companies' liquidity and solvency, meaning that banking has become its main source of funding for most companies.

In terms of profitability, European and Spanish banking have deteriorated, primarily because many entities recorded high provisions for impairment on financial assets in the first two quarters of 2020 as a result of the worsening macroeconomic environment following the pandemic outbreak. Pre-pandemic profitability levels remained far from the levels prior to the previous financial crisis. This is in addition to the accumulation of capital since the previous crisis and the very low interest rate environment that we have been experiencing for several years. Nevertheless, the banks are facing this situation from a healthy position and with solvency that has been constantly increasing since the 2008 crisis, with reinforced capital and liquidity buffers and, therefore, with a greater lending capacity.

The BBVA Group has a General Risk Management and Control Model appropriate to its business model, its organization, the countries in which it operates and its corporate governance system, which allows it to carry out its activity within the framework of the risk management and control strategy and policy defined by the corporate bodies. This model deals with management in global form adapting itself to the circumstances of each moment. This Model is applied integrally in the Group

In this sense, from the beginning of the crisis, the BBVA Group implemented specific measures for the proper management of these associated risks, establishing different global initiatives that define the risk management strategy during the crisis, with common action protocols that should be implemented and adapted, when needed, to local needs.

The BBVA Group global risk unit - Global Risk Management (hereinafter, “GRM”) - has increased the frequency and intensity of the evaluation of potential impacts on the different groups and clients, in order to prevent their future evolution, and carried out appropriate adjustments and reclassifications, reinforcing its processes, governance and teams in Holding and countries to act in a coordinated manner, focusing priority on crisis management.

Over the past year, it has been found that the pandemic has a global impact, affecting to a greater extent the sectors in which there is a high level of human interaction (transport, especially air transport, leisure, especially hotel establishments, as well as industries and activities dependent on them), regardless of the regional area in question. For this reason, the Bank's risk management has clearly been intensified by sectorial vectors over other conditioning factors such as geographic

Regulatory and reputational risks

- Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

- The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, the internal control model, the Code of Conduct, the Corporate Principles in tax matters and Responsible Business Strategy of the Group.

Business, operational and legal risks

- New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

- Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.
- The financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are usually party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, 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 into sanctions, as well as lead to claims by customers and others. 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 sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.
- 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 favor 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 favorable resolutions for the consumer, could also adversely affect the Group.
- All of the above may result in a significant increase in operating and compliance costs 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 occupy a great deal of attention on part of the Group's management and employees.
- As of December 31, 2020, the Group had €612 million in provisions for the proceedings it is facing (included in the line "Provisions for litigation and pending tax cases" in the consolidated balance sheet) which €574 million correspond to legal contingencies and €38 million to fiscal contingencies. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated 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 otherwise affected by, 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.
- Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank. On 29th July, 2019, the Bank was named as an official suspect (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 be constitutive of bribery, revelation of secrets and corruption. On February 3, 2020, the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings. Certain current and former officers and employees of the Group, as well as former directors have also been named as official suspects in connection with this investigation. The Bank has been and continues to proactively collaborate with the Spanish judicial authorities, including sharing with the courts the relevant information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As of the date of the approval of the consolidated financial statements, no formal accusation against the Bank has been made. This criminal judicial proceeding is at the pre-trial phase. Therefore, it is not possible at this time to predict the scope or duration of such proceeding or any related proceeding or its or their possible outcomes or implications for the Group, including any fines, damages or harm to the Group’s reputation caused thereby.

5.2. Credit risk

Credit risk arises from the probability that one party to a financial instrument will fail to meet its contractual obligations for reasons of insolvency or inability to pay and cause a financial loss for the other party.

The general principles governing credit risk management in the BBVA are as follows:

- Risks taken must comply with the general risk policy established by the Board of Directors of BBVA.
- Risks taken must be in line with the level of equity and generation of recurring revenue of the BBVA, prioritizing risk diversification and avoiding relevant concentrations.
- Risks taken must be identified, measured and assessed and there should be management and monitoring procedures, in addition to sound mitigation and control mechanisms.
- Risks must be managed in a prudent and integrated manner during their life cycle and their treatment should be based on the type of risk. In addition, portfolios should be actively managed on the basis of a common metric (economic capital).
- The affordability of the borrower or obligor to fulfill on a timely basis all financial obligations with its business income or source of income without depending upon guarantors, bondsmen or pledged assess, it's the main criterion when granting credit risks.
- Improve the financial health of our clients, help them in their decision making and in the daily management of their finances based on personalized advice.
- Help our clients in the transition towards a sustainable future, with a focus on climate change and inclusive and sustainable social development

Credit risk management in the Group has an integrated structure for all its functions, allowing decisions to be taken objectively and independently throughout the life cycle of the risk.

- At Group level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the channels, procedures, structure and supervision.
- At the business area level: they are responsible for adapting the Group's criteria to the local realities of each geographical area and for direct management of risk according to the decision-making channels:
    - Retail risks: in general, the decisions are formalized according to the scoring tools, within the general framework for action of each business area with regard to risks. The changes in weighting and variables of these tools must be validated by the GRM area.
    - Wholesale risks: in general, the decisions are formalized by each business area within its general framework for action with regard to risks, which incorporates the delegation rule and the Group's corporate policies

The risk function has a decision-making process supported by a structure of committees with a solid governance scheme, which describes their purposes and functioning for a proper performance of their tasks.

Payment deferral

This governance scheme has been fundamental in managing the COVID-19 crisis in all the geographies where the Group operates, including Spain, where both, assessing the flow of necessary funds for the economies with the rigor in the analysis and monitoring of the credit quality of the exposures.

Since the beginning of the pandemic, the Bank has offered payment deferral to its customers (retail, SMEs and wholesale). These moratoriums have been both legislative (protected by Royal Decree Law 8/2020 and 11/202) and non-legislative (based on the agreement promoted by the Spanish Banking Association (hereinafter "AEB") to which BBVA has joined), aimed at mitigating the effects of COVID-19. Depending on the cases, the payment of principal and / or interest has been postponed, maintaining the original contract. Generally, these deferrals have been given for a period of less than one year. This measure has been extended to different sectors, being hostelry, tourism and transport those who have used it the most.

The moratoriums covered by the Royal Decree Law have been proposed to the especially vulnerable groups indicated in the regulation. These measures consist of payment deferral of three months of principal and interest. In addition, the possibility of customers joining sector agreements for the remaining term until the limit established has been offered that, once said legal moratorium has expired. By type of customer, they are aimed at individuals, individual or self-employed entrepreneurs, and by type of product, mortgage, personal loans or consumer loans.

The moratoriums granted under the sectorial agreement of the AEB are aimed at individuals for up to 12 months of capital deferral in the case of mortgage loans and up to 6 months in personal loans. Said sector agreement has been in force until September 29, 2020, but it has been extended until March 30, 2021, although the new conditions only provide for the payment deferral of capital in mortgages up to 9 months, remaining 6 months on personal loans.

In addition, the Official Credit Institute (ICO) has published several aid programs aimed at the self-employed, SMEs and companies, through which a guarantee of between 60% and 80% is granted for a period of up to 5 years to the new financing granted. The amount of the guarantee and its length depends on the size of the company and the type of product. The ICO has also subsidized individuals the amount of the rent up to 6 months in loans up to 6 years.

The amount of payment deferrals (existing and completed) and the financing granted with public guarantees given at Bank level, as well as the number of customers, as of December 31, 2020 are as follows:

Amount of payment deferral and financing with public guarantees as of December 31, 2020 (Millions of Euros)

	Payment deferral				Public guarantees			
	Existing	Completed	Total	Number of customers	Total	Number of customers	Total deferment of payments and guarantees	(%) credit investment
BBVA, S.A.	4,120	1,694	5,814	81,334	11,811	133,334	17,625	8.5%

The amount of payment deferrals (existing and completed) and the financing granted with public guarantees given at Bank level, as well as the number of customers, as of December 31, 2020 are as follows:

Amount of payment deferral and financing with public guarantees by concept as of December 31, 2020 (Millions of Euros)

	Payment deferral			Financing with public guarantees
	Existing	Completed	Total	
BBVA, S.A.	**4,120**	**1,694**	**5,814**	**11,811**
Customers	3,617	1,629	5,246	972
Of which: Mortgages	*3,290*	*1,056*	*4,347*	-
SMEs	361	29	390	6,957
Non-financial corporations	138	22	160	3,870
Other	4	13	18	12

Amount of deferment of payments by stages as of December 31, 2020 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
BBVA, S.A.	**3,155**	**2,014**	**645**	**5,814**
Customers	2,782	1,850	614	5,246
Of which: Mortgages	*2,288*	*1,538*	*520*	*4,347*
SMEs	269	98	23	390
Non-financial corporations	100	53	8	160
Other	5	13	-	18

These payment deferral measures result in the temporary suspension, total or partial, of the contractual obligations with a deferral for a specific period of time. Considering that the payment deferrals granted by COVID-19 provide temporary relief to debtors and that the economic value of the affected loans has not been significantly impacted, the payment deferral measures granted have not been considered substantial contractual modifications and, therefore, modified loans are accounted for as a continuation of the originals. Therefore when a payment deferral does not generate interest collection rights, a temporary loss of value is triggered for the operation, which is calculated as the difference in current value of the original and modified cash flows, both discounted at the effective interest rate of the original operation. The difference is recognized at the original time in the income statement under the heading “Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification” in the balance as a reduction of the asset value of the loans. From that point on, said correction accrues as net interest income at the original effective interest rate within the period of the payment deferral. Thus, at the end of the moratorium period, the impact on net attributed profit is practically neutral. As of December 31, 2020, the temporary loss of value of the payment deferrals included in the Income Statement amounted to € 15 million, which was already recognized as a higher interest margin as of that date.

Regarding the classification of exposures according to their credit risk, BBVA has maintained a rigorous application of IFRS 9 when granting the payment deferrals and has reinforced the procedures for monitoring credit risk both throughout the life of the transactions and at their maturity.

This means that the payment deferrals granting does not imply in itself an automatic trigger for a significant increase in risk and that the transactions subject to the payment deferrals are initially classified in the stage they had previously, unless, based on their risk profile, they should be classified in a worse stage. On the other hand, as evidence of payment has ceased to exist or has been reduced, BBVA has introduced additional indicators or segmentations to identify the significant increase in credit risk that may have occurred in some transactions or a set of them and, where appropriate, it has been classified in Stage 2. Furthermore, the indications provided by the European Banking Authority (EBA) have been taken into account to not consider forbearance the payment deferrals that meet a series of requirements. All this without prejudice to maintaining its consideration as a forbearance if it was previously qualified as such or classifying the exposure in the corresponding stage previously stated.

On the other hand, the treatment for the payment deferrals that expire and may require additional support will be in accordance with the updated evaluation of the customer's credit quality and the characteristics of the solution granted. If applicable, they will be treated as Refinancing or Restructuring.

Regarding public support for the loans' lending, it does not affect the evaluation of the significant increase in risk since it is valued through the credit quality of the instrument. However, in estimating the expected loss, the existence of the guarantor implies a possible reduction in the level of provisions necessary since, for the hedged part, the loss that would be incurred in the foreclose of the guarantee is taken into account.

The public guarantees granted by the Official Credit Institute (ICO) have been considered as an integral part of the terms and conditions of the loans granted under the consideration that the guarantees are granted at the same time that the financing is granted to the client and in a way inseparable from it.

5.2.1 Measurement Expected Credit Loss (ECL)

Bank of Spain Circular 4/2017 requires determining the expected credit loss of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, including the time value of money and a forward looking perspective (including the economic forecast) all this based on the information that is available at a certain moment and that is reasonable and bearable with respect to future economic condition.

Therefore the recognition and measurement of expected credit losses (ECL) is highly complex and involves the use of significant analysis and estimation including formulation and incorporation of forward-looking economic conditions into ECL.

The modeling of the ECL calculation is subject to a governance system that is common to the entire Group. Within this common framework, the necessary adaptations have been made to capture the particularities of BBVA S.A. The methodology, assumptions and observations are reviewed annually, and after a validation and approval process, the outcome of this review is incorporated into the ECL calculations.

Risk parameters by homogeneous groups

Expected losses can be estimated both individually and collectively. Regarding the collective estimate, the instruments are distributed in homogeneous groups (segments) that share similar risk characteristics. Following the guidelines established by the Group for the development of models under the applied norm, the Bank performed the grouping based on the information available, its representativeness or relevance and compliance with the necessary statistical requirements.

Depending on the portfolio or the parameter being estimated, one risk driver or another will apply and different segments will reflect differences in PDs and LGDs. Thus, in each segment, changes in the level of credit risk will respond to the impact of changing conditions on the common range of credit risk drivers. The effect on the group's credit risk in response to changes in forward-looking information will be considered as well. Macroeconomic modeling for each segment is carried out using some of the shared risk characteristics.

These segments share credit risk characteristics such that changes in credit risk in a part of the portfolio are not concealed by the performance of other parts of the portfolio. In that sense, the methodology developed for ECL estimation indicates the risk drivers that have to be taken into account for PD segmentation purposes, depending on whether the estimation is for retail or wholesale portfolios.

As an example of the variables that can be taken into consideration to determine the final models, the following stand out:

- PD - Retail: contractual residual maturity, credit risk scoring, type of product, days past due, forbearance, time on books, time to maturity, nationality of the debtor, sale channel, original term, indicator of credit card activity, percentage of initial drawn balance.
- PD – Wholesale: credit risk rating, type of product, watch-list level, forbearance (client), time to maturity, industry sector, updated balance (y/n), write off, grace period.
- LGD – retail: credit risk scoring, segment, type of product, secured / unsecured, type of collateral, sales channel, nationality, business area, debtor's commercial segment, forbearance (account) EAD (this risk driver could be correlated with the time on books or the LTV so, before including it, an assessment should be done in order to avoid a double counting effect), time on default of the account (for defaulted exposures), geographical location.
- LGD – wholesale: credit risk rating, geographical location, segment, type of product, secured / unsecured, type of collateral, business area,forbearance (client), debtor's commercial segment time on default of the deal (for defaulted exposures).
- CCF: wholesale/retail, percentage of initial drawn balance, debtor's commercial segment, days past due, forbearance, credit limit activity, time on books.

In BBVA, the expected losses calculated are based on the internal models developed for all the portfolios, unless clients/contracts are subject to individualized estimates.

Exposures with other credit institutions, sovereign debt or with public administrations are characterized by a low number of defaults, so the Bank's historical bases do not contain sufficiently representative information to build impairment models based on them. However, there are external sources of information that, based on broader observations, are capable of providing the necessary inputs to develop models of expected losses. Therefore, based on the rating assigned to these exposures and taking into account the inputs obtained from these sources, the calculations of expected losses are developed internally, including their projection based on the macroeconomic perspectives.

Individual estimation of expected credit losses

The Bank periodically and individually reviews the situation and credit rating of its customers, regardless of their classification, counting on the information deemed necessary to do so. It also has procedures in place within the risk management framework to identify the factors that may lead to increased risk and, consequently, to a greater need for provisions.

The monitoring model established by the Bank consists of continuously monitoring the risks to which it is exposed, which guarantees their proper classification in the different categories of the Norm. The original analysis of the exposures is reviewed through the procedures for updating the rating tools (rating and scoring), which periodically review the financial situation of clients, influencing the classification by stages of exposures.

Within this credit risk management framework, the Bank has procedures that guarantee the review, at least annually, of all its wholesale counterparties through the so-called financial programs, which include the current and proposed positioning of the Bank with the customer in terms of credit risk. This review is based on a detailed analysis of the client's up-to-date financial situation, which is complemented by other information available in relation to individual perspectives on business performance, industry trends, macroeconomic prospects or other public data. As a result of this analysis, the preliminary rating of the client is obtained, which, after undergoing the internal procedure, can be revised down if deemed appropriate (for example, general economic environment or evolution of the sector). These factors in addition to the information that the client can provide are used to review the ratings even before the scheduled financial plan reviews are conducted if circumstances warrant.

Additionally, the Bank has established procedures to identify wholesale customers in the internal Watch List category, which is defined as that risk in which, derived from an individualized credit analysis, an increase in credit risk is observed, either due to economic or financial difficulties or because they have suffered, or are expected to suffer, adverse situations in their environment, without meeting the criteria for classification as impaired risk. Under this procedure, all a customer's Watch List exposures are considered Stage 2 regardless of when they originated, if as a result of the analysis the customer is considered to have significantly increased risk.

Finally, the Bank has so-called Workout Committee, which analyze not only the situation and evolution of significant clients in Watch List and doubtful situations, but also those significant clients in which, without having still rated on Watch List, they may present some Stage 2 rated exposure for a quantitative reason (PD comparison from origination). This analysis is carried out in order to decide if, derived from this situation, all the client's exposures should be considered in the Watch List category, which would imply the migration of all the client's operations to Stage 2 regardless of the date on which they originated.

With this, the Bank ensures an individualized review of the credit quality of its wholesale counterparties, identifying the situations in which a change in the risk profile of these clients may have occurred and proceeding, where appropriate, to estimate individualized credit losses. Along with this review, the Group individually estimates the expected losses of those clients whose total exposure exceeds certain thresholds, including those that part of their operations may be classified in stage 1 and part in stage 2. In setting thresholds, each geography determines the minimum amount of a client's exposure whose expected losses must be estimated individually taking into account the following:

•For clients with exposure at stage 3: The analysis of clients with total risk above this threshold implies analyzing at least 40% of the total risk of the wholesale portfolio in stage 3. Although the calibration of the threshold is done on the wholesale portfolio, clients of other portfolios must be analyzed if they exceed the threshold, staying in Stage 3.

•For the rest of situations: The analysis of clients with total risk above this threshold implies analyzing at least 20% of the total risk of the Watch List wholesale portfolio. Although the threshold calibration is carried out on the exposure classified as Watch List, wholesale clients or clients belonging to other portfolios that have exposures classified in stage 2, and whose total exposure, exceeds said threshold must be analyzed individually, considering both the exposures classified in stage 1 as in stage 2.

Regarding the methodology for the individual estimation of expected losses, it should be mentioned, firstly, that these are measured as the difference between the asset's carrying amount and the estimated future cash flows discounted at the financial asset's effective interest

The estimated recoverable amount should correspond to the amount calculated under the following method:

- The present value of estimated future cash flows discounted at the financial asset's original effective interest rate; and
- The estimation of the recoverable amount of a collateralized exposure reflects the cash flows that may result from the liquidation of the collateral.

The estimated future cash flows depend on the type of approach applied, which can be:

- Going concern scenario: when the entity has updated and reliable information about the solvency and ability of payment of the holders or guarantors. The operating cash flows of the debtor, or the guarantor, continue and can be used to repay the financial debt to all creditors. In addition, collateral may be exercised to the extent it does not influence operating cash flows. The following aspects should be taken into account:

- Future operating cash flows should be based on the financial statements of the debtor/guarantor.
- When the projections made on these financial statements assume a growth rate, a constant or decreasing growth rate must be used over a maximum growth period of 3 to 5 years, and subsequently constant cash flows
- The growth rate should be based on the analysis of the evolution of the debtor's financial statements or on a sound and applicable business restructuring plan, taking into account the resulting changes in the structure of the company (for example, due to divestments or the interruption of unprofitable lines of business).
- (Re)-investments that are needed to preserve cash flows should be considered, as well as any foreseeable future cash-flow changes (e.g. if a patent or a long-term loan expires).
- When the recoverability of the exposure relies on the realization of the disposal of some assets by the debtor, the selling price should reflect the estimated future cash flows that may result from the sale of the assets less the estimated costs associated with the disposal.

- Gone concern scenario: when the entity does not have updated and reliable information, it should consider that the estimation of loan receivable flows is of high uncertainty. Estimation should be carried out through the estimation of recoverable amounts from the effective real guarantees received. It will not be admissible as effective guarantees, those whose effectiveness depends substantially on the creditworthiness of the debtor or economic group in which it takes part. Under a gone concern scenario, the collateral is exercised and the operating cash flows of the debtor cease. This could be the case if:
    - The exposure has been past due for a long period. There is a rebuttable presumption that the allowance should be estimated under a gone concern criterion when arrears are greater than 18 months.
    - Future operating cash flows of the debtor are estimated to be low or negative.
    - Exposure is significantly collateralized, and this collateral is central to cash-flow generation
    - There is a significant degree of uncertainty surrounding the estimation of the future cash flows. This would be the case if the earnings before interest, taxes, depreciation and amortization (EBITDA) of the two previous years had been negative, or if the business plans of the previous years had been flawed (due to material discrepancies in the back-testing)
    - Insufficient information is available to perform a going concern analysis

Significant increase in credit risk

As indicated in Note 2.1, in the identification of significant increase in risk, distinguishing between quantitative criteria or by comparison of probabilities of default and qualitative reasons (more than 30 days of default, watch list consideration or non-impaired refinancing).

To manage credit risk, the Bank uses all relevant information that is available and that may affect the credit quality of the exposures. This information may come mainly from the internal processes of admission, analysis and monitoring of operations, from the strategy defined by the Bank regarding the price of operations or distribution by geographies, products or sectors of activity, from the observance of the macroeconomic environment, from market data such as interest rate curves, or prices of the different financial instruments, or from external sources of credit rating.

This set of information is the basis for determining the rating and scoring (see note 5.1.4 for more information on rating and scoring systems) corresponding to each of the exposures and which are assigned a probability of default (PD) that, as already mentioned, it undergoes an annual review process that assesses its representativeness (backtesting) and is updated with new observations. Furthermore, the projection of these PDs over time has been modeled based on macroeconomic expectations, which allows obtaining the probabilities of default throughout the life of the operations.

Based on this methodology, and in accordance with the provisions of the standard and the EBA guidelines on credit risk management practices (EBA / GL / 2017/06), the Bank has established absolute and relative thresholds for identify whether the expected changes in the probabilities of default have increased significantly compared to the initial moment, adapted to the particularities of each one of them in terms of origination levels, product characteristics, distribution by sectors or portfolios, and macroeconomic situation. To establish the aforementioned thresholds, a series of general principles are considered, such as:

- Uniformity: Based on the rating and scoring systems that, in a homogeneous manner, are implemented in the Group's units.
- Stability: The thresholds must be established to identify the significant increase in risk produced in exposures since their initial recognition and not only to identify those situations in which it is already foreseeable that they will reach the level of impairment. For this reason, it is to be expected that of the total exposures there will always be a representative group for which said increased risk is identified.

- Anticipation: The thresholds must consider the identification of the increased risk in advance with respect to the recognition of the exposures as impaired or even before a real default occurs. The calibration of the thresholds should minimize the cases in which the instruments are classified in stage 3 without having previously been recognized as stage 2.
- Indicators or metrics: It is expected that the classification of the exposures in stage 2 will have sufficient permanence to allow them to develop an anticipatory management of them before, where appropriate, they end up migrating to stage 3.
- Symmetry: Circular 4/2017 provides for a symmetric treatment both to identify the significant increase in risk and to identify that it has disappeared, so the thresholds also work to improve the credit classification of exposures. In this sense, it is expected that the cases in which the exhibitions that improve from stage 3 are directly classified into stage 1 will be minimal.

The identification of the significant increase in risk from the comparison of the probabilities of default should be the main reason why exposures in stage 2 are recognized.

Specifically, a contract will be transferred to stage 2 when the following two conditions are met by comparing the current PD values and the origination PD values:

$$\frac{current\ PD}{origination\ PD} - 1 * 100 > Relative\ Threshold\ (\%)\ \text{and}$$

Current PD – Origination PD > Absolute threshold (pbs)

These absolute and relative thresholds are consistently established for each portfolio, taking into account their particularities and based on the principles described. The thresholds are included within the annual review process and, generally speaking, are in the range of 30% to 200% for the relative threshold and from 50 to 150 basis points for the absolute threshold.

The establishment of absolute and relative thresholds, as well as their different levels, comply with the provisions of Circular 4/2017 when it indicates that a certain change, in absolute terms, in the risk of a default will be more significant for a financial instrument with a lower initial risk of default compared to a financial instrument with higher initial risk of default.

For existing contracts before the implementation of the standard, given the limitations in the information available on them, the thresholds are calibrated based on the PDs obtained from the prudential or economic models for calculating capital.

Risk Parameters Adjusted by Macroeconomic Scenarios

Expected Credit Loss must include forward looking information, in accordance with Bank of Spain 4/2017 which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, including forward-looking macroeconomic information. BBVA uses the classical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA´s methodological approach in order to incorporate the forward looking information aims to determine the relation between macroeconomic variables and risk parameters following three main steps:

- Step 1: Analysis and transformation of time series data.
- Step 2: For each dependent variable find conditional forecasting models that are economically consistent.
- Step 3: Select the best conditional forecasting model from the set of candidates defined in Step 2, based on their forecasting capacity.

How economic scenarios are reflected in calculation of ECL

The forward looking component is added to the calculation of the ECL through the introduction of macroeconomic scenarios as an input. Inputs highly depend on the particular combination of region and portfolio, so inputs are adapted to available data regarding each of them.

Based on economic theory and analysis, the main indicators most directly relevant for explaining and forecasting the selected risk parameters (PD, LGD and EAD) are:

- The net income of families, corporates or public administrations.
- The outstanding payment amounts on the principal and interest on the financial instruments.
- The value of the collateral assets pledge to the loan.

The Bank approximates these variables by using a proxy indicator from the set included in the macroeconomic scenarios provided by the economic research department.

Only a single specific indicator for each of the three categories can be used and only one of the following core macroeconomic indicators should be chosen as first option:

- The real GDP growth for the purpose of conditional forecasting can be seen as the only "factor" required for capturing the influence of all potentially relevant macro-financial scenarios on internal PDs and LGD.
- The most representative short term interest rate (typically the policy rate or the most liquid sovereign yield or interbank rate) or exchange rates expressed in real terms.
- A comprehensive and representative index of the price of real estate properties expressed in real terms in the case of mortgage loans and a representative and real term index of the price of the relevant commodity for corporate loan portfolios concentrated in exporters or producer of such commodity.

Real GDP growth is given priority over any other indicator not only because it is the most comprehensive indicator of income and economic activity but also because it is the central variable in the generation of macroeconomic scenarios.

Multiple scenario approach under Bank of Spain Circular 4/2017

Bank of Spain Circular 4/2017 requires calculating an unbiased probability weighted measurement of expected credit losses ("ECL") by evaluating a range of possible outcomes, including forecasts of future economic conditions.

The BBVA Research teams within the BBVA Group produce forecasts of the macroeconomic variables under the baseline scenario, which are used in the rest of the related processes of the Bank, such as budgeting, ICAAP and risk appetite framework, stress testing, etc.

Additionally, the BBVA Research teams produced alternative scenarios to the baseline scenario so as to meet the requirements under the Circular 4/2017.

Alternative macroeconomic scenarios

- For each of the macro-financial variables, BBVA Research produces three scenarios.
- BBVA Research tracks, analyzes and forecasts the economic environment to provide a consistent forward looking assessment about the most likely scenario and risks that impact BBVA's footprint. To build economic scenarios, BBVA Research combines official data, econometric techniques and expert criteria.
- Each of these scenarios corresponds to the expected value of a different area of the probabilistic distribution of the possible projections of the economic variables.
- The non-linearity overlay is defined as the ratio between the probability-weighted ECL under the alternative scenarios and the baseline scenario, where the scenario's probability depends on the distance of the alternative scenarios from the base one.
- The Bank establishes equally weighted scenarios, being the probability 34% for the baseline scenario, 33% for the worst alternative scenario and 33% for the best alternative scenario.

The approach in BBVA consists on using the scenario that is the most likely scenario, which is the baseline scenario, consistent with the rest of internal processes (ICAAP, budgeting…) and then applying an overlay adjustment that is calculated by taking into account the weighted average of the ECL determined by each of the scenarios.

It should be noted that in general, it is expected that the resulting effect of using multiple scenarios will be to increase the expected losses with respect to those estimated in the central scenario, although it could be possible that this effect would not occur in the event that the relationship between the macro scenarios and losses were linear.

On the other hand, the Bank also takes into account the range of possible scenarios when defining its significant increase in risk. In this way, the PDs used in the quantitative process to identify the significant increase in risk will be those that result from making a weighted average of the PDs calculated under the three scenarios.

Macroeconomic scenarios as a result of the COVID-19 pandemic

The COVID-19 pandemic has generated a macroeconomic uncertainty situation with a direct impact on credit risk of the entities, particularly, on the expected credit losses under Circular 4/2017. Even if the situation is unclear and of an unforeseeable time length, the expectation is that this situation will provoke a severe recession followed by an economic recovery, which will not achieve the pre-crisis GDP levels in the short-term, supported by the measures issued by governments and monetary authorities.

This situation has allowed the accounting authorities and the banking supervisors to adopt measures in order to mitigate the impacts that this crisis could imply on the calculation of expected credit losses under the applicable norm as well as on solvency, urging:

- the entities to evaluate all the available information, weighing more the long-term forecasts against the short-term economic situation
- the governments to adopt measures to avoid the effects of impairment,

- the entities to develop managerial measures as the design of specific products adapted to the situation which could occur during this crisis.

Almost all accounting and prudential authorities have issued recommendations or measures within the COVID-19 crisis framework regarding the estimation of the expected losses under the applicable norm in a coordinated way.

The common denominator of all of these recommendations is that, given the difficulty to elaborate reliable macroeconomic forecasts, the transitory term of the economic shock and the need to incorporate the effect of the mitigating measures issued by the governments, a review the automatic application of the models in order to increase the weight of the long-term macroeconomic forecasts in the calculation of the expected losses is needed. As a result, the expected outcome over the lifetime of the transactions will have more weight than the short-term macroeconomic impact.

In this respect, the Bank has taken into account those recommendations in the calculation of the expected credit losses under the applicable norm, considering that the economic situation caused by the COVID-19 pandemic is transitory and will be followed by a recovery, even if there is uncertainty over the level and the time period of such recovery. As a consequence, different scenarios have been taken into consideration in the calculation of expected losses, resulting in the model management believes suits best the current economic situation and the combined recommendations issued by the authorities. In addition to the outcome of the calculation of the scenarios, individual analysis of exposures which could be most affected by the circumstances caused by the COVID-19, have been taken into account.

The estimate for the next five years of the Gross Domestic Product (GDP), of the variation in the unemployment rate and of the House Price Index (HPI), for the most relevant countries where it represents a significant factor, is determined by BBVA Research and it has been used at the time of the calculation of the expected credit loss as of December 31, 2020:

Main BBVA, S.A. variables.

Date	GDP negative scenario	GDP base scenario	GDP positive scenario	HPI negative scenario	HPI base scenario	HPI positive scenario	Unemployment negative scenario	Unemployment base scenario	Unemployment positive scenario
2020	(11.76%)	(11.48%)	(11.20%)	(2.60%)	(1.98%)	(1.44%)	17.44%	16.95%	16.44%
2021	5.37%	5.99%	6.63%	(6.69%)	(5.08%)	(3.28%)	18.94%	17.51%	16.03%
2022	5.82%	6.04%	6.27%	2.49%	3.48%	4.56%	15.92%	14.35%	12.72%
2023	2.88%	2.93%	2.95%	4.94%	5.44%	5.79%	13.99%	12.41%	10.82%
2024	2.03%	2.07%	2.07%	2.45%	3.20%	3.66%	12.70%	11.14%	9.58%
2025	1.97%	2.01%	2.01%	2.36%	3.12%	3.57%	11.45%	9.99%	8.55%

Sensitivity to macroeconomic scenarios

A sensitivity exercise has been carried out on the expected losses due to variations in the key hypotheses as they are the ones that introduce the greatest uncertainty in estimating such losses. As a first step, GDP and House Prices have been identified as the most relevant variables. These variables have been subjected to shocks of +/- 100 bps in their entire projection window. Independent sensitivities have been assessed, under the assumption of assigning a 100% probability to each determined scenario with these independent shocks.

Variation in provisions is determined both by re-staging (that is: in worse scenarios due to the recognition of lifetime credit losses for additional operations that are transferred to stage 2 from stage1 where 12 months of losses are valued: or vice versa in improvement scenarios) as well as variations in the collective risk parameters (PD and LGD) of each financial instrument due to the changes defined in the macroeconomic forecasts of the scenario.

Expected loss variation

	Spain		
GPD	**Total Portfolio**	**Mortgages**	**Companies**
-100pb	3.72%	4.39%	3.96%
+100pb	(3.32%)	(3.57%)	(3.53%)
Housing price			
-100pb		5.41%	0.79%
+100pb		(5.35%)	(0.77%)

Additional adjustments to expect loss measurement

In addition to what is described on individualized and collective estimates of expected losses and macroeconomic estimates, the Bank may supplement the expected losses if it deems it necessary to collect the effects that may not be included, either by considering risk drivers. Additional, the incorporation of sectorial particularities or that may affect a set of operations or borrowers. These adjustments should be temporary, until the reasons that motivated them disappear.

For this reason, the expected losses have been supplemented with additional amounts that have been considered necessary to collect the particular characteristics of borrowers, sectors or portfolios and that may not be identified in the general process. Of the supplementary amounts recognized throughout the year, at the end of the year 2020, 223 million euros are pending allocation to specific borrowers, (mainly 57 million euros based on the volume of arrears pending maturity and whose behavior pattern is still subject to uncertainty, 127 million euros in sectors most affected by the pandemic and 40 million euros as a complement to the individualized analyzes).

5.2.2 Credit risk exposure

BBVA's maximum credit risk exposure (see definition below) by headings in the balance sheets as of December 31, 2020 and 2019 is provided below. It does not consider the loss allowances, and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations are not deducted. The details are broken down by financial instruments and counterparties:

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2020	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**51,131**			
Debt securities	8	9,983			
Government		8,062			
Credit institutions		560			
Other sectors		1,361			
Equity instruments	8	10,682			
Loans and advances	8	30,467			
Non-trading financial assets mandatorily at fair value through profit or loss		**409**			
Loans and advances to customers	9	84			
Debt securities	9	142			
Government		-			
Credit institutions		49			
Other sectors		93			
Equity instruments		183			
Financial assets designated at fair value through profit or loss	**10**	**-**			
Derivatives (trading and hedging) (*)		**15,761**			
Financial assets at fair value through other comprehensive income		**37,539**	**-**	**-**	**-**
Debt securities	11.3	36,659	36,659	-	-
Government		30,053	30,053	-	-
Credit institutions		1,595	1,595	-	-
Other sectors		5,010	5,010	-	-
Equity instruments	11.2	881			
Financial assets at amortized cost		**231,590**	**207,006**	**16,390**	**8,193**
Loans and advances to central banks		7	7	-	-
Loans and advances to credit institutions		8,763	8,762	-	-
Loans and advances to customers	12.3	199,568	174,990	16,385	8,193
Debt securities	12.2	23,253	23,247	5	1
Total financial assets risk		**336,431**	**-**	**-**	**-**
Total loan commitments and financial guarantees	**29**	**115,415**	**110,379**	**4,474**	**562**
Loan commitments given		80,959	78,602	2,257	100
Financial guarantees given		8,745	8,006	582	156
Other commitments given		25,711	23,770	1,636	305
Total maximum credit exposure		**451,846**			

(*) Without considering derivatives whose counterparty are BBVA Group companies.

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2019	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**51,853**			
Debt securities	8	10,213			
Government		9,225			
Credit institutions		439			
Other sectors		549			
Equity instruments	8	8,205			
Loans and advances	8	33,435			
Non-trading financial assets mandatorily at fair value through profit or loss		**855**			
Loans and advances to customers	9	602			
Debt securities	9	128			
Government		-			
Credit institutions		51			
Other sectors		77			
Equity instruments		125			
Financial assets designated at fair value through profit or loss	**10**	**-**			
Derivatives (trading and hedging) (*)		**31,557**			
Financial assets at fair value through other comprehensive income		**24,912**			
Debt securities	11.3	23,163	23,163	-	-
Government		19,601	19,601	-	-
Credit institutions		742	742	-	-
Other sectors		2,820	2,820	-	-
Equity instruments	11.2	1,749			
Financial assets at amortized cost		**230,673**	**207,471**	**14,612**	**8,590**
Loans and advances to central banks		5	5	-	-
Loans and advances to credit institutions		8,050	8,037	12	-
Loans and advances to customers	12.3	201,109	177,922	14,597	8,589
Debt securities	12.2	21,509	21,506	3	1
Total financial assets risk		**339,852**			
Total loan commitments and financial guarantees	**29**	**110,819**	**106,182**	**4,015**	**621**
Loan commitments given		73,582	71,022	2,403	158
Financial guarantees given		9,086	8,410	523	153
Other commitments given		28,151	26,751	1,089	311
Total maximum credit exposure		**450,671**			

(*) Without considering derivatives whose counterparty are BBVA Group companies.

The maximum credit exposure presented in the table above is determined by type of financial asset as explained below:

- In the case of financial instruments recognized in the bank's balance sheets, exposure to credit risk is considered equal to its carrying amount (not including loss allowances) with the only exception of trading and hedging derivatives.
- The maximum credit risk exposure on financial commitments and guarantees granted is the maximum that would be liable for if these guarantees were called in, or the higher amount pending to be disposed from the customer in the case of commitments.
- The calculation of risk exposure for derivatives is based on the sum of two factors: the derivatives fair value and their potential risk (or "add-on").

The breakdown by counterparty of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by stages of loans and advances to customers as of December 2020 and 2019 is shown below:

December 2020 (Millions of Euros)	Gross exposure				Accumulated allowances				Net amount			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Public administrations	13,336	13,102	158	76	(41)	(10)	(7)	(25)	13,295	13,093	151	51
Other financial corporations	9,103	9,021	77	5	(16)	(5)	(6)	(5)	9,087	9,016	71	0
Non-financial corporations	79,943	67,810	8,455	3,678	(2,889)	(359)	(405)	(2,124)	77,054	67,451	8,049	1,554
Individuals	97,185	85,057	7,695	4,434	(2,719)	(335)	(444)	(1,941)	94,466	84,722	7,251	2,493
Loans and advances to customers (*)	**199,568**	**174,990**	**16,385**	**8,193**	**(5,665)**	**(708)**	**(862)**	**(4,094)**	**193,903**	**174,282**	**15,523**	**4,099**
Of which: individual					*(1,044)*	*-*	*(139)*	*(905)*				
Of which: collective					*(4,620)*	*(708)*	*(723)*	*(3,189)*				

(*) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc, S.A. (as of December 31, 2020, the remained balance was €363 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2019 (Millions of Euros)	Gross exposure				Accumulated allowances				Net amount			
	Total	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**
Public administrations	14,694	14,409	198	88	(38)	(8)	(9)	(21)	14,656	14,401	189	66
Other financial corporations	8,142	8,127	9	7	(11)	(4)	-	(6)	8,132	8,123	8	-
Non-financial corporations	79,234	67,938	7,152	4,144	(3,017)	(346)	(313)	(2,357)	76,217	67,592	6,839	1,786
Individuals	99,038	87,448	7,238	4,351	(2,224)	(308)	(358)	(1,557)	96,814	87,140	6,880	2,793
Loans and advances to customers (*)	**201,109**	**177,922**	**14,597**	**8,589**	**(5,291)**	**(668)**	**(681)**	**(3,942)**	**195,819**	**177,256**	**13,917**	**4,647**
Of which: individual					*(1,233)*	*-*	*(59)*	*(1,175)*				
Of which: collective					*(4,058)*	*(668)*	*(622)*	*(2,767)*				

(*) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2019 the remained balance was €433 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

The breakdown by counterparty and product of loans and advances, net of loss allowances, as well as the gross carrying amount by type of product, classified in the different headings of the assets, as of December 31, 2020 and 2019 is shown below:

December 2020 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	-	2	-	371	41	33	447	541
Credit card debt	-	-	-	-	92	2,083	2,175	2,319
Trade receivables		894	-	303	11,406	23	12,626	12,819
Finance leases	-	86	-	3	4,427	216	4,731	4,886
Reverse repurchase loans	-	-	203	-	-	-	203	203
Other term loans	3	12,140	2,169	5,858	60,289	92,007	172,466	177,545
Advances that are not loans	4	258	6,390	2,553	799	105	10,108	10,109
Loans and advances	**7**	**13,379**	**8,762**	**9,087**	**77,054**	**94,466**	**202,756**	**208,421**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*318*	*-*	*156*	*9,571*	*75,181*	*85,227*	*87,252*
Of which: other collateralized loans		*-*	*-*	*25*	*1,576*	*535*	*2,136*	*2,245*
By purpose of the loan	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Of which: credit for consumption						*12,149*	*12,149*	*12,987*
Of which: lending for house purchase						*75,166*	*75,166*	*76,386*
By subordination	*-*	*-*	*-*	*-*	*-*	*-*	*-*	*-*
Of which: project finance loans					*4,353*		*4,353*	*4,394*

December 2019 (Millions of Euros)

	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	-	3	-	4	100	46	153	256
Credit card debt	-	-	-	1	137	2,241	2,379	2,474
Trade receivables		963	-	215	12,661	46	13,885	14,067
Finance leases	-	85	-	3	4,689	244	5,021	5,208
Reverse repurchase loans	-	-	87	-	-	-	87	87
Other term loans	5	13,338	2,324	5,723	57,586	94,124	173,100	177,823
Advances that are not loans	-	869	5,639	2,187	1,044	113	9,852	9,851
LOANS AND ADVANCES	**5**	**15,258**	**8,050**	**8,133**	**76,217**	**96,814**	**204,477**	**209,766**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*360*	*-*	*186*	*9,901*	*77,954*	*88,401*	*90,397*
Of which: other collateralized loans	*-*	*-*	*6*	*1*	*1,751*	*596*	*2,355*	*2,496*
By purpose of the loan								
Of which: credit for consumption						*11,976*	*11,976*	*12,571*
Of which: lending for house purchase						*76,339*	*76,339*	*77,379*
By subordination								
Of which: project finance loans					*5,525*		*5,525*	*5,593*

5.2.3 Mitigation of credit risk, collateralized credit risk and other credit enhancements

In most cases, maximum credit risk exposure is reduced by collateral, credit enhancements and other actions which mitigate the Group's exposure. The BBVA Group applies a credit risk hedging and mitigation policy deriving from a banking approach focused on relationship banking. The existence of guarantees could be a necessary but not sufficient instrument for accepting risks, as the assumption of risks by the Group requires prior evaluation of the debtor's capacity for repayment, or that the debtor can generate sufficient resources to allow the amortization of the risk incurred under the agreed terms.

The policy of accepting risks is therefore organized into three different levels in the BBVA Group:

- Analysis of the financial risk of the transaction, based on the debtor's capacity for repayment or generation of funds;
- The constitution of guarantees that are adequate, or at any rate generally accepted, for the risk assumed, in any of the generally accepted forms: monetary, secured, personal or hedge guarantees; and finally,
- Assessment of the repayment risk (asset liquidity) of the guarantees received.

This is carried out through a prudent risk policy that consists in the analysis of the financial risk, based on the capacity of reimbursement or generation of resources of the borrower, the analysis of the guarantee assessing, among others, the efficiency, the robustness and the risk, the adequacy of the guarantee with the operation and other aspects such as the location, currency, concentration or the existence of limitations. Additionally, the necessary tasks for the constitution of guarantees must be carried out - in any of the generally accepted forms (collaterals, personal guarantees and financial hedge instruments) - appropriate to the risk assumed.

The procedures for the management and valuation of collateral are set out in the corporate policies (retail and wholesale), which establish the basic principles for credit risk management, including the management of collaterals assigned in transactions with customers. The criteria for the systematic, standardized and effective treatment of collateral in credit transaction procedures in Bank's wholesale and retail banking are included in the Specific Collateral Rules.

The methods used to value the collateral are in line with the best market practices and imply the use of appraisal of real-estate collateral, the market price in market securities, the trading price of shares in mutual funds, etc. All the collaterals received must be correctly assigned and entered in the corresponding register. They must also have the approval of the Bank's legal units.

The valuation of the collateral is taken into account in the calculation of the expected losses. The Bank has developed internal models to estimate the realization value of the collaterals received, the time that elapses until then, the costs for their acquisition, maintenance and subsequent sale, from real observations based on its own experience. This modeling is part of the LGD estimation processes that are applied to the different segments, and is included within the annual review and validation procedures.

The following is a description of the main types of collateral for each financial instrument class:

- Debt instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument (mainly guarantees of the issuer).
- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees and collaterals, depending on counterparty solvency and the nature of the transaction (mainly collaterals).
- The summary of the compensation effect (via netting and collateral) for derivatives and securities operations in Note 5.3.2
- Other financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument (mainly personal guarantees).

  As of December 31, 2020 and 2019 BBVA had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 5.2.2).

- Financial assets at amortized cost:
  - Loans and advances to credit institutions: These usually have the counterparty's personal guarantee or pledged securities in the case of repos
  - Loans and advances to customers: Most of these loans and advances are backed by personal guarantees extended by the customer. There may also be collateral to secure loans and advances to customers (such as mortgages, cash collaterals, pledged securities and other collateral), or to obtain other credit enhancements (bonds or insurances).
  - Debt securities: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument.
- Financial guarantees, other contingent risks and drawable by third parties: these have the counterparty's personal guarantee or other types of collaterals.

The disclosure of impaired loans and advances at amortized cost (see Note 5.2.5) covered by collateral, by type of collateral, as of December 31, 2020 and 2019, is the following:

December 2020 (Millions of Euros)

	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired loans and advances at amortized cost	8,193	2,077	655	2	4	17
Total	**8,193**	**2,077**	**655**	**2**	**4**	**17**

December 2019 (Millions of Euros)

	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
Impaired loans and advances at amortized cost	8,589	2,352	721	3	4	6
Total	**8,589**	**2,352**	**721**	**3**	**4**	**6**

- Financial guarantees, other contingent risks and drawable by third parties: These have the counterparty's personal guarantee.

The maximum credit risk exposure of impaired financial guarantees and other commitments as of December 31, 2020 and 2019 amounts to €562 and €621 million (see Note 5.2.2).

5.2.4 Credit quality of financial assets that are neither past due nor impaired

The BBVA Group has tools that enable it to rank the credit quality of its transactions and customers based on an assessment and its correspondence with the probability of default ("PD") scales. To analyze the performance of PD, the Group has a series of tracking tools and historical databases that collect the pertinent internally generated information. These tools can be grouped together into scoring and rating models.

Scoring

Scoring is a decision-making model that contributes to both the arrangement and management of retail loans: consumer loans, mortgages, credit cards for individuals, etc. Scoring is the tool used to decide to originate a loan, what amount should be originated and what strategies can help establish the price, because it is an algorithm that sorts transactions by their credit quality. This algorithm enables the BBVA Group to assign a score to each transaction requested by a customer, on the basis of a series of objective characteristics that have statistically been shown to discriminate between the quality and risk of this type of transactions. The advantage of scoring lies in its simplicity and homogeneity: all that is needed is a series of objective data for each customer, and this data is analyzed automatically using an algorithm.

There are three types of scoring, based on the information used and on its purpose:

- Reactive scoring: measures the risk of a transaction requested by an individual using variables relating to the requested transaction and to the customer's socio-economic data available at the time of the request. The new transaction is approved or rejected depending on the score.
- Behavioral scoring: scores transactions for a given product in an outstanding risk portfolio of the entity, enabling the credit rating to be tracked and the customer's needs to be anticipated. It uses transaction and customer variables available internally. Specifically, variables that refer to the behavior of both the product and the customer.
- Proactive scoring: gives a score at customer level using variables related to the individual's general behavior with the entity, and to his/her payment behavior in all the contracted products. The purpose is to track the customer's credit quality and it is used to pre-approve new transactions.

Rating

Rating tools, as opposed to scoring tools, do not assess transactions but focus on the rating of customers instead: companies, corporations, SMEs, general governments, etc. A rating tool is an instrument that, based on a detailed financial study, helps determine a customer's ability to meet his/her financial obligations. The final rating is usually a combination of various factors: on one hand, quantitative factors, and on the other hand, qualitative factors. It is a middle road between an individual analysis and a statistical analysis.

The main difference between ratings and scorings is that the latter are used to assess retail products, while ratings use a wholesale banking customer approach. Moreover, scorings only include objective variables, while ratings add qualitative information. And although both are based on statistical studies, adding a business view, rating tools give more weight to the business criterion compared to scoring tools.

For portfolios where the number of defaults is low (sovereign risk, corporates, financial entities, etc.) the internal information is supplemented by "benchmarking" of the external rating agencies (Moody's, Standard & Poor's and Fitch). To this end, each year the PDs compiled by the rating agencies at each level of risk rating are compared, and the measurements compiled by the various agencies are mapped against those of the BBVA master rating scale.

Once the probability of default of a transaction or customer has been calculated, a "business cycle adjustment" is carried out. This is a means of establishing a measure of risk that goes beyond the time of its calculation. The aim is to capture representative information of the behavior of portfolios over a complete economic cycle. This probability is linked to the Master Rating Scale prepared by the BBVA Group to enable uniform classification of the Group's various asset risk portfolios.

The table below shows the abridged scale used to classify the BBVA Group's outstanding risk as of December 31, 2020:

External *rating*	Internal *rating*	Probability of default (basis points)		
Standard&Poor's List	Reduced List (22 groups)	Average	Minimum from >=	Maximum
AAA	AAA	1	-	2
AA+	AA+	2	2	3
AA	AA	3	3	4
AA-	AA-	4	4	5
A+	A+	5	5	6
A	A	8	6	9
A-	A-	10	9	11
BBB+	BBB+	14	11	17
BBB	BBB	20	17	24
BBB-	BBB-	31	24	39
BB+	BB+	51	39	67
BB	BB	88	67	116
BB-	BB-	150	116	194
B+	B+	255	194	335
B	B	441	335	581
B-	B-	785	581	1,061
CCC+	CCC+	1,191	1,061	1,336
CCC	CCC	1,500	1,336	1,684
CCC-	CCC-	1,890	1,684	2,121
CC+	CC+	2,381	2,121	2,673
CC	CC	3,000	2,673	3,367
CC-	CC-	3,780	3,367	4,243

These different levels and their probability of default were calculated by using as a reference the rating scales and default rates provided by the external agencies Standard & Poor's and Moody's. These calculations establish the levels of probability of default for the BBVA Group's Master Rating Scale. Although this scale is common to the entire Group, the calibrations (mapping scores to PD sections/Master Rating Scale levels) are carried out at tool level for each country in which the Group has tools available.

The table below outlines the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of the main BBVA Group entities as of December 31, 2020 and 2019:

Credit Risk Distribution by Internal Rating	2020 Amount (Millions of Euros)	2020 %	2019 Amount (Millions of Euros)	2019 %
AAA/AA	32,252	11.51%	36,127	13.88%
A	98,743	35.23%	81,864	31.45%
BBB+	39,325	14.03%	41,524	15.95%
BBB	34,816	12.42%	28,880	11.09%
BBB-	32,994	11.77%	36,586	14.05%
BB+	15,216	5.43%	12,543	4.82%
BB	7,931	2.83%	7,253	2.79%
BB-	7,569	2.70%	6,318	2.43%
B+	4,149	1.48%	3,786	1.45%
B	3,013	1.07%	2,569	0.99%
B-	2,033	0.73%	1,466	0.56%
CCC/CC	2,237	0.80%	1,395	0.54%
Total	**280,276**	**100%**	**260,312**	**100%**

5.2.5 Impaired secured loan risks

The breakdown of loans and advances, within financial assets at amortized cost, non-performing and accumulated impairment as well as the gross carrying amount by counterparties as of December 31, 2020 and 2019 is as follows:

December 2020 (Millions of Euros)

	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	**7**	**-**	**-**	**-**
General governments	**13,336**	**76**	**(41)**	**0.6%**
Credit institutions	**8,762**	**-**	**-**	**-**
Other financial corporations	**9,103**	**5**	**(16)**	**0.1%**
Non-financial corporations	**79,943**	**3,678**	**(2,889)**	**4.6%**
Agriculture, forestry and fishing	1,409	71	(41)	5.0%
Mining and quarrying	1,956	8	(15)	0.4%
Manufacturing	17,807	636	(445)	3.6%
Electricity, gas, steam and air conditioning supply	6,909	45	(42)	0.7%
Water supply	842	17	(14)	2.0%
Construction	7,021	767	(563)	10.9%
Wholesale and retail trade	11,589	804	(536)	6.9%
Transport and storage	4,753	182	(88)	3.8%
Accommodation and food service activities	4,868	278	(156)	5.7%
Information and communications	4,401	61	(45)	1.4%
Financial and insurance activities	5,075	112	(106)	2.2%
Real estate activities	5,892	359	(221)	6.1%
Professional, scientific and technical activities	2,271	132	(83)	5.8%
Administrative and support service activities	2,245	81	(90)	3.6%
Public administration and defense, compulsory social security	73	3	(3)	4.3%
Education	235	11	(8)	4.7%
Human health services and social work activities	903	57	(43)	6.4%
Arts, entertainment and recreation	766	43	(28)	5.6%
Other services	927	11	(362)	1.2%
Households	**97,185**	**4,434**	**(2,719)**	**4.6%**
LOANS AND ADVANCES	**208,336**	**8,193**	**(5,665)**	**3.9%**

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

December 2019 (Millions of Euros)

	Gross carrying amount	Non-performing loans and advances	Accumulated impairment	Non-performing loans and advances as a % of the total
Central banks	**5**	**-**	**-**	**-**
General governments	**14,694**	**88**	**(38)**	**0.6%**
Credit institutions	**8,050**	**-**	**(1)**	**-**
Other financial corporations	**8,142**	**7**	**(11)**	**0.1%**
Non-financial corporations	**79,234**	**4,144**	**(3,017)**	**5.2%**
Agriculture, forestry and fishing	1,364	61	(45)	4.5%
Mining and quarrying	1,523	9	(7)	0.6%
Manufacturing	19,929	657	(521)	3.3%
Electricity, gas, steam and air conditioning supply	5,782	62	(46)	1.1%
Water supply	844	14	(14)	1.7%
Construction	7,038	1,009	(647)	14.3%
Wholesale and retail trade	11,013	1,074	(765)	9.8%
Transport and storage	4,531	135	(108)	3.0%
Accommodation and food service activities	3,514	194	(115)	5.5%
Information and communications	4,685	79	(47)	1.7%
Financial and insurance activities	5,719	151	(114)	2.6%
Real estate activities	6,332	412	(294)	6.5%
Professional, scientific and technical activities	2,093	98	(69)	4.7%
Administrative and support service activities	2,024	80	(61)	4.0%
Public administration and defense, compulsory social security	150	4	(4)	2.6%
Education	177	17	(9)	9.8%
Human health services and social work activities	976	22	(17)	2.3%
Arts, entertainment and recreation	547	35	(26)	6.4%
Other services	993	30	(107)	3.0%
Households	**99,038**	**4,351**	**(2,224)**	**4.4%**
LOANS AND ADVANCES	**209,164**	**8,589**	**(5,291)**	**4.1%**

The changes during the years 2020 and 2019 of impaired financial assets and contingent risks are as follow:

Changes in impaired financial assets and contingent risks (Millions of Euros)	2020	2019
Balance at the beginning	**9,053**	**10,509**
Additions	2,508	2,689
Decreases (*)	(2,190)	(2,763)
Net additions	**318**	**(75)**
Transfers to write-off	(666)	(1,251)
Exchange differences and others	(51)	(130)
Balance at the end	**8,654**	**9,053**
Recoveries on entries (%)	**87%**	**103%**

(*) Reflects the total amount of impaired loans derecognized from the balance sheet throughout the period as a result of mortgage foreclosures and real estate assets received in lieu of payment as well as monetary recoveries (see Note 19).

The changes in the year 2020 and 2019 in financial assets derecognized from the accompanying balance sheet as their recovery is considered unlikely ("write-offs"), is shown below:

Changes in Impaired financial assets written-off from the balance sheet (Millions of Euros)	Notes	2020	2019
Balance at the beginning		**17,042**	**24,484**
Increase		**1,000**	**1,856**
Assets of remote collectability		666	1,251
Past-due and not collected income		334	605
Decrease		**(737)**	**(9,300)**
Re-financing or restructuring		(6)	(1)
Cash recovery	42	(238)	(791)
Foreclosed assets		(20)	(46)
Sales (*)		-	(7,400)
Debt forgiveness		(416)	(379)
Time-barred debt and other causes		(57)	(682)
Net exchange differences		**(8)**	**1**
Balance at the end		**17,297**	**17,042**

(*) Includes principal and interest.

As indicated in Note 2.1, although they have been derecognized from the balance sheet, the BBVA continues to attempt to collect on these written-off financial assets, until the rights to receive them are fully extinguished, either because it is time-barred financial asset, the financial asset is condoned, or other reasons.

5.2.6 Loss allowances

Below are the changes in the years ended December 31, 2020 and 2019 in the accumulated allowances and gross accounting balances and impairment losses recorded on the accompanying balance sheets to cover estimated loss allowances in loans and advances measured at amortized cost:

Changes in gross accounting balances of financial assets at amortized cost. December 2020 (Millions of Euros)	*Stage 1*	*Stage 2*	*Stage 3*	*Total*
Opening balance	**185,965**	**14,609**	**8,589**	**209,163**
Transfers of financial assets:	(3,793)	2,800	993	-
Transfers from stage 1 to Stage 2	(5,970)	5,970	-	-
Transfers from stage 2 to Stage 1	2,665	(2,665)	-	-
Transfers to Stage 3	(537)	(1,077)	1,614	-
Transfers from Stage 3	49	572	(621)	-
Net annual origination of financial assets	2,358	(999)	(723)	636
Becoming write-offs	-	-	(666)	(666)
Changes in model / methodology	-	-	-	-
Foreign exchange	(770)	(25)	-	(795)
Modifications that do not result in derecognition	-	-	-	-
Other	-	-	-	-
Closing balance	**183,760**	**16,385**	**8,193**	**208,338**

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Changes in allowances of financial assets at amortized cost. December 2020 (Millions of Euros)

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Opening balance	**668**	**681**	**3,942**	**5,291**
Transfers of financial assets:	(6)	97	380	471
Transfers from stage 1 to Stage 2	(16)	225	-	209
Transfers from stage 2 to Stage 1	14	(110)	-	(96)
Transfers to Stage 3	(4)	(52)	471	415
Transfers from Stage 3	-	34	(91)	(57)
Net annual origination of allowances	93	211	410	714
Becoming write-offs	-	-	(572)	(572)
Changes in model / methodology	-	-	-	-
Foreign exchange	-	-	-	-
Modifications that do not result in derecognition	-	-	-	-
Other	(46)	(127)	(66)	(239)
Closing balance	**709**	**862**	**4,094**	**5,665**

Changes in gross accounting balances of loans and advances at amortized cost. 2019 (Millions of Euros)

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Opening balance	**182,317**	**12,831**	**9,976**	**205,124**
Transfers of financial assets:	(3,605)	3,041	564	-
Transfers from stage 1 to Stage 2	(5,996)	5,996	-	-
Transfers from stage 2 to Stage 1	2,868	(2,868)	-	-
Transfers to Stage 3	(512)	(1,031)	1,543	-
Transfers from Stage 3	35	944	(979)	-
Net annual origination of financial assets	7,059	(1,267)	(701)	5,092
Becoming write-offs	-	-	(1,251)	(1,251)
Changes in model / methodology	-	-	-	-
Foreign exchange	194	5	-	199
Modifications that do not result in derecognition	-	-	-	-
Other	-	-	-	-
Closing balance	**185,965**	**14,609**	**8,589**	**209,164**

Changes in allowances of loans and advances at amortized cost. 2019 (Millions of Euros)

	Stage 1	*Stage 2*	*Stage 3*	*Total*
Opening balance	**664**	**895**	**4,279**	**5,839**
Transfers of financial assets:	(26)	60	369	403
Transfers from stage 1 to Stage 2	(29)	145	-	116
Transfers from stage 2 to Stage 1	6	(123)	-	(117)
Transfers to Stage 3	(4)	(36)	525	485
Transfers from Stage 3	-	74	(156)	(82)
Net annual origination of allowances	11	(69)	451	393
Becoming write-offs	-	-	(1,004)	(1,004)
Changes in model / methodology	-	-	-	-
Foreign exchange	-	-	1	1
Modifications that do not result in derecognition	-	-	-	-
Other	18	(206)	(154)	(341)
Closing balance	**668**	**681**	**3,942**	**5,291**

5.3. Market risk

Market risk originates from the possibility of losses in the value of positions held as a result of movements in market variables that affect the valuation of financial assets and liabilities. The scope of market risk in the Bank's trading portfolios stems mainly from the portfolios originated by Global Markets valued at fair value and held for the purpose of trading and generating short-term results. Market risk in the field of banking book is clearly delimited and separated into structural risks of interest rate, exchange rate and equity (see Note 5.4).

5.3.1 Market risk in trading portfolios

The main risks in trading portfolios can be classified as follows:

- Interest-rate risk: This arises as a result of exposure to movements in the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to the movements in interest rates are money-market products (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products are exposed to interest-rate movements due to the effect that such movements have on the valuation of the financial discount.
- Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in shares or any derivative products whose underlying asset is a share or an equity index. Dividend risk is a sub-risk of equity risk, arising as an input for any equity option. Its variation may affect the valuation of positions and it is therefore a factor that generates risk on the books.

- Exchange-rate risk: This is caused by movements in the exchange rates of the different currencies in which a position is held. As in the case of equity risk, this risk is generated in spot currency positions, and in any derivative product whose underlying asset is an exchange rate. In addition, the quanto effect (operations where the underlying asset and the instrument itself are denominated in different currencies) means that in certain transactions in which the underlying asset is not a currency, an exchange-rate risk is generated that has to be measured and monitored.
- Credit-spread risk: Credit spread is an indicator of an issuer's credit quality. Spread risk occurs due to variations in the levels of spread of both corporate and government issues, and affects positions in bonds and credit derivatives.
- Volatility risk: This occurs as a result of changes in the levels of implied price volatility of the different market instruments on which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives and is defined as a first-order convexity risk that is generated in all possible underlying assets in which there are products with options that require a volatility input for their valuation.

The metrics developed to control and monitor market risk in BBVA Group are aligned with market practices and are implemented consistently across all the local market risk units.

Measurement procedures are established in terms of the possible impact of negative market conditions on the trading portfolio of the Group's Global Markets units, both under ordinary circumstances and in situations of heightened risk factors.

The standard metric used to measure market risk is Value at Risk (VaR), which indicates the maximum loss that may occur in the portfolios at a given confidence level (99%) and time horizon (one day). This statistic value is widely used in the market and has the advantage of summing up in a single metric the risks inherent to trading activity, taking into account how they are related and providing a prediction of the loss that the trading book could sustain as a result of fluctuations in equity prices, interest rates, foreign exchange rates and credit spreads. The market risk analysis considers various risks, such as credit spread, basis risk as well as volatility and correlation risk.

With respect to the risk measurement models used in BBVA, the Bank of Spain authorized the use of the internal model to determine bank capital requirements deriving from risk positions on BBVA's trading book.

The current management structure includes the monitoring of market-risk limits, consisting of a scheme of limits based on VaR, economic capital (based on VaR measurements) and VaR sub-limits, as well as stop-loss limits for each of the Group's business units.

The model used estimates VaR in accordance with the "historical simulation" methodology, which involves estimating losses and gains that would have taken place in the current portfolio if the changes in market conditions that took place over a specific period of time in the past were repeated. Based on this information, it predicts the maximum expected loss of the current portfolio within a given confidence level. This model has the advantage of reflecting precisely the historical distribution of the market variables and not assuming any specific distribution of probability. The historical period used in this model is two years.

VaR figures are estimated with the following methodologies:

- VaR without smoothing, which awards equal weight to the daily information for the previous two years. This is currently the official methodology for measuring market risks for the purpose of monitoring compliance with risk limits.
- VaR with smoothing, which gives a greater weight to more recent market information. This metric supplements the previous one.

The use of VaR by historical simulation methodology as a risk metric has many advantages, but also certain limitations, among which it is worth highlighting:

- The estimate of the maximum daily loss of the Global Markets portfolio positions (with a confidence level of 99%) depends on the market movements of the last two years, not picking up the impact of large market events if they have not occurred within that historical window
- The use of the 99% confidence level does not consider potential losses that can occur beyond this level. To mitigate this limitation, different stress exercises are also performed, described later.

At the same time, and following the guidelines established by the Spanish and European authorities, BBVA incorporates metrics in addition to VaR with the aim of meeting the Bank of Spain's regulatory requirements with respect to the calculation of bank capital for the trading book. Specifically, the measures incorporated in the Group since December 2011 (stipulated by Basel 2.5) are:

- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the risk factors inherent to market operations (including interest-rate risk, exchange-rate risk, equity risk and credit risk, etc.). Both VaR and stressed VaR are rescaled by a regulatory multiplier set at three and by the square root of ten to calculate the capital charge.
- Specific Risk: Incremental Risk Capital ("IRC"). Quantification of the risks of default and downgrading of the credit rating of the bond and credit derivative positions in the portfolio. The IRC charge is exclusively applied in entities in respect of which the internal market risk model is used (i.e., BBVA, S.A. and BBVA Mexico). The IRC charge is determined based on the associated losses (calculated at 99.9% confidence level over a one year horizon under the hypothesis of constant risk) due to a rating change and/or default of the issuer with respect to an asset. In addition, the price risk is included in sovereign positions for the specified items.

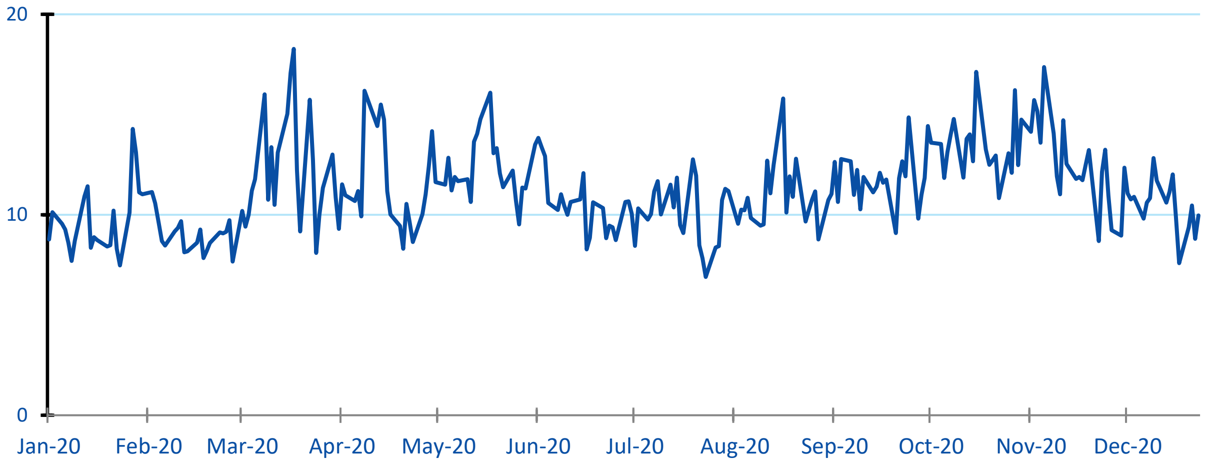
- Specific Risk: Securitization and correlation portfolios. Capital charges for securitizations and correlation portfolios are assessed based on the potential losses associated with the rating level of a specific credit structure. They are calculated by the standard model. The scope of the correlation portfolios refers to the First To Default (FTD)-type market operation and/or tranches of market CDOs and only for positions with an active market and hedging capacity.

Validity tests are performed regularly on the risk measurement models used by the Group. They estimate the maximum loss that could have been incurred in the assessed positions with a certain level of probability (backtesting), as well as measurements of the impact of extreme market events on risk positions (stress testing). As an additional control measure, backtesting is conducted at a trading desk level in order to enable more specific monitoring of the validity of the measurement models.

Market risk in 2020

The Bank's market risk in 2020 remains at low levels compared with other aggregates of risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2020, the market risk of trading book increase versus the previous year and, in terms of VaR, stood at €13 million at the close of the period.

The average VaR for 2020 stood at €11 million, in comparison with the €8 million registered in 2019, with a high for the year on March 18, 2020 at €18 million.



By type of market risk assumed by the Bank's trading portfolio, the main risk factor in BBVA at the end of 2020 is linked to the interest rates (this figure includes the spread risk) which represents a 44% of the total weight, decreasing slightly its relative weight compared to the year end 2019 (47%). The risk related to volatility and correlation accounts for 27% of the total weight at the end of 2020, with no changes compared to the year end 2019 (27%).

Exchange-rate risk accounts for 27% which represents a slight decrease on the figure 12 months prior (14%), while equity risk has decreased from 12%, at the end of 2019 to 2% at the end of 2020.

Market risk by risk factor (Millions of euros)

	2020	2019
Interest + credit spread	15	12
Exchange rate	9	3
Equity	1	3
Volatility	10	7
Diversification effect (*)	(22)	(16)
Total	**13**	**9**
Average VaR	**11**	**8**
Maximum VaR	**18**	**10**
Minimum VaR	**7**	**6**

(*) The diversification effect is the difference between the sum of the average individual risk factors and the total VaR figure that includes the implied correlation between all the variables and scenarios used in the measurement.

Validation of the internal market risk model

The internal market risk model is validated on a regular basis by backtesting in BBVA S.A. The aim of backtesting is to validate the quality and precision of the internal market risk model used by BBVA Group to estimate the maximum daily loss of a portfolio, at a 99% level of confidence and a 250-day time horizon, by comparing the Group's results and the risk measurements generated by the internal market risk model. These tests showed that the internal market risk model of BBVA, S.A. is adequate and precise.

Two types of backtesting have been carried out in 2020 and 2019:

- "Hypothetical" backtesting: the daily VaR is compared with the results obtained, not taking into account the intraday results or the changes in the portfolio positions. This validates the appropriateness of the market risk metrics for the end-of-day position.
- "Real" backtesting: the daily VaR is compared with the total results, including intraday transactions, but discounting the possible minimum charges or fees involved. This type of backtesting includes the intraday risk in portfolios.

In addition, each of these two types of backtesting was carried out at a risk factor or business type level, thus making a deeper comparison of the results with respect to risk measurements.

For the period between the year ended December 31, 2019 and the year ended December 31, 2020, the backtesting of the internal VaR calculation model was carried out, comparing the daily results obtained to the estimated risk level by the internal VaR calculation model. In that period, there were no negative exceptions in BBVA, S.A.

At the end of the year the comparison showed the internal VaR calculation model was working correctly, within the "green" zone (0-4 exceptions), thus validating the internal VaR calculation model, as has occurred each year since the internal market risk model was approved for the Group.

Stress testing

A number of stress tests are carried out on the BBVA Group's trading portfolios. First, global and local historical scenarios are used that replicate the behavior of an extreme past event, such as for example the collapse of Lehman Brothers or the "Tequilazo" crisis. These stress tests are complemented with simulated scenarios, where the aim is to generate scenarios that have a significant impact on the different portfolios, but without being anchored to any specific historical scenario. Finally, for some portfolios or positions, fixed stress tests are also carried out that have a significant impact on the market variables affecting these positions.

Historical scenarios

The historical benchmark stress scenario for the BBVA Group is Lehman Brothers, whose sudden collapse in September 2008 led to a significant impact on the behavior of financial markets at a global level. The following are the most relevant effects of this historical scenario:

- Credit shock: reflected mainly in the increase of credit spreads and downgrades in credit ratings.
- Increased volatility in most of the financial markets (giving rise to a great deal of variation in the prices of different assets (currency, equity, debt).
- Liquidity shock in the financial systems, reflected by a major movement in interbank curves, particularly in the shortest sections of the euro and dollar curves.

Simulated scenarios

Unlike the historical scenarios, which are fixed and therefore not suited to the composition of the risk portfolio at all times, the scenario used for the exercises of economic stress is based on resampling methodology. This methodology is based on the use of dynamic scenarios that are recalculated periodically depending on the main risks affecting the trading portfolios. On a data window wide enough to collect different periods of stress (data are taken from January 1, 2008 until the date of the assessment), a simulation is performed by resampling of historic observations, generating a distribution of losses and gains that serve to analyze the most extreme of births in the selected historical window. The advantage of this methodology is that the period of stress is not predetermined, but depends on the portfolio maintained at each time, and making a large number of simulations (10,000 simulations) allows a greater richness of information for the analysis of expected shortfall than what is available in the scenarios included in the calculation of VaR.

The main features of this approach are: a) the generated simulations respect the correlation structure of the data, b) there is flexibility in the inclusion of new risk factors and c) it allows the introduction of a lot of variability in the simulations (desirable for considering extreme events).

5.3.2 Financial instruments offset

Financial assets and liabilities may be netted, i.e. they are presented for a net amount on the balance sheet only when the Bank complies with the provisions of Bank of Spain Circular 4/2017 and IAS 32-Paragraph 42, so they have both the legal right to net recognized amounts, and the intention of settling the net amount or of realizing the asset and simultaneously paying the liability.

In addition, the Bank has presented as gross amounts assets and liabilities on the balance sheet for which there are master netting arrangements in place, but for which there is no intention of settling net. The most common types of events that trigger the netting of reciprocal obligations are bankruptcy of the entity, surpassing certain level of indebtedness threshold, failure to pay, restructuring and dissolution of the entity.

In the current market context, derivatives are contracted under different framework contracts being the most widespread developed by the International Swaps and Derivatives Association (ISDA) and, for the Spanish market, the Framework Agreement on Financial Transactions (CMOF). Almost all portfolio derivative transactions have been concluded under these framework contracts, including in them the netting clauses mentioned in the preceding paragraph as "Master Netting Agreement", greatly reducing the credit exposure on these instruments. Additionally, in contracts signed with professional counterparts, the collateral agreement annexes called Credit Support Annex (CSA) are included, thereby minimizing exposure to a potential default of the counterparty.

Moreover, in transactions involving acquisitions and assets sold under repurchase agreements there is a high volume transacted through clearing houses that articulate mechanisms to reduce counterparty risk, as well as through the signing of various master agreements for bilateral transactions, the most widely used being the Global Master Repurchase Agreement (GMRA), published by International Capital Market Association (“ICMA”), to which the clauses related to the collateral exchange are usually added within the text of the master agreement itself.

Finally, the Bank, in line with its strategy to actively reduce the counterparty risk, has established new settlement to market agreements with clearing houses which allows the daily liquidation of OTC market operations.

A summary of the effect of offsetting (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2020 and 2019:

Assets and liabilities subject to contractual netting rights (Millions of Euros)

	2020						2019					
				Gross amounts not offset in the balance sheets (D)						Gross amounts not offset in balance sheets (D)		
	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)
Trading and hedging derivatives	43,245	5,688	37,557	29,368	8,286	(97)	35,328	2,388	32,940	24,259	7,721	960
Reverse repurchase, securities borrowing and similar agreements	30,060	-	30,060	30,306	161	(407)	33,260	-	33,260	32,994	204	62
Total assets	**73,305**	**5,688**	**67,617**	**59,674**	**8,446**	**(503)**	**68,588**	**2,388**	**66,200**	**57,253**	**7,926**	**1,021**
Trading and hedging derivatives	42,629	5,722	36,906	29,368	7,604	(65)	35,367	2,394	32,973	24,259	9,193	(479)
Repurchase, securities lending and similar agreements	28,706	-	28,706	28,990	1,619	(1,903)	33,584	-	33,584	32,936	420	229
Total liabilities	**71,335**	**5,722**	**65,612**	**58,358**	**9,223**	**(1,968)**	**68,951**	**2,394**	**66,558**	**57,195**	**9,612**	**(249)**

The amount of recognized financial instruments within derivatives includes the effect in case of compensation with counterparties with which the bank holds netting agreements, while, for repos, it reflects the market value of the collateral associated with the transaction.

5.4 Structural risk

The structural risks are defined, in general terms, as the possibility of sustaining losses due to adverse movements in market risk factors as a result of mismatches in the financial structure of an entity´s balance sheet.

In BBVA the following types of structural risks are defined, according to the nature and the following market factors: interest rate, exchange rate and equity.

The scope of structural risks in the Bank is limited to the banking book, excluding market risks in the trading book that are clearly delimited and separated and make up the Market Risks.

The Assets and Liabilities Committee (ALCO) is the main responsible body for the management of structural risks regarding liquidity/ funding interest rate, currency, equity and solvency. Every month, with the assistance of the CEO and representatives from the areas of Finance, Risks and Business Areas, this committee monitors and controls the structural risks and is presented with action plans proposals for managing them for its approval. These management proposals are made proactively by the Finance area, taking into account the risk appetite framework and with the aim of guaranteeing recurrent earnings and financial stability and preserving the entity's solvency. All balance management units have a local ALCO, which is permanently attended by members of the corporate center, and there is a corporate ALCO where management strategies are monitored and presented in the Group's subsidiaries.

GRM area acts as an independent unit, ensuring adequate separation between the management and risk control functions, and is responsible for ensuring that the structural risks in the Group are managed according to the strategy approved by the Board of Directors.

Consequently, GRM deals with the identification, measurement, monitoring and control of those risks and their reporting to the corresponding corporate bodies. Through the Global Risk Management Committee (GRMC), it performs the function of control and risk assessment and is responsible for developing the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure and manage the significant risks that the BBVA Group faces. To this end, GRM, through the corporate unit of Structural Risks, proposes a scheme of limits and alerts that declines the risk appetite set for each of the relevant structural risk types, both at Group level and by management units, which will be reviewed annually, reporting the situation periodically to Group’s corporate bodies as well as to the GRMC.

In addition, both, the management as well as the control and measurement system of the structural risks need to be adjusted necessarily to BBVA’s internal control model, complying therefore with the evaluation and certification processes included. In this regard, the required tasks and controls have been identified and documented which allows the Bank to dispose of a regulatory framework that includes precise processes and measures for structural risks with a global perspective from a geographical point of view.

BBVA’s internal control model, which is based on the high standards, is included within the three lines of defense. Finance is the first line of defense being in charge of the structural risk management, whereas GRM is in charge of the identification of the risks and establishes policies and control models which are periodically evaluated with regard to their performance.

In the second line of defense are located Internal Risk Control, which independently reviews the structural risk controls, and one entity of Internal Financial Control which reviews the design and the effectiveness of the operating structural risks management controls.

Internal Audit, which works with total independence, represents the third line of defense and reviews specific controls and processes.

5.4.1 Structural interest rate risk

The structural interest-rate risk (“IRRBB”) is related to the potential impact that variations in market interest rates have on an entity's net interest income and equity. In order to properly measure IRRBB, the Group BBVA takes into account the main sources that generate this risk: repricing risk, yield curve risk, option risk and basis risk, which are analyzed with an integral vision, combining two complementary points of view: net interest income (short term) and economic value (long term).

The exposure of a financial entity to adverse interest rates movements is a risk inherent to the development of the banking business, which is also, in turn, an opportunity to create economic value. Therefore, interest rate risk must be effectively managed so that it is limited in accordance with the entity’s equity and in line with the expected economic result.

This function falls to the ALM (Asset & Liability Management) unit, within the Finance area, who, through ALCO, aims to guarantee the recurrence of results and preserve the solvency of the entity, always adhering to the risk profile defined by the management bodies of the BBVA Group. The interest rate risk management of the balance sheet aims to promote the stability of the net interest income and book value in the face of changes in the market interest rates, types in the different balance-sheets, while respecting solvency and internal limits, and complying with current and future regulatory requirements. Likewise, a specific monitoring of the banking book instruments registered at market value (fair value) is developed, which due to their accounting treatment have an impact on results and / or equity.

In this regard, BBVA maintains an exposure to fluctuations on interest rates according to its objective strategy and risk profile, being carried out in a decentralized and independent manner in each of the banking entities that compose its structural balance-sheet.

The management is carried out in accordance with the guidelines established by the European Banking Authority (EBA), with a monitoring of interest rate risk metrics, with the aim of analyzing the potential impact that could be derived from the range of scenarios in the different balance-sheets of the Group.

Nature of Interest Rate Risk

Repricing risk arises due to the difference between the repricing or maturity terms of the assets and liabilities, and represents the most frequent interest rate risk faced by financial entities. Notwithstanding, other sources of risk as changes in the slope and shape of the yield curve, the reference to different indexes and the optionality risk embedded in certain banking transactions, are also taken into account by the risk control system.

BBVA's structural interest-rate risk management process is formed from a set of metrics and tools that enables to properly monitor the risk profile of the Group, backed-up by an assumptions set that aims to characterize the behavioral of the balance sheet items with the maximum accuracy.

The IRRBB measurement is carried out on a monthly basis, and includes probabilistic measures based on methods of scenario simulation, which enables to capture additional sources of risk to the parallel shifts, as the changes in slope and shape of the yield curve. Besides, sensitivity analysis to multiple parallel shocks of different magnitude are also assessed on a regular basis. The process is run separately for each currency to which the Group is exposed, considering, at a later stage, the diversification effect among currencies and business units.

The risk measurement model is complemented by the assessment of ad-hoc scenarios and stress tests. As stress testing has become more relevant during the recent years, the evaluation of extreme scenarios of rupture of historical interest rates levels, correlations and volatility has continued to be enhanced, while assessing, also, BBVA Research market scenarios and incorporating the set of scenarios defined according to EBA guidelines.

During the year 2020, BBVA worked to improve the control and management model in accordance with the guidelines established by the EBA on the management of interest rate risk in the banking book. It is worth highlighting, among other aspects, the reinforcement of the stress analysis, including the evaluation of the impacts on the main balance sheet accounts of the Bank that could derive from the range of interest rate scenarios defined according to the EBA guidelines mentioned above.

Key assumptions of the model

In order to measure structural interest rate risk, the setting of assumptions on the evolution and behavior of certain balance sheet items is particularly relevant, especially those related to products without an explicit or contractual maturity.

The assumptions that characterize these balance sheet items must be understandable for the areas and bodies involved in risk management and control and remain duly justified and documented. The modeling of these assumptions must be conceptually reasonable and consistent with the evidence based on historical experience, reviewed at least once a year.

In view of the heterogeneity of the financial markets and the availability of historical data, each one of the entities of the Group is responsible for determining the behavior assumptions to be applied to the balance sheet items, always under the guidelines and the applicability of the corporate models existing in the Group.

Among the balance sheet assumptions stand out those established for the treatment of items without contractual maturity, mainly for demand customer deposits, and those related to the expectations on the exercise of interest rate options, especially those relating to loans and deposits subject to prepayment risk.

For the modeling of demand deposits, a segmentation of the accounts in several categories is previously carried out depending on the characteristics of the customer (retail / wholesale) and the product (type of account / transactionality / remuneration), in order to outline the specific behavior of each segment.

In order to establish the remuneration of each segment, the relationship between the evolution of market interest rates and the interest rates of managed accounts is analyzed, with the aim of determining the translation dynamic (percentages and lags) of interest rates variations to the remuneration of the accounts.

The behavior assigned to each category of accounts is determined by an analysis of the historical evolution of the balances and the probability of cancellation of the accounts. For this, the volatile part of the balance assigned to a short-term maturity is isolated, thus avoiding fluctuations in the level of risk caused by specific variations in the balances and promoting stability in the management of the balance. Once the stable part is identified, a medium / long term maturity model is applied through a decay distribution based on the average term of the accounts and the conditional cancellation probabilities throughout the life of the product.

Additionally, the relationship of the evolution of the balance of deposits with the levels of market interest rates is taken into account, where appropriate, including the potential migration between the different types of deposits (on demand / time deposits) in the different interest rate scenarios.

Equally relevant is the treatment of early cancelation options embedded in credit loans, mortgage portfolios and customer deposits. The evolution of market interest rates may condition, along with other variables, the incentive that customers have to prepay loans or deposits, modifying the future behavior of the balance amounts with respect to the forecasted contractual maturity schedule.

The detailed analysis of the historical information related to prepayment data, both partial and total prepayment, combined with other variables such as interest rates, allows estimating future amortizations and, where appropriate, their behavior linked to the evolution of such variables.

The approval and updating of the risk behavior models of structural interest rate risk are subject to corporate governance under the scope of GRM-Analytics. In this way, the models must be properly inventoried and cataloged and comply with the requirements established in the internal procedures for their development, updating and management of the changes. The models are also subject to the corresponding internal validations based on their relevance and the established monitoring requirements.

In 2020, central Banks and governments have implemented a new package of measures to boost the economy in response to a weaker economy caused by the COVID-19 pandemic that has affected significantly the global economy and most of the countries. In Europe, the monetary stimulus measures of the European Central Bank have continued, and the Euribor have fallen, reaching historical low records. In the United States, the reference rates (Libor) have maintained a downward trend, in line with the cuts made by the Federal Reserve in the first quarter of the year. Also in Mexico, the monetary policy rate has fallen significantly during the year. In Turkey, although it initially showed a downward trend in interest rates, aggressive increases have been registered since August, reversing the declines of previous quarters, ending the year with an increase of 500 basis points above December's level of 2019.

BBVA continues to maintain a moderate risk profile, in accordance with the established objective, showing a favorable position to a rise in interest rates on net interest income. Effective management of the balance sheet structural risk has mitigated the negative impact of the downward trend in interest rates and the volatility experienced as a result of the effects of COVID-19, and is reflected in the strength and recurrence of the margin of interests.

In Europe, the downward trend in interest rates remains limited by current levels, preventing extremely adverse scenarios from occurring. Both balance sheets are characterized by a loan portfolio with a high proportion referenced to a variable interest rate (mainly mortgages in Spain and loans to companies in both countries) and a liability composed mainly of customer deposits. The COAP portfolios act as hedging of the bank balance, mitigating its sensitivity to interest rate movements. This profile has remained stable during 2020 on both balance sheets. In Spain, the sensitivity of the interest margin has increased in the year due to the maintenance of higher balances of sensitive liquid assets as a result of the generation of liquidity on the balance sheet and the additional financing of TLTRO III (see Note 20), and due to maturity of a part of the coverage of the mortgage portfolio.

5.4.2 Structural equity risk

Structural equity risk refers to the possibility of suffering losses in the value of positions in shares and other equity instruments held in the banking book with long or medium term investment horizons due to fluctuations in the value of equity indexes or shares.

BBVA's exposure to structural equity risk arises largely from minority shareholdings held on industrial and financial companies. This exposure is modulated in some portfolios with positions held on derivative instruments on the same underlying assets, in order to adjust the portfolio sensitivity to potential changes in equity prices.

The management of structural equity portfolios is a responsibility of Global ALM and others group's units specialized in this area. Their activity is subject to the risk management corporate policy on structural equity risk management, complying with the defined management principles and Risk Appetite Framework.

The structural equity risk metrics, designed by GRM according to the corporate model, contribute to the effective monitoring of the risk by estimating the sensitivity and the capital necessary to cover the possible unexpected losses due to changes in the value of the shareholdings in the Group's investment portfolio, with a level of confidence that corresponds to the objective rating of the entity, taking into account the liquidity of the positions and the statistical behavior of the assets to be considered

Stress tests and scenario analysis of sensitivity to different simulated scenarios are carried out periodically to analyze the risk profile in more depth. They are based on both past crisis situations and forecasts made by BBVA Research. These analyses are carried out regularly to assess the vulnerabilities of structural equity exposure not contemplated by the risk metrics and to serve as an additional tool when making management decisions.

Backtesting is carried out on a regular basis on the risk measurement model used.

Equity markets globally have been strongly affected by the outbreak of the coronavirus in the first quarter of the year. The strong fiscal and monetary response supported its recovery, although it has been very uneven according to geographies and sectors. In this sense, the Spanish stock market has been one of the worst performers, yielding 15% in the year.

In the group, structural equity risk, measured in terms of economic capital has been significantly reduced due to the loss of value of the investments. The aggregate sensitivity of the BBVA Group's consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio decreased to -€20 million as of December 31, 2020, compared to -€26 million of December 31, 2019. This estimation takes into account the exposure in shares valued at market prices, or if not applicable, at fair value (excluding the positions in the Treasury Area portfolios) and the net delta-equivalent positions in derivatives on the same underlyings.

5.5 Liquidity and Funding risk

Liquidity and Funding risk is defined as the incapacity of a bank in meeting its payment commitments for missing resources or that, to face those commitments, should have to make use of funding under burdensome terms.

5.5.1 Liquidity and Funding strategy and planning

BBVA is a multinational financial institution whose business is focused mainly on retail and commercial banking activities. In addition to the retail business model, which forms the core of its business, the Group engages in corporate and investment banking, through the global CIB (Corporate & Investment Banking) division.

Liquidity and Funding risk management aims to maintain a solid balance sheet structure which allows a sustainable business. The Group's Funding and Liquidity strategy is based on the following pillars:

- The principle of the funding self-sufficiency of its subsidiaries, meaning that each of the Liquidity Management Units (LMUs) must cover its funding needs independently on the markets where it operates. This avoids possible contagion due to a crisis affecting one or more of the LMUs.
- Stable customer deposits as the main source of funding, in accordance with the Group's business model.
- Diversification of the sources of wholesale funding, in terms of maturity, market, instruments, counterparties and currencies, with recurring access to the markets.
- Compliance with regulatory requirements, ensuring the availability of ample high quality liquidity buffers, as well as sufficient instruments as required by regulations with the capacity to absorb losses.
- Compliance with the internal Liquidity Risk and Funding metrics, while adhering to the Risk Appetite level established for each LMU at any time.

Liquidity and funding risk management aims to ensure that in the short term a bank does not have any difficulties in meeting its payment commitments in due time and form, and that it does not have to make use of funding under burdensome terms, or conditions that deteriorate its image or reputation

In the medium term the aim is to ensure that the Group's financing structure is ideal and that it is moving in the right direction with respect to the economic situation, the markets and regulatory changes.

This management of structural and liquidity funding is based on the principle of financial self-sufficiency of the entities that make it up. This approach helps prevent and limit liquidity risk by reducing the Group's vulnerability during periods of high risk. This decentralized management prevents possible contagion from a crisis affecting only one or a few Group entities, which must act independently to meet their liquidity requirements in the markets where they operate.

As one aspect of this strategy, BBVA is organized into eleven LMUs composed of the parent and the banking subsidiaries in each geographical area, plus the independent branches.

In addition, the policy for managing liquidity and funding risk is also based on the model's robustness and on the planning and integration of risk management into the budgeting process of each LMU, according to the appetite for funding risk it decides to assume in its business.

Liquidity and Funding planning is drawn up as part of the strategic processes for the Bank's budgetary and business planning. It allows a recurring growth of the banking business with suitable maturities and costs within the established risk tolerance levels by using a wide range of instruments which allow the diversification of the funding sources and the maintenance of a high volume and quality of available liquid assets.

5.5.2 Governance and monitoring

The responsibility for Liquidity and Funding management in normal business activity lies with the Finance area as a first line of defense in managing the risks inherent to this activity, in accordance with the principles established by the EBA and in line with the standards, policies, procedures and controls in the framework established by the governing bodies. The Finance department, through the Balance-Sheet Management area, plans and executes the funding of the structural long-term gap of each LMU and proposes to the Assets and Liabilities Committee (ALCO) the actions to be taken on this matter, in accordance with the policies and limits established by the Executive Committee (EC).

Finance, in its regulatory liquidity reporting function, coordinates the processes necessary to meet any requirements that may be generated at corporate and regulatory level, with the areas responsible for this reporting in each LMU, thereby monitoring the integrity of the information supplied.

The corporate Global Risk Management (GRM) area is as a second line of defense responsible for ensuring that liquidity and funding risk in the Bank is managed according to the strategy approved by the Board of Directors. It is also responsible for identifying, measuring, monitoring and controlling those risks and reporting to the proper corporate governing bodies. To carry out this work adequately, the risk function in the Group has been set up as a single, global function that is independent of the management areas.

In addition, the Bank has an Internal Risk Control unit that conducts an independent review of Liquidity and Funding Risk control and management, independently of the functions performed in this area by Internal Audit.

As a third line of defense in the Bank’s internal control model, Internal Audit is in charge of reviewing specific controls and processes in accordance with an annual work plan.

BBVA’s fundamental objectives regarding the liquidity and funding risk are determined through the Liquidity Coverage Ratio (LCR) and through the Loan-to-Stable Customer Deposits (LtSCD) ratio.

The LCR ratio is a regulatory metric that aims to guarantee the resilience of entities in a scenario of liquidity tension within a time horizon of 30 days. Within its risk appetite framework and system of limits and alerts, BBVA has established a required LCR compliance level for the entire Group and for each individual LMU. The required internal levels aim to comply efficiently and sufficiently in advance with the implementation of the 2018 regulatory requirement at a level above 100%.

The LtSCD ratio measures the relationship between net lending and stable customer funds. The aim is to preserve a stable funding structure in the medium term for each LMU making up BBVA Group, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile. In geographical areas with balance sheets with two currencies, the indicator is also controlled by currency to manage the mismatches that might occur.

As stable customer funds can be considered those which the LMUs are obtaining and managing from their target customers. Those funds are characterized by their low sensitivity to market changes and by their less volatile behavior at aggregated level per operation due to the loyalty of the customer to the entity. The stable resources are calculated by applying to each identified customer segment a haircut determined by the analysis of the stability if the balances by which different aspects are evaluated (concentration, stability, level of loyalty). The main source of stable resources represents the both wholesale funding and retail customer funds.

In order to establish the target (maximum) levels of LtSCD in each LMU and provide an optimal funding structure reference in terms of risk appetite, the corporate Structural Risks unit of GRM identifies and assesses the economic and financial variables that condition the funding structures in the different geographical areas.

Additionally, liquidity and funding risk management aims to achieve a proper diversification of the funding structure, avoiding excessive reliance on short-term funding by establishing a maximum level for the short-term funds raised, including both wholesale funding and customer funds. The residual maturity profile of long-term wholesale funding has no significant concentrations, which matches the schedule of planned issues to the best possible financial conditions of markets, as shown in the table below. Finally, concentration risk is monitored at LMU level, with the aim of ensuring a correct diversification of both the counterparty and type of instrument.

One of the fundamental metrics within the general management framework of the liquidity and funding risk is the maintaining of a liquidity buffer consisting of high quality assets free of charges which can be sold or offered as guarantees to obtain funding, either under normal market conditions or in stress situations.

Finance is the area responsible for the collateral management and the determining of the liquidity buffer within BBVA Group. According to the principle of auto-sufficiency of the subsidiaries, BBVA is responsible for the holding of a buffer of liquid assets which comply with the regulatory requirements applicable under each jurisdiction. In addition, the liquidity buffer of each LMU should be aligned with the liquidity and funding risk tolerance as well as the management limits set and approved for each case.

In this context, the short-term resistance of the liquidity risk profile is promoted, guaranteeing that each LMU has sufficient collateral to deal with the risk of the close of wholesale markets. Basic capacity is the short-term liquidity risk management and control metric that is defined as the relationship between the available explicit assets and the maturities of wholesale liabilities and volatile funds, at different terms up to one year, with special relevance being given to 30-day 90-day maturities, in order to maintain the survivability period above the 3 months with the available buffer, not taking into consideration the inflows of the balance sheet.

Stress tests are carried out as a fundamental element of the liquidity and funding risk monitoring scheme. They enable deviations from the liquidity targets and limits set in the appetite to be anticipated, and establish tolerance ranges in the different management areas. They also play a major role in the design of the Liquidity Contingency Plan and the definition of specific measures to be adopted to rectify the risk profile if necessary.

For each scenario, it is checked whether BBVA has a sufficient stock of liquid assets to guarantee its capacity to meet the liquidity commitments/outflows in the different periods analyzed. The analysis considers four scenarios: one central and three crisis-related (systemic crisis; unexpected internal crisis with a considerable rating downgrade and/or affecting the ability to issue in wholesale markets and the perception of business risk by the banking intermediaries and the Entity's customers; and a mixed scenario, as a combination of the two aforementioned scenarios). Each scenario considers the following factors: existing market liquidity, customer behavior and sources of funding, the impact of rating downgrades, market values of liquid assets and collateral, and the interaction between liquidity requirements and the development of the LMU's asset quality.

The stress tests conducted on a regular basis reveal that BBVA maintains a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario resulting from the combination of a systemic crisis and an unexpected internal crisis, during a period of longer than 3 months in general for the different LMUs, including in the scenario a significant downgrade of the Bank's rating by up to three notches.

Together with the results of the stress tests and the risk metrics, the early warning indicators play an important role within the corporate model and the Liquidity Contingency Plan. They are mainly indicators of the funding structure, in relation to asset encumbrance, counterparty concentration, flights of customer deposits, unexpected use of credit facilities, and of the market, which help anticipate possible risks and capture market expectations.

Finance is the area responsible for the elaboration, monitoring, execution and update of the liquidity and funding plan and of the market access strategy to guarantee and improve the stability and diversification of the wholesale funding sources.

In order to implement and establish an anticipated management, limits are set on an annual basis for the main management metrics that form part of the budgeting process for the liquidity and funding plan. This framework of limits contributes to the planning of the joint future performance of:

- The loan book, considering the types of assets and their degree of liquidity, as well as their validity as collateral in collateralized funding.
- Stable customer funds, based on the application of a methodology for establishing which segments and customer balances are considered to be stable or volatile funds based on the principle of sustainability and recurrence of these funds.
- Projection of the credit gap, in order to require a degree of self-funding that is defined in terms of the difference between the loan-book and stable customer funds.
- Incorporating the planning of securities portfolios into the banking book, which include both fixed-interest and equity securities, and are classified as financial assets at fair value through other comprehensive income and at amortized cost and additionally on trading portfolios.
- The structural gap projection, as a result of assessing the funding needs generated both from the credit gap and by the securities portfolio in the banking book, together with the rest of on-balance-sheet wholesale funding needs, excluding trading portfolios. This gap therefore needs to be funded with customer funds that are not considered stable or on wholesale markets.

As a result of these funding needs, BBVA Group plans the target wholesale funding structure according to the tolerance set in each LMU target.

Thus, once the structural gap has been identified and after resorting to wholesale markets, the amount and composition of wholesale structural funding is established in subsequent years, in order to maintain a diversified funding mix and guarantee that there is not a high reliance on short-term funding (short-term wholesale funding plus volatile customer funds).

In practice, the execution of the principles of planning and self-funding at the different LMUs results in the Group's main source of funding being customer deposits, which consist mainly of demand deposits, savings deposits and time deposits.

As sources of funding, customer deposits are complemented by access to the interbank market and the domestic and international capital markets in order to address additional liquidity requirements, implementing domestic and international programs for the issuance of commercial paper and medium and long-term debt.

The process of analysis and assessment of the liquidity and funding situation and of the inherent risks is a process carried out on an ongoing basis in BBVA Group, with the participation of all the Group areas involved in liquidity and funding risk management. This process is carried out at both local and corporate level. It is incorporated into the decision- making process for liquidity and funding management, with integration between the risk appetite strategy and establishment and the planning process, the funding plan and the limits scheme.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

The table below shows the liquidity available by instrument as of December 31, 2020 and 2019 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December (Millions of Euros)	Eurozone	
	2020	**2019**
Cash and withdrawable central bank reserves	39,330	14,516
Level 1 tradable assets	48,858	41,961
Level 2A tradable assets	5,119	403
Level 2B tradable assets	*6,080*	*5,196*
Other tradable assets (*)	*20,174*	*22,213*
Non tradable assets eligible for central banks	-	-
Cumulated counterbalancing capacity	**119,560**	**84,288**

(*) The balance has been reexpressed including the available funding in the European Central Bank

The Net Stable Funding Ratio (NSFR), defined as the ratio between the amount of stable funding available and the amount of stable funding required, is one of the Basel Committee's essential reforms, and requires banks to maintain a stable funding profile in relation to the composition of their assets and off-balance-sheet activities. This ratio should be at least 100% at all times.

The NSFR of BBVA in the Eurozone at December 31, 2020, calculated based on the Basel requirements, is 121%.

Below is a breakdown by contractual maturity of the balances of certain headings in the accompanying balance sheets, excluding any valuation adjustments or loss allowances:

December 2020. Contractual maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	36,374	5,604	-	-	-	-	-	-	-	-	41,978
Deposits in credit entities	-	220	424	767	215	369	92	97	-	30	2,214
Deposits in other financial institutions	-	1,590	364	469	327	192	562	279	296	2,566	6,646
Reverse repo, securities borrowing and margin lending	-	15,945	4,578	1,351	364	368	3,320	1,849	891	1,089	29,753
Loans and Advances	-	9,531	10,000	9,418	6,377	7,296	20,748	19,117	29,080	69,637	181,205
Securities' portfolio settlement	-	302	3,681	4,187	3,449	10,499	3,879	9,250	8,704	34,312	78,263

December 2020. Contractual maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	-	4,263	1,213	2,012	792	1,270	6,685	5,837	8,755	17,157	47,984
Deposits in financial institutions	2,002	7,246	86	7	1	6	91	46	76	347	9,908
Deposits in other financial institutions and international agencies	11,573	3,311	2,481	255	133	213	474	355	1,038	3,419	23,253
Customer deposits	168,091	13,919	6,460	3,709	3,045	2,751	1,955	686	222	483	201,319
Security pledge funding	-	23,958	5,063	1,494	1,046	307	11,172	28,151	352	1,395	72,937
Derivatives, net	-	(66)	4	(871)	(10)	47	(28)	83	(72)	(173)	(1,088)

December 2018. Contractual Maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	14,803	2,406	-	-	-	-	-	-	-	-	17,209
Deposits in credit entities	-	808	100	346	458	460	157	1	115	33	2,478
Deposits in other financial institutions	-	777	375	350	278	701	475	414	205	2,367	5,941
Reverse repo, securities borrowing and margin lending	-	18,661	3,858	2,259	290	808	4,121	1,838	411	803	33,050
Loans and Advances	-	12,047	9,527	11,694	6,628	7,908	18,363	15,572	26,328	75,147	183,216
Securities' portfolio settlement	-	446	1,918	979	1,022	5,188	15,242	1,323	5,728	30,537	62,384

December 2019. Contractual Maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	-	645	298	2,347	543	2,919	4,688	6,403	7,722	18,737	44,304
Deposits in financial institutions	1,853	6,358	183	32	-	130	56	36	101	465	9,214
Deposits in other financial institutions and international agencies	9,082	2,816	565	167	86	175	485	320	497	3,706	17,898
Customer deposits	145,424	10,844	9,434	4,688	3,592	3,377	2,213	1,275	361	625	181,833
Security pledge funding	-	31,999	3,072	15,803	946	637	3,094	7,097	207	1,114	63,969
Derivatives, net	-	(37)	14	(35)	(12)	(18)	(119)	(85)	6	(411)	(696)

The matrix shows the retail nature of the funding structure, with a loan portfolio being mostly funded by customer deposits. On the outflows side of the matrix, the “demand” maturity bucket mainly contains the retail customer sight accounts whose behavior historically showed a high level of stability and little concentration. According to a behavior analysis which is done every year in every entity, this type of account is considered to be stable and for liquidity risk purposes receive a better treatment.

In the Euro Liquidity Management Unit (LMU), the liquidity and funding position continued to be solid and stable with a large high-quality liquidity buffer that has been increased during the year as a result of the growth in customer deposits and shares of the company. European Central Bank, which have meant an injection of liquidity in the system. As a result of the COVID-19 crisis, there was initially a greater demand for credit through the increase in the use of credit lines by the Corporate & Investment Banking wholesale business, which was also accompanied by a growth in customer deposits. Subsequently, there were partial refunds of those lines while deposits have continued to grow. In addition, it is important to note the measures implemented by the ECB to deal with this crisis, which have included different actions such as: the expansion of asset purchase programs, especially through the PEPP (Pandemic Emergency Purchase Program) for 750,000 million of euros in a first tranche announced in March and expanded with a second tranche for an additional 600,000 million euros until June 2021 or until the ECB considers that the crisis has ended, the coordinated action of central banks for the provision of US dollars, a temporary package of measures to make flexible the collateral eligible for financing operations, the relaxation and improvement of the conditions of the TLTRO III program and the creation of the new program of long-term refinancing operations without specific emergency objective (PELTRO). In this regard, BBVA attended the TLTRO III program windows in December, 2019 and March and June,2020 (with an amount drawn down at the end of December,2020 of 34,902 million euros) due to its favorable conditions in terms of cost and term, amortizing the corresponding part of the TLTRO II program (see Note 20).

The wholesale financing markets in which the Group operates, after the first two months of 2020 of great stability were followed by a strong correction derived from the COVID-19 crisis and limited access to the primary market. This situation has been stabilizing due to the evolution of the pandemic, the development of vaccines, various geopolitical events and the actions of the Central Banks. Secondary market ended the year reaching the levels of January 2020, while primary market volumes have been reactivated, lowering the issue premiums

During the first quarter of 2020, BBVA, S.A. carried out two issuances of senior non-preferred debt totaling €1,400 million and a Tier 2 issuance totaling €1,000 million (see the "Solvency" chapter of the management report for more information). In the second quarter of 2020, it issued preferred senior debt totaling €1,000 million as a COVID-19 social bond, the first of its kind from a private financial institution in Europe (see the "Solvency" and "Responsible banking" sections of the Consolidated Management Report). In the third quarter, three public issues were made: the first is the first green convertible bond of a financial institution world-wide for an amount of 1,000 million euros; the second is a Tier 2 subordinated securities issue denominated in pound sterling, for an amount of 300 million pounds; and the third is an issuance of preferred securities registered with the US SEC (Securities Exchange Commission) in two tranches with maturities of three and five years, for a total of 2,000 million dollars. On the other hand, in February 2020, BBVA exercised the call option of a convertible bond of 1,500 million euros, and in January 2021, the entity has early amortized three preferred issuances (for more information on these transactions see the section "Solvency" of this report).

5.5.3 Asset encumbrance

As of December 31, 2020 and 2019, the encumbered (given as collateral for certain liabilities) and unencumbered assets ate broken down as follows:

Encumbered and unencumbered assets (Millions of Euros)

	2020				2019			
	Encumbered assets		Unencumbered assets		Encumbered assets		Unencumbered assets	
	Book value	Market value	Book value	Market value	Book value	Market value	Book value	Market value
Equity instruments	2,134	2,134	9,611	9,611	3,526	3,526	6,758	6,758
Debt Securities	14,283	11,044	55,731	58,970	14,780	15,048	40,214	39,946
Loans and other assets	75,843	-	299,610	-	55,229	-	288,131	-

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 20) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments correspond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative operations is also included as committed assets.

As of December 31, 2020 and 2019, collateral pledge mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

Collateral received (Millions of Euros)

	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of collateral received or own debt securities issued not available for encumbrance	Fair value of encumbered collateral received or own debt securities issued	Fair value of collateral received or own debt securities issued available for encumbrance	Fair value of collateral received or own debt securities issued not available for encumbrance
Collateral received	**27,529**	**6,614**	**899**	**35,258**	**7,091**	**-**
Equity instruments	220	204	-	44	70	-
Debt securities	27,309	6,410	899	35,214	7,021	-
Loans and other assets	-	-	-	-	-	-
Own debt securities issued other than own covered bonds or ABSs	**3**	**94**	**-**	**-**	**82**	**-**

As of December 31, 2020 and 2019, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Sources of encumbrance (Millions of Euros)

	2020		2019	
	Matching liabilities, contingent liabilities or securities lent	**Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered**	**Matching liabilities, contingent liabilities or securities lent**	**Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered**
Book value of financial liabilities	**101,241**	**119,792**	**96,730**	**105,051**
Derivatives	12,853	12,949	15,449	15,355
Loans and Advances	72,272	83,442	64,267	68,759
Outstanding subordinated debt	15,958	19,312	17,014	20,936
Other sources	**158**	**4,088**	**231**	**3,742**

6. Fair value of financial instruments

Framework and processes control

As part of the process established in the Bank for determining the fair value in order to ensure that financial assets and liabilities are valued following the principles: Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date

BBVA has established, at a geographic level, a structure of Risk Operational Admission and Product Governance Committees responsible for validating and approving new products or types of financial assets and liabilities before being contracted. Local management responsible for valuation, which are independent from the business (see Management Report - Risk), are members of these committees.

These areas are required to ensure, prior to the approval stage, the existence of not only technical and human resources, but also adequate informational sources to measure the fair value of these financial assets and liabilities, in accordance with the rules established by the valuation global area and using models that have been validated and approved by the responsible areas.

Fair value hierarchy

All financial instruments, both assets and liabilities are initially recognized at fair value, which at that point is equivalent to the transaction price, unless there is evidence to the contrary in the market. Subsequently, depending on the type of financial instrument, it may continue to be recognized at amortized cost or fair value through adjustments in the income statement or equity.

When possible, the fair value is determined as the market price of a financial instrument. However, for many of the financial assets and liabilities of the Bank, especially in the case of derivatives, there is no market price available, so its fair value is estimated on the basis of the price established in recent transactions involving similar instruments or, in the absence thereof, by using mathematical measurement models that are sufficiently tried and trusted by the international financial community. The estimates of the fair value derived from the use of such models take into consideration the specific features of the asset or liability to be measured and, in particular, the various types of risk associated with such asset or liability. However, the limitations inherent in the measurement models and possible inaccuracies in the assumptions and parameters required by these models may mean that the estimated fair value of an asset or liability does not exactly match the price for which the asset or liability could be exchanged or settled on the date of its measurement.

Additionally, for financial assets and liabilities that show significant uncertainty in inputs or model parameters used for valuation, criteria is established to measure said uncertainty and activity limits are set based on these. Finally, these measurements are compared, as much as possible, against other sources such as the measurements obtained by the business teams or those obtained by other market participants.

The process for determining the fair value requires the classification of the financial assets and liabilities according to the measurement processes used as set forth below:

- Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives.
- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.

- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2020, the affected instruments at fair value accounted for approximately 0.51% of financial assets and 0.21% of the Bank's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

6.1. Fair value of financial instruments

The fair value of the Bank's financial instruments in the accompanying balance sheets and its corresponding carrying amounts as of December 31, 2020 and 2019 are presented below:

Fair value and carrying amount (Millions of Euros)

	Notes	2020		2019	
		Carrying amount	Fair value	Carrying amount	Fair value
ASSETS					
Cash, cash balances at central banks and other demand deposits	7	44,107	44,107	18,419	18,419
Financial assets held for trading	8	87,677	87,677	83,841	83,841
Non-trading financial assets mandatorily at fair value through profit or loss	9	409	409	855	855
Financial assets designated at fair value through profit or loss	10	-	-	-	-
Financial assets at fair value through other comprehensive income	11	37,528	37,528	24,905	24,905
Financial assets at amortized cost	12	225,914	228,665	225,369	226,475
Hedging derivatives	13	1,011	1,011	953	953
LIABILITIES					
Financial liabilities held for trading	8	69,514	69,514	73,362	73,362
Financial liabilities designated at fair value through profit or loss	10	3,267	3,267	2,968	2,968
Financial liabilities at amortized cost	20	331,189	332,618	285,260	287,411
Hedging derivatives	13	1,510	1,510	1,471	1,471

Not all financial assets and liabilities are recorded at fair value, so below we provide the information on financial instruments recorded at fair value and subsequently the information of those recorded at amortized cost (including their fair value), although this value is not used when accounting for these instruments.

6.1.1. Fair value of financial instruments recognized at fair value, according to valuation criteria

Below are the different elements used in the valuation technique of financial instruments.

Active Market

BBVA considers active market as "a market that allows the observation of bid and offer prices representative of the levels to which the market participants are willing to negotiate an asset, with sufficient frequency and volume".

By default, all would internally considered approved "Organized Markets" as active markets, without considering this an unchangeable list.

Furthermore, BBVA would consider as traded in an "Organized Market" quotations for assets or liabilities from Over The Counter (OTC) markets when they are obtained from independent sources, observable on a daily basis and fulfil certain conditions.

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The following table shows the financial instruments carried at fair value in the accompanying balance sheets, broken down by the valuation technique used to determine their fair value as of December 31, 2020 and 2019:

Fair value of financial instruments by levels (Millions of Euros)

	2020			2019		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	**19,879**	**66,087**	**1,711**	**19,299**	**63,241**	**1,301**
Loans and advances	-	28,858	1,609	-	32,250	1,186
Debt securities	7,214	2,744	25	9,214	972	27
Equity instruments	10,645	-	37	8,146	-	59
Derivatives	2,020	34,486	39	1,939	30,019	29
Non-trading financial assets mandatorily at fair value through profit or loss	**120**	**74**	**214**	**71**	**54**	**730**
Loans and advances	-	-	84	-	-	602
Debt securities	-	65	77	-	53	75
Equity instruments	120	10	53	71	1	53
Financial assets designated at fair value through profit or loss	**-**	**-**	**-**	**-**	**-**	**-**
Financial assets at fair value through other comprehensive income	**36,731**	**687**	**111**	**24,122**	**680**	**104**
Loans and advances	-	-	-	-	-	-
Debt securities	35,867	687	94	22,464	602	91
Equity instruments	864	-	17	1,658	78	13
Hedging derivatives	**-**	**1,003**	**8**	**-**	**953**	**-**
LIABILITIES						
Financial liabilities held for trading	**11,890**	**56,992**	**633**	**12,050**	**60,633**	**679**
Deposits	-	23,930	563	-	31,255	649
Derivatives	2,271	33,055	70	2,095	29,378	30
Other financial liabilities	9,618	7	-	9,955	1	-
Financial liabilities designated at fair value through profit or loss	**-**	**3,026**	**241**	**-**	**2,915**	**53**
Deposits	-	3,026	241	-	2,915	53
Debt certificates	-	-	-	-	-	-
Other financial liabilities	-	-	-	-	-	-
Derivatives – Hedge accounting	**-**	**1,510**	**-**	**-**	**1,471**	**-**

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The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2020 and 2019:

Fair Value of financial Instruments by Levels (Millions of euros)."

	2020		2019				
	Level 2	**Level 3**	**Level 2**	**Level 3**	**Valuation technique(s)**	**Observable inputs**	**Unobservable inputs**
ASSETS							
Financial assets held for trading	**66,087**	**1,711**	**63,241**	**1,301**			
Loans and advances	28,858	1,609	32,250	1,186	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Current market interest rates - Funding Interest rates observed in the market or in consensus services - Exchange rates	- Prepayment rates - Issuer´s credit risk - Recovery rates - Funding interest rates not observed in the market or in consensus services
Debt securities	2,744	25	972	27	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active markets prices	- Prepayment rates - Issuer´s credit risk - Recovery rates
Equity instruments	-	37	-	59	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV not published
Derivatives	34,486	39	30,019	29			
Interest rate					Interest rate products (Interest rate swaps, Call money swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant maturity swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity					Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local Volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit					Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities					Commodities: Momentum adjustment and discounted cash flows		
Non-trading financial assets mandatorily at fair value through profit or loss	**74**	**214**	**54**	**730**			
Loans and advances	-	84	-	602	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings	- Issuer credit risk - Current market interest rates - Interest rates for the financing of assets - Exchange rates	- Property valuation
Debt securities	65	77	53	75	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	10	53	1	53	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Financial assets at fair value through other comprehensive income	**687**	**111**	**680**	**104**			
Debt securities	687	94	602	91	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer´s credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	-	17	78	13	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Hedging derivatives	**1,003**	**8**	**953**	**-**			
Interest rate					Interest rate products (Interest rate swaps, Call money swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other interest rate options: Black, Hull-White y LGM Constant maturity swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Equity					Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, Momentum adjustment		
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, moments adjustment		
Credit					Credit Derivatives: Default model and Gaussian copula		
Commodities					Commodities: Momentum adjustment and Discounted cash flows		

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

December 2020. Fair Value of financial Instruments by valuation techniques (Millions of euros)

	2020		2019		Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES	**Level 2**	**Level 3**	**Level 2**	**Level 3**			
Financial liabilities held for trading	**56,992**	**633**	**60,633**	**679**			
Deposits	23,930	563	31,255	649	Present-value method (Discounted future cash flows)	- Interest rate yield - Funding Interest rates observed in the market or in consensus services - Exchange rates	-Funding interest rates not observed in the market or in consensus services
Derivatives	33,055	70	29,378	30			
Interest rate					Interest rate products (Interest rate swaps, Call money swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Correlation between tenors - Interest rates volatility
Equity					Future and Equity Forward: Discounted future cash flows Equity options: Local volatility, momentum adjustment		- Volatility of volatility - Assets correlation
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange options: Local volatility, moments adjustment		- Volatility of volatility - Assets correlation
Credit					Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities					Commodities: Momentum adjustment and Discounted cash flows		
Short positions	7	-	1	-	Present-value method (Discounted future cash flows)		- Issuer's credit risk - Current market interest rates - Value of the underlying assets
Financial liabilities designated at fair value through profit or loss	**3,026**	**241**	**2,915**	**53**	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer´s credit risk - Current market interest rates	- Prepayment rates - Issuer´s credit risk - Current market interest rates
Derivatives – Hedge accounting	**1,510**	**-**	**1,471**	**-**			
Interest rate					Interest rate products (Interest rate swaps, Call money swaps y FRA): Discounted cash flows Caps/Floors: Black, Hull-White y SABR Bond options: Black Swaptions: Black, Hull-White y LGM Other Interest rate options: Black, Hull-White y LGM Constant Maturity swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - interest rates volatility
Equity					Future and Equity forward: Discounted future cash flows Equity options: Local Volatility, momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, moments adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit					Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities					Commodities: Momentum adjustment and discounted cash flows		

Main valuation techniques

The main techniques used for the assessment of the majority of the financial instruments classified in Level 3, and its main unobservable inputs, are described below:

- The net present value (net present value method): This technique uses the future cash flows of each financial instrument, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:
  - Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.
  - Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.
- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.
- Net asset value: This technique utilizes certain assumptions to use net asset value as representative of fair value, which is equal to the total value of the assets and liabilities of a fund published by the managing entity.
- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS. The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and swaptions where the behavior of the Forward and not the Spot itself, is directly modeled.
- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.
- Heston: This model, typically applied to equity OTC options, assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.
- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input "Credit default volatility applied in rate/credit hybrid operative. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.
- Local Volatility: In the local volatility models of the volatility, instead of being static, evolves over time according to the level of moneyness of the underlying, capturing the existence of smiles. These models are appropriate for pricing path dependent options when use Monte Carlo simulation technique is used.

Adjustments to the valuation for risk of default

Under Circular 4/2017, the entity must estimate the fair value taking into account the assumptions and conditions that market participants would have when setting the price of the asset or liability on the valuation date. In any case, the fair value of the liabilities must reflect the entity's default risk, which includes, among other components, its own credit risk. Taking this into account, the Bank makes valuation adjustments for credit risk in the estimates of the fair value of its assets and liabilities.

These adjustments are calculated by estimating Exposure At Default, Probability of Default and Loss Given Default, which are based on the recovery levels for all derivative products on any instrument, deposits and repos at the legal entity level (all counterparties under a same master agreement), in which BBVA has exposure.

The credit valuation adjustments ("CVA") and debit valuation adjustments ("DVA") are a part of derivative instrument valuation, both financial assets and liabilities, to reflect the impact in the fair value of the credit risk of the counterparty and BBVA, respectively. The Bank incorporates in its valuation, for all exposures classified in any of the categories valued at fair value, both the counterparty credit risk and its own. In the trading portfolio, and in the specific case of derivatives, credit risk is recognized through such adjustments.

As a general rule, the calculation of CVA is the sum product of the expected positive exposure in time t, the probability of default between t-1 and t, and the Loss Given Default of the counterparty. Consequently, the DVA is calculated as the sum product of the expected negative exposure in time t, the probability of default of BBVA between t-1 and t, and the Loss Given Default of BBVA. Both calculations are performed throughout the entire period of potential exposure.

The calculation of the expected positive and negative exposure is done through a Montecarlo simulation of the market variables involved in all trades' valuation under the same legal netting set.

The information needed to calculate the probability of default and the loss given default of a counterparty comes from the credit markets. The counterparty's Credit Default Swaps are used if liquid quotes are available. If a market price is not available, BBVA has implemented a mapping process based on the sector, rating and geography of the counterparty to assign probabilities of default and loss given default calibrated directly to market.

The amounts recognized in the balance sheet as of December 31, 2020 and 2019 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") was €-110 million and €-81 million respectively, and the valuation adjustments to the derivative liabilities as "Debit Valuation Adjustment" (DVA) was €66 million and €64 million respectively. The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the income statement as of December, 2020 and 2019 corresponding to the mentioned adjustments was a net impact of €-26 million and €11 million respectively.

As a result of the value variations of the inherent credit risk, which is included in the deposits classified as liabilities designated at fair value through profit and loss, the amount recognized in the heading "Accumulated other comprehensive income" has amounted to €-29 million and €-33 million as of December 31, 2020 and 2019, respectively.

Additionally, as of December, 2020 and 2019, €-9 and €-8 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the balance sheet, being the impact on results €-1 million and €4 million, respectively.

Unobservable inputs

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2020:

Unobservable inputs. December 2020

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit Spread	4.32	47.01	564.22	p.b.
		Recovery Rate	0.00%	37.06%	40.00%	%
			0.10%	99.92%	143.87%	%
Equity/Fund instruments (*)	Net Asset Value					
	Comparable Pricing					
Security Finance	Present value method	Repo funding curve	(1.18%)	(0.25%)	0.74%	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation Default	30.40%	44.87%	60.95%	%
	Black 76	Price Volatility		-		Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (**)				
		Correlations	(77%)	51%	98%	%
		Volatility	6.52	29.90	141.77	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	4.11	10.00	16.14	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25	2.00	18.00	%
		Correlation Rate/Credit	(100)		100	%
		Credit Default Volatility	-	-	-	Vegas

(*) Due to the diversity of valuation models in equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

(**) The range of non-observable dividends has too wide range to be relevant.

Unobservable inputs. December 2019

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Loans and advances	Present value method	Repo funding curve	(6)	16	100	p.b.
Debt securities	Comparable pricing	Credit spread	18	83	504	p.b
		Recovery rate	0.00%	28.38%	40.00%	%
			0.01%	98.31%	135.94%	%
Equity instruments (*)	Comparable pricing Net asset value					
Credit option	Gaussian Copula	Correlation default	19.37%	44.33%	61.08%	%
Corporate Bond option	Black 76	Price volatility	-	-	-	Vegas
Equity OTC option	Heston	Forward volatility skew	35.12	35.12	35.12	Vegas
	Local volatility	Dividends (**)				
		Volatility	2.49	23.21	60.90	Vegas
FX OTC options	Black Scholes/Local Vol	Volatility	3.70	6.30	10.05	Vegas
Interest rate options	Libor Market Model	Beta	0.25	2.00	18.00	%
		Correlation rate/Credit	(100)		100	%
		Credit default Volatility	-	-	-	Vegas

(*) Due to the diversity of valuation models in equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

(**) The range of non-observable dividends has too wide range to be relevant.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying balance sheets during the financial years 2020 and 2019, are as follows:

Financial assets Level 3. Changes in the period (Millions of Euros)

	2020		2019	
	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**2,135**	**732**	**1,758**	**108**
Changes in fair value recognized in profit and loss (*)	484	455	45	28
Changes in fair value not recognized in profit and loss	(1)	-	4	-
Acquisitions, disposals and liquidations	(1,080)	(601)	(123)	668
Net transfers to level 3	505	288	452	(72)
Exchange differences and others	-	-	-	-
Balance at the end	**2,044**	**873**	**2,135**	**732**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2020, 2019. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".

During 2020, the level of significance of the unobservable inputs used to determine the hierarchy of the fair value of loans and advances to customers at amortized cost has been analyzed, resulting in a higher exposure classified as Level 3. This review has been carried out in the context of availability of new information, more adjusted to the changes that have occurred both in market conditions and in the composition of the credit portfolio. The effect on the results and equity, as a consequence of this revision, does not represent any change (See Note 6.2).

During 2019, certain reverse repurchase and repurchase agreements were classified as Level 3 (about 1,186 million euros of financial assets held for trading and 649 million euros of financial liabilities held for trading), due to the non-observability and liquidity in the interest rate yield for the financing of assets applied in the calculation of their fair value.

During the years 2020 and 2019, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying income statement was not material.

Transfers between levels

The Global Valuation Area, in collaboration with the Group, has established the rules for a proper financial instruments held for trading classification according to the fair value hierarchy defined by international accounting standards.

On a monthly basis, any new assets added to the portfolio are classified, according to this criterion, by the subsidiaries. Then, there is a quarterly review of the portfolio in order to analyze the need for a change in classification of any of these assets.

The financial instruments transferred between the different levels of measurement for the year ended December 31, 2020 are at the following amounts in the accompanying balance sheets as of December 31, 2020 and 2019:

Transfer between levels. December 2020 (Millions of Euros)

	2020						2019					
From:	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS												
Financial assets held for trading	1,447	-	28	523	-	22	21	-	1,118	467	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	9	-	-	19	-	17	-	-	23	2	-	37
Financial assets at fair value through other comprehensive income	9	-	19	-	-	6	6	6	4	-	-	-
Derivatives	-	-	-	8	-	-	-	-	-	22	-	8
Total	**1,465**	**-**	**47**	**550**	**-**	**45**	**27**	**6**	**1,144**	**491**	**-**	**46**
LIABILITIES												
Financial liabilities held for trading	6	-	-	266	-	6	1	-	-	-	-	-
Financial liabilities designated at fair value through profit or loss	-	-	-	56	-	27	-	-	-	27	-	-
Derivatives	-	-	-	-	-	-	-	-	-	12	-	110
Total	**6**	**-**	**-**	**321**	**-**	**34**	**1**	**-**	**-**	**39**	**-**	**110**

The amount of financial instruments that were transferred between levels of valuation during the year ended December 31, 2020 is not material relative to the total portfolios, and corresponds to the above changes in the classification between levels these financial instruments modified some of their features, specifically:

- Transfers between Levels 1 and 2 represent mainly debt securities and equity instruments, which are either no longer listed on an active market (transfer from Level 1 to 2) or have just started to be listed (transfer from Level 2 to 1).
- Transfers from Level 2 to Level 3 are mainly due to transactions of financial assets held for trading, non-trading financial assets mandatorily valued at fair value, hedging derivatives, financial liabilities held for trading and financial liabilities designated at fair value through profit or loss.
- Transfers from Level 3 to Level 2 mainly affect derivative and debt securities transactions, for which inputs observable in the market have not been obtained.

Sensitivity analysis

Sensitivity analysis is performed on financial instruments with significant unobservable inputs (financial instruments included in level 3), in order to obtain a reasonable range of possible alternative valuations. This analysis is carried out on a monthly basis, based on the criteria defined by the Global Valuation Area taking into account the nature of the methods used for the assessment and the reliability and availability of inputs and proxies used. In order to establish, with a sufficient degree of certainty, the valuating risk that is incurred in such assets without applying diversification criteria between them.

As of December 31, 2020, the effect on profit for the year and total equity of changing the main unobservable inputs used for the measurement of Level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

Financial instruments Level 3: Sensitivity Analysis (Millions of Euros)

	Potential impact on income statement		Potential impact on other comprehensive income	
	Most favorable hypothesis	Least favorable hypothesis	Most favorable hypothesis	Least favorable hypothesis
ASSETS				
Financial assets held for trading	**10**	**(40)**	**-**	**-**
Loans and Advances	1	(1)	-	-
Debt securities	5	(5)	-	-
Equity instruments	1	(31)	-	-
Derivatives	3	(3)	-	-
Non-trading financial assets mandatorily at fair value through profit or loss	**150**	**(45)**	**-**	**-**
Loans and Advances	125	(13)	-	-
Debt securities	15	(15)	-	-
Equity instruments	9	(16)	-	-
Financial assets at fair value through other comprehensive income	**-**	**-**	**22**	**(23)**
Total	**160**	**(85)**	**22**	**(23)**

6.2. Fair value of financial instruments carried at cost by valuation criteria

The valuation technique used to calculate the fair value of financial assets and liabilities carried at cost as of December 31, 2020 are presented below:

Financial assets

- Cash, balances at central banks and other demand deposits / loans to central banks / short-term loans to credit institutions/ Repurchase agreements: in general, their fair value is assimilated to their book value, due to the nature of the counterparty and because they are mainly short-term balances in which the book value is the most reasonable estimation of the value of the asset.
- Loans to credit institutions which are not short-term and loans to customers: In general, the fair value of these financial assets is determined by the discount of expected future cash flows, using market interest rates at the time of valuation adjusted by the credit spread and taking all kind of behavior hypothesis if it is considered to be relevant (prepayment fees, optionality, etc.).
- Debt securities: Fair value estimated based on the available market price or by using internal valuation methodologies.

Financial liabilities

- Deposits from central banks: for recurrent liquidity auctions and other monetary policy instruments of central banks / short-term deposits, from credit institutions / repurchase agreements / short term customer deposits: their book value is considered to be the best estimation of their fair value.
- Deposits of credit institutions which are not short-term and term customer deposits: these deposits will be valued by discounting future cash flows using the interest rate curve in effect at the time of the adjustment adjusted by the credit spread and incorporating any behavioral assumptions if this proves relevant (early repayments, optionalities, etc.).
- Debt certificate (Issuances): The fair value estimation of these liabilities depend on the availability of market prices or by using the present value method: discount of future cash flows, using market interest rates at valuation time and taking into account the credit spread.

The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying balance sheets as of December 31, 2020 and 2019, broken down according to the method of valuation used for the estimation:

Fair value of financial instruments at amortized cost by Levels (Millions of Euros)

	2020			2019		
	Level 1	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
ASSETS						
Cash, cash balances at central banks and other demand deposits	44,107	-	-	18,419	-	-
Financial assets at amortized cost	18,088	9,962	200,615	15,148	210,852	475
LIABILITIES						
Financial liabilities at amortized cost	76,011	256,348	259	59,645	227,766	-

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2020:

Fair value of financial instruments at amortized cost by levels. December 2020 (Millions of Euros)

	Level 2	Level 3	Valuation technique(s)	Main observable inputs used
ASSETS				
Financial assets at amortized cost	**9,962**	**200,615**	Present-value method (Discounted future cash flows)	
Central Banks	-	-		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	148	8,627		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	3,294	191,600		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	6,520	389		- Credit spread - Interest rate yield
LIABILITIES				
Financial liabilities at amortized cost	**256,348**	**259**	Present-value method (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Central Banks	-	-		
Loans and advances to credit institutions	22,111	-		
Loans and advances to customers	215,628	46		
Debt securities	8,482	213		
Other financial liabilities	10,126	-		

7. Cash, cash balances at central banks and other demand deposits

The breakdown of the balance under the heading "Cash, cash balances at central banks and other demand deposits" in the accompanying balance sheets is as follows:

Cash, cash balances at central banks and other demand deposits (Millions of Euros)

	Notes	2020	2019
Cash on hand		972	1,046
Cash balances at central banks (*)		40,485	15,417
Other demand deposits		2,650	1,956
Total	**6.1**	**44,107**	**18,419**

(*) The variation is mainly due to an increase in balances at the Bank of Spain.

8. Financial assets and liabilities held for trading

8.1. Breakdown of the balance

The breakdown of the balance under these headings in the accompanying balance sheets is as follows:

Financial assets and liabilities held-for-trading (Millions of Euros)

	Notes	2020	2019
ASSETS			
Derivatives (*)		36,545	31,987
Debt securities	5.2.2	9,983	10,213
Issued by central banks		19	70
Issued by public administrations		8,043	9,156
Issued by financial institutions		560	439
Other debt securities		1,361	549
Equity instruments	5.2.2	10,682	8,205
Credit institutions		826	1,149
Other sectors		9,353	6,178
Shares in the net assets of mutual funds		503	879
Loans and advances	5.2.2	30,467	33,435
Loans and advances to central banks		53	484
Reverse repurchase agreement (**)		*53*	*484*
Loans and advances to credit institutions		19,472	20,688
Reverse repurchase agreement (**)		*19,465*	*20,621*
Loans and advances to customers		10,941	12,263
Reverse repurchase agreement (**)		*10,566*	*12,068*
Total assets	**6.1**	**87,677**	**83,841**
LIABILITIES			
Derivatives (*)		35,396	31,501
Short positions		9,625	9,956
Deposits		24,493	31,905
Deposits from central banks		1,256	1,867
Repurchase agreement (**)		*1,256*	*1,867*
Deposits from credit institutions		16,083	24,425
Repurchase agreement (**)		*15,725*	*24,016*
Customer deposits		7,154	5,612
Repurchase agreement (**)		*6,988*	*5,418*
Total liabilities	**6.1**	**69,514**	**73,362**

(*) The variation is mainly due to the evolution of exchange rate derivatives in BBVA, S.A.. The information for 2019 has been subject to certain modifications related to the operation of non-significant cross currency swaps in order to improve comparability with the figures for 2020 (See Note 1.3)

(**) See Note 31.

As of December 31, 2020, and 2019 the heading "short positions" included €9.085 million and €9.414 million from general governments, respectively.

8.2. Derivatives

The derivatives portfolio arises from the Bank's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Bank's customers. As of December 31, 2020 and 2019, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of foreign credit institutions and other financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown of the net positions by transaction type of the fair value and notional amounts of derivatives recognized in the accompanying balance sheets, divided into organized and OTC markets:

Derivatives by type of risk and by product or by type of market. (Millions of Euros)

	2020			2019		
	Assets	**Liabilities**	**Notional amount - Total**	**Assets**	**Liabilities**	**Notional amount - Total**
Interest rate	**23,145**	**20,767**	**3,089,483**	**19,921**	**17,908**	**2,826,711**
OTC	23,145	20,767	3,075,587	19,921	17,908	2,804,950
Organized market	-	-	13,896	-	-	21,761
Equity instruments	**2,532**	**3,657**	**69,796**	**2,284**	**3,141**	**84,643**
OTC	526	1,389	41,629	363	1,048	41,134
Organized market	2,006	2,268	28,168	1,921	2,093	43,509
Foreign exchange and gold	**10,723**	**10,803**	**474,669**	**9,444**	**10,158**	**510,874**
OTC	10,723	10,803	474,669	9,444	10,158	510,874
Organized market	-	-	-	-	-	-
Credit	**146**	**169**	**21,462**	**338**	**294**	**26,462**
Credit default swap	146	169	21,462	338	292	26,312
Credit spread option	-	-	-	-	2	150
Total return swap	-	-	-	-	-	-
Other	-	-	-	-	-	-
Commodities	**-**	**-**	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES	**36,545**	**35,396**	**3,655,411**	**31,987**	**31,501**	**3,448,690**
Of which: OTC - credit institutions	*21,163*	*23,020*	*856,212*	*19,596*	*21,907*	*928,055*
Of which: OTC - other financial corporations	*9,185*	*7,427*	*2,652,216*	*7,268*	*5,354*	*2,349,893*
Of which: OTC - other	*4,192*	*2,681*	*104,919*	*3,202*	*2,147*	*105,472*

9. Non-trading financial assets mandatorily at fair value through profit or loss

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)

	Notes	**2020**	**2019**
Equity instruments	5.2.2	183	125
Debt securities	5.2.2	142	128
Loans and advances to customers	5.2.2	84	602
Total	**6.1**	**409**	**855**

10. Financial assets and liabilities designated at fair value through profit or loss

As of December 31, 2020, and 2019 there was no balance in the heading "Financial assets designated at fair value through profit or loss, has no balance (See Note 5.2.2).As of December 31, 2020 and 2019 the heading "Financial liabilities designated at fair value through profit or loss" included customer deposits for an amount of €3.267 and €2.968 million respectively.

The recognition of assets and liabilities in these headings is made to reduce inconsistencies (asymmetries) in the valuation of those operations and those used to manage their risk.

11. Financial assets at fair value through other comprehensive income

11.1. Breakdown of the balance

The breakdown of the balance by the main financial instruments in the accompanying balance sheets is as follows:

Financial assets designated at fair value through other comprehensive income (Millions of Euros)

	Notes	2020	2019
Equity instruments	5.2.2	881	1,749
Debt securities (*)		36,648	23,156
Subtotal	**6.1**	**37,528**	**24,905**
Of which: loss allowances of debt securities		*(11)*	*(7)*

(*) The variation corresponds mainly to the increase in financial assets issued by governments in BBVA, S.A.

During financial years 2020 and 2019, there have been no significant reclassifications from “Financial assets at fair value through other comprehensive income” to other headings or from other headings to “Financial assets at fair value through other comprehensive income”.

11.2. Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 31, 2020 and 2019, is as follows:

Financial assets at fair value through other comprehensive income (Millions of Euros)

	2020				2019			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Equity instruments								
Spanish company shares	2,162	-	(1,299)	864	2,162	-	(505)	1,657
Foreign company shares	-	-	-	-	-	-	-	-
Subtotal equity instruments listed	**2,162**	**-**	**(1,299)**	**864**	**2,162**	**-**	**(505)**	**1,657**
Equity instruments								
Spanish company shares	4	-	-	4	4	-	-	4
Credit institutions	-	-	-	-	-	-	-	-
Other entities	4	-	-	4	4	-	-	4
Foreign companies shares	7	6	-	13	36	52	-	88
The United States	-	-	-	-	30	48	-	78
Other countries	7	6	-	13	6	4	-	10
Subtotal equity instruments unlisted	**11**	**6**	**-**	**17**	**40**	**52**	**-**	**92**
Total	**2,173**	**6**	**(1,299)**	**881**	**2,202**	**52**	**(505)**	**1,749**

11.3. Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying financial statements as of December 31, 2020 and 2019, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)

	2020				2019			
	Amortized cost	**Unrealized gains**	**Unrealized losses**	**Fair value**	**Amortized cost**	**Unrealized gains**	**Unrealized losses**	**Fair value**
Domestic debt securities								
Government and other government agency debt securities	20,626	346	(14)	20,958	12,091	399	(17)	12,473
Central banks	-	-	-	-	-	-	-	-
Credit institutions	668	10	-	678	394	3	-	397
Other issuers	469	13	-	482	490	13	-	502
Subtotal	**21,764**	**368**	**(14)**	**22,118**	**12,975**	**415**	**(18)**	**13,373**
Foreign debt securities								
Mexico	**191**	**2**	**(1)**	**192**	**436**	**3**	**(1)**	**438**
Government and other government agency debt securities	21	-	-	21	129	2	-	131
Central banks	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	5	-	-	5
Other issuers	170	2	(1)	171	302	1	(1)	302
The United States	**2,957**	**43**	**(1)**	**2,999**	**3,649**	**26**	**(2)**	**3,672**
Government securities	1,372	8	-	1,380	2,813	16	-	2,829
Treasury and other government agencies	1,372	8	-	1,380	2,813	16	-	2,829
States and political subdivisions	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
Credit institutions	104	3	-	107	77	2	-	79
Other issuers	1,481	32	(1)	1,513	759	8	(2)	764
Other countries	**11,038**	**305**	**(5)**	**11,338**	**5,499**	**180**	**(6)**	**5,673**
Other foreign governments and other government agency debt securities	7,367	244	(3)	7,607	4,001	166	(2)	4,166
Central banks	81	-	-	81	-	-	-	-
Credit institutions	802	8	-	810	260	1	-	261
Other issuers	2,789	53	(2)	2,840	1,238	13	(5)	1,246
Subtotal	**14,186**	**350**	**(7)**	**14,530**	**9,584**	**209**	**(10)**	**9,783**
Total	**35,950**	**718**	**(21)**	**36,648**	**22,559**	**624**	**(27)**	**23,156**

The credit ratings of the issuers of debt securities as of December, 31, 2020, 2019, are as follows:

Debt securities by *rating*

	2020		2019	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%
AAA	1,472	4.0%	2,958	12.8%
AA+	224	0.6%	403	1.7%
AA	255	0.7%	47	0.2%
AA-	236	0.6%	134	0.6%
A+	5,531	15.1%	3,175	13.7%
A	1,714	4.7%	11,963	51.7%
A-	21,649	59.1%	1,178	5.1%
BBB+	1,535	4.2%	1,275	5.5%
BBB	719	2.0%	499	2.2%
BBB-	3,187	8.7%	1,461	6.3%
BB+ or below	4	0.0%	-	-
Unclassified	122	0.3%	63	0.3%
Total	**36,648**	**100.0%**	**23,156**	**100.0%**

11.4. Gains/losses

The changes in the gains/losses (net of taxes) recognized in December 31, 2020 and 2019 of debt securities recognized under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss - Financial assets at fair value through other comprehensive income" and equity instruments recognized under the equity heading "Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Changes in fair value of equity instruments designated at fair value through other comprehensive income" in the accompanying balance sheets are as follows:

Other comprehensive income - Changes in the gains / losses (Millions of Euros)

		Debt securities		Equity instruments	
	Notes	2020	2019	2020	2019
Balance at the beginning		**335**	**260**	**(469)**	**(190)**
Valuation gains and losses		85	173	(786)	(271)
Amounts transferred to income		(61)	(66)	-	-
Income tax		(7)	(32)	14	(8)
Other reclassifications		-	-	(53)	-
Balance at the end	**27**	**352**	**335**	**(1,294)**	**(469)**

In 2020, equity securities presented a decrease of 786 million euros in the heading "Gains and losses from valuation - Accumulated other comprehensive income - Items that will not be reclassified to profit and loss - Fair value changes of equity instruments measured at fair value through other comprehensive income", mainly due to the *Telefónica* quotation.

During 2020 and 2019 and there has been no significant impairment recorded in equity instruments under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification- Financial assets at fair value through other comprehensive income" (see Note 42).

12. Financial assets at amortized cost

12.1. Breakdown of the balance

The breakdown of the balance under this heading in the accompanying balance sheets, according to the nature of the financial instrument, is as follows:

Financial assets at amortized cost (Millions of Euros)			
	Notes	2020	2019
Debt securities		**23,241**	**21,496**
Government		17,574	15,920
Credit institutions		16	17
Other financial and non-financial corporations		5,651	5,559
Loans and advances to central banks		**7**	**5**
Loans and advances to credit institutions		**8,762**	**8,049**
Reverse repurchase agreements (**)		203	87
Other loans		8,559	7,961
Loans and advances to customers		**193,903**	**195,819**
Government		13,295	14,656
Other financial corporations		9,087	8,132
Non-financial corporations		77,055	76,217
Other		94,466	96,814
Total	**6.1**	**225,914**	**225,369**
Of which: impaired assets of loans and advances to customers (*)		*8,193*	*8,589*
Of which: loss allowances of loans and advances (*)		*(5,665)*	*(5,291)*
Of which: loss allowances of debt securities		*(12)*	*(13)*

(*) See Note 5.2.
(**) See Note 31.

During financial years 2020 and 2019, there have been no significant reclassifications neither from “Financial assets at amortized cost” to other headings or form other headings to “Financial assets at amortized cost”.

12.2. Debt securities

The breakdown of the balance under this heading in the accompanying balance sheets, according to the issuer of the debt securities, is as follows:

Financial assets at amortized cost (Millions of Euros)

	2020				2019			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agency debt	13,644	1,210	-	14,85	12,730	630	(2)	13,35
Central banks	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other issuers	4,838	59	(7)	4,890	4,904	38	(3)	4,938
Subtotal	**18,482**	**1,269**	**(7)**	**19,74**	**17,634**	**667**	**(5)**	**18,29**
Foreign debt securities								
The United States	**26**	**-**	**(1)**	**25**	**29**	**-**	**(1)**	**28**
Government securities	-	-	-	-	-	-	-	-
Treasury and other government agencies	-	-	-	-	-	-	-	-
States and political subdivisions	-	-	-	-	-	-	-	-
Central banks	-	-	-	-	-	-	-	-
Credit institutions	16	-	(1)	15	17	-	(1)	17
Other issuers	11	-	(1)	10	12	-	(1)	11
Other countries	**4,732**	**489**	**(1)**	**5,220**	**3,833**	**82**	**(1)**	**3,915**
Other foreign governments and other government agency debt securities	3,931	455	(1)	4,385	3,190	82	(1)	3,271
Central banks	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-
Other issuers	802	34	-	835	643	-	-	644
Subtotal	**4,759**	**489**	**(2)**	**5,246**	**3,862**	**82**	**(2)**	**3,942**
Total	**23,241**	**1,757**	**(9)**	**24,98**	**21,496**	**749**	**(8)**	**22,23**

As of December 31, 2020 and 2019, the distribution, based on the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, is as follows:

Debt securities by *rating*

	2020		2019	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%
AAA	-	-	33	0.2%
AA+	70	0.3%	51	0.2%
AA	-	-	12	0.1%
AA-	-	-	609	2.8%
A+	-	-	-	-
A	590	2.5%	14,337	66.7%
A-	16,717	71.9%	517	2.4%
BBB+	1,017	4.4%	1,575	7.3%
BBB	162	0.7%	470	2.2%
BBB-	4,387	18.9%	3,194	14.9%
BB+ or below	298	1.3%	213	1.0%
Unclassified	-	-	484	2.3%
Total	**23,241**	**100.0%**	**21,496**	**100.0%**

12.3. Loans and advances to customers

The breakdown of the balance under this heading in the accompanying balance sheets, according to their nature, is as follows:

Loans and advances to customers (Millions of Euros)

	2020	2019
On demand and short notice	447	153
Credit card debt	2,175	2,379
Trade receivables	12,626	13,884
Finance leases	4,731	5,021
Other term loans	170,294	170,772
Advances that are not loans	3,630	3,610
Total (*)	**193,903**	**195,819**

The heading “Financial assets at amortized cost –Loans and advances to customers” in the accompanying balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage-covered bonds.

As of December 31, 2020 and 2019, 34.6% and 30.2%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 65.3% and 69.8%, respectively, have variable interest rates.

This heading also includes some loans that have been securitized and not derecognized since the risks or substantial benefits related to them are retained because the Bank granted subordinated loans or other types of credit enhancements that substantially keep all the expected credit losses for the transferred asset or the probable variation of its net cash flows. The balances recognized in the accompanying balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)	2020	2019
Securitized mortgage assets	23,458	25,496
Other securitized assets	6,599	4,761
Total	**30,057**	**30,257**

13. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk

The balance of these headings in the accompanying balance sheets is as follows:

Hedging derivatives and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)	2020	2019
ASSETS		
Derivatives – Hedge accounting	1,011	953
Fair value changes of the hedged items in portfolio hedges of interest rate risk	51	28
LIABILITIES		
Derivatives – Hedge accounting	1,510	1,471
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-

As of December 31, 2020 and 2019, the main positions hedged by the Bank and the derivatives assigned to hedge those positions were:

- Fair value hedging:
  - Fixed-interest debt securities at fair value through other comprehensive income and at amortized cost: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
  - Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).
  - Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk”.
- Cash-flow hedges: Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange and interest-rate swaps, inflation and FRA’s (“Forward Rate Agreement”).
- Net foreign-currency investment hedges: The risks hedged are foreign-currency investments in the Bank’s subsidiaries based abroad. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 5 analyzes the Bank's main risks that are hedged using these derivatives.

The details of the net positions by type of product and hedged risk of the fair value of the hedging derivatives recognized in the accompanying balance sheets are as follows:

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge. (Millions of Euros)	2019	2019

	Assets	Liabilities	Assets	Liabilities
Interest rate	**711**	**332**	**800**	**346**
OTC	-	-	800	346
Organized market	-	-	-	-
Equity instruments	**-**	**-**	**-**	**-**
Foreign exchange and gold	**-**	**-**	**-**	**-**
Credit	**-**	**-**	**-**	**-**
Commodities	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
FAIR VALUE HEDGES	**711**	**332**	**800**	**346**
Interest rate	**8**	**868**	**105**	**666**
OTC	-	-	105	666
Organized market	-	-	-	-
Equity instruments	**-**	**-**	**-**	**-**
Foreign exchange and gold	**107**	**-**	**-**	**3**
OTC	15	-	-	3
Organized market	-	-	-	-
Credit	**-**	**-**	**-**	**-**
Commodities	**-**	**-**	**-**	**-**
Other	**-**	**-**	**-**	**-**
CASH FLOW HEDGES	**115**	**868**	**105**	**669**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**166**	**139**	**12**	**242**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**18**	**170**	**36**	**214**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**-**	**-**	**-**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**1,011**	**1,510**	**953**	**1,471**
Of which: OTC - credit institutions	*866*	*1,269*	*750*	*1,150*
Of which: OTC - other financial corporations	*145*	*241*	*203*	*321*
Of which: OTC - other	*-*	*-*	*-*	*-*

The cash flows forecasts for the coming years for cash flow hedging recognized on the accompanying balance sheet as of December 31, 2020 are:

Hedged items in fair value hedges. December 2020 (Millions of Euros)

	Carrying amount	Hedge adjustments included in the carrying amount of assets/liabilities	Remaining adjustments for discontinued micro hedges including hedges of net positions	Hedged items in portfolio hedge of interest rate risk
ASSETS				
Financial assets measured at fair value through other comprehensive income	**25,620**	**267**	**-**	**-**
Interest rate	25,620			
Financial assets measured at amortized cost	**10,704**	**483**	**-**	**2,500**
Interest rate	10,704			
LIABILITIES				
Financial liabilities measured at amortized costs	**18,880**	**(1,179)**	**-**	**-**
Interest rate	18,880			

The following is the calendar of the notional maturities of the hedging instruments as of December 31, 2020:

A profile of the timing of the nominal amount of the hedging instrument (Millions of Euros)

	3 months or less	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
FAIR VALUE HEDGES	**2,946**	**10,816**	**22,638**	**17,895**	**54,295**
Of which: Interest rate	2,946	10,816	22,638	17,895	54,295
CASH FLOW HEDGES	**8,474**	**2,200**	**1,000**	**5,902**	**17,576**
Of which: Interest rate	6,600	-	1,000	5,902	13,502
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**1,853**	**2,910**	**-**	**-**	**4,763**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**299**	**576**	**1,533**	**1,029**	**3,437**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**-**	**-**	**-**	**-**	**-**
DERIVATIVES-HEDGE ACCOUNTING	**13,573**	**16,502**	**25,171**	**24,825**	**80,071**

In 2020 and 2019, there was no reclassification in the accompanying income statements of any amount corresponding to cash flow hedges that was previously in accompanying statements of recognized income and expenses. (See Note 41)

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2020 and 2019 were not material.

14. Investments in subsidiaries, joint ventures and associates

14.1. Investments in subsidiaries

The heading "Investments in subsidiaries, joint venture and associates- Subsidiaries" in the accompanying balance sheets includes the carrying amount of the shares of companies forming part of the BBVA Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix II.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

Investments in subsidiaries (Millions of Euros)

	2020	2019
Subsidiaries		
By currency	**33,755**	**46,179**
In euros	19,131	19,293
In foreign currencies	14,624	26,886
By share price	**33,755**	**46,179**
Listed	6,838	7,015
Unlisted	26,917	39,164
Loss allowances	**(16,208)**	**(16,734)**
Total	**17,547**	**29,445**

Garanti Bank

During 2020 and 2019, the negative evolution of the Turkish economy caused a depreciation of the Turkish lira in accordance with the accounting standards applicable to the individual financial statements, the Bank holds the stake in Garanti BBVA, A.S. valued at historic cost (weighted average price in euros of the various acquisitions made since 2011) and at each closing date the recoverability of the investment in euros is evaluated whenever there is any indication of impairment.

As of December 31, 2020 and 2019, BBVA estimated impairment in its holding stake in Garanti BBVA, A.S. affecting the Bank's individual financial statements. This estimation had a net negative impact on the individual result of the Bank, net of taxes, of 288 and 543 million euros respectively, which is mainly as a result of the depreciation of the Turkish Lira. The Net Equity of the Bank was reduced by the same amount.

This impairment had no impact on the financial statements of the Bank, since currency translation differences are recognized under "Other accumulated comprehensive income" of the Group's consolidated equity, in accordance with the accounting standards applicable to the consolidated financial statements, so that the depreciation of the Turkish Lira was already recorded, reducing the consolidated net equity of the Group.

BBVA USA

In 2020, the sale of the BBVA subsidiary in the United States was announced. Thus, the balances of the headings "Dividend income" and "Impairment or reversal of impairment of investments in subsidiaries, joint ventures or associates", net of their corresponding tax effects, corresponding to companies for sale have been reclassified to "Profit (loss) after tax from discontinued activities" in the accompanying income statement. Additionally, the results corresponding to the year 2019 have also been reclassified to that same heading to facilitate the comparison between years. The balances of the assets corresponding to the investment in such companies for sale have been reclassified from their corresponding accounting headings in the balance sheet to the heading "Non-current assets and disposal groups that have been classified as held for sale" (see Notes 1.3 and 19).

As of March 31, 2020, BBVA estimated an impairment in BBVA USA Bancshares, Inc that affected the Bank financial statements. That estimation supposed a negative net impact on the Bank’s benefit of €1.475 million, which was mainly due to the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic and the expected evolution of interest rates (See Note 1.5). Bank´s net equity decreased in the same amount.

In 2020, an additional impairment has been recorded in this holding stake to adjust its book value to the price set for its sale (see below “Sale of BBVA’s U.S. subsidiary to PNC Financial Service Group”), which has had a negative impact on the individual result of the Bank of 933 million euros.

As of December 31, 2019, BBVA estimated an impairment in its holding stake in BBVA USA Bancshares, Inc. affecting the Bank's individual financial statements. This estimation had a net negative impact on the individual result of the Bank of 279 million euros, which is mainly as a result of the negative evolution of interest rates, especially in the second semester of 2019, which accompanied by the slowdown of the economy causes the expected evolution of results below the previous estimation. The Net Equity of the Bank was reduced by the same amount.

Movements

The changes in 2020 and 2019 in the balance under this heading in the balance sheets, disregarding the balance of the loss allowances, are as follows:

Investments in subsidiaries: changes in the year (Millions of Euros)

	2020	2019
Balance at the beginning	**46,179**	**45,575**
Acquisitions and capital increases	37	39
Merger transactions	(141)	-
Disposals and capital reductions	(208)	(84)
Transfers (*)	(11,681)	(23)
Exchange differences and others	(431)	672
Balance at the end	**33,755**	**46,179**

(*) The movement in 2020 corresponds to BBVA USA Bancshares Inc (See Note 1.3 and 19)

Changes in the holdings in Group entities

The most notable transactions performed in 2020 and 2019 are as follows:

Significant changes in the Group in 2020

Sale of BBVA’s U.S. subsidiary to PNC Financial Service Group

On November 15, 2020, BBVA reached an agreement with The PNC Financial Services Group, Inc. for the sale of 100% of the capital stock of its subsidiary BBVA USA Bancshares, Inc., which in turn owns all the capital stock of the bank, BBVA USA, as well as other companies of the BBVA group in the United States with activities related to this banking business. The agreement reached does not include the sale of the institutional business of the BBVA group developed through its broker dealer BBVA Securities Inc. nor the participation in Propel Venture Partners US Fund I, L.P. which will be transferred by BBVA USA Bancshares, Inc. to entities of the BBVA group prior to the closing of the Transaction. In addition, BBVA will continue to develop the wholesale business that it currently carries out through its branch in New York.

The price of the Transaction amounts to approximately $11.600 million. The price will be fully paid in cash.

The closing of the Transaction is subject to obtaining regulatory authorizations from the competent authorities. It is estimated that the closing of the Transaction would take place in mid 2021.

Significant changes in the Group in 2019

Divestitures

Sale of BBVA's stake in BBVA Paraguay

On August 7, 2019, BBVA reached an agreement with Banco GNB Paraguay S.A., a subsidiary of Grupo Financiero Gilinski, for the sale of its shareholding, directly and indirectly, in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay"). BBVA S.A. owned, direct and indirect 100% of its share capital in BBVA Paraguay.

On January 22, 2021 and after obtaining all required authorizations, BBVA has completed the sale of its shareholding, directly and indirectly in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay"), an affiliate of Grupo Gilinski.

The amount received by BBVA Group amounts to approximately USD250 million (€210 million). The transaction results in a capital loss of approximately 9 million euros net of taxes on the Group income statement. Furthermore, this operation will have a positive impact on BBVA Group's Common Equity Tier 1 (fully loaded) of approximately 6 basis points is estimated to be recognized during the first quarter of 2021 (See Note 51).

14.2. Investments in joint ventures and associates

The breakdown, by currency and listings status, of this heading in the accompanying balance sheets is as follows:

Joint ventures and associates (Millions of Euros)	2020	2019
Associates		
By currency	**1,103**	**1,148**
In euros	887	932
In foreign currencies	216	216
By share price	**1,103**	**1,148**
Listed	*284*	*284*
Unlisted	*819*	*864*
Loss allowances	**(323)**	**(83)**
Subtotal	**780**	**1,065**
Joint ventures	**-**	**-**
By currency	**55**	**55**
In euros	*55*	*55*
In foreign currencies	-	-
By share price	**55**	**55**
Listed	-	-
Unlisted	*55*	*55*
Loss allowances	**(1)**	**(1)**
Subtotal	**54**	**54**
Total	**834**	**1,119**

The investments in associates as of December 31, 2020 as well as the most important data related to them, can be seen in Appendix III.

The following is a summary of the gross changes in 2020 and 2019 under this heading in the accompanying balance sheets:

Joint ventures and associates: changes in the year (Millions of Euros)

	2020	2019
Balance at the beginning	**1,203**	**1,161**
Acquisitions and capital increases	2	157
Losses due to merger transactions	-	-
Disposals and capital reductions	(47)	(92)
Transfers	-	(23)
Exchange differences and others	-	-
Balance at the end	**1,158**	**1,203**

During 2020 and 2019, there has been no significant change.

14.3. Notifications about acquisition of holdings

Appendix IV provides notifications on acquisitions and disposals of holdings in associates or jointly-controlled entities, in compliance with Article 155 of the Corporations Act and Article 125 of the Securities Market Act 4/2015.

14.4. Impairment

The breakdown of the changes in loss allowances in 2020 and 2019 under this heading is as follows:

Impairment (Millions of Euros)

	Notes	2020	2019
Balance at the beginning		**16,818**	**16,002**
Increase in impairment losses charged to income	43	626	652
Decrease in loss allowances credited to income	43	(307)	(42)
Companies held for sale (*)		(279)	279
Merger transactions		(141)	-
Amount used		(185)	(73)
Transfers		-	-
Balance at the end		**16,532**	**16,818**

(*) Corresponds to the company BBVA USA Bancshares, Inc. The movement in 2019 corresponds to the impairment recorded in results that has been reclassified for comparison purposes in the line of "Profit (loss) after taxes from discontinued activities" of the income statement attached. The 2020 movement refers to the reclassification of the impairment associated with the stake to the heading "Non-current assets and disposal groups classified as held for sale" in the balance sheet attached. Additionally, in 2020 there were additional impairments associated with this stake for the amount of 2,409 million euros in the heading "Profit (loss) after taxes from discontinued activities" of the accompanying income statement (see Note 1.3, 14.1 and 19).

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

15. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying balance sheets, according to the nature of the related items, is as follows:

Tangible assets. Breakdown by type of assets and changes in the year 2020 (Millions of Euros)

						Right to use asset		
	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Investment properties	Tangible asset of own use	Investment properties	Total
Revalued cost								
Balance at the beginning		1,360	-	3,063	15	3,143	100	7,681
Additions		25	2	69	-	10	-	106
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements		0	-	(216)	-	(36)	-	(252)
Transfers		(229)	-	(25)	1	(60)	25	(288)
Exchange difference and other		-	-	(3)	-	-	-	(3)
Balance at the end		1,156	2	2,888	16	3,057	125	7,244
Accrued depreciation		-	-	-	-	-	-	-
Balance at the beginning		215	-	2,404	2	215	10	2,845
Additions	40	16	-	105	-	214	12	347
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements		-	-	(188)	-	(6)	-	(194)
Transfers		(38)	-	(16)	-	(9)	4	(59)
Exchange difference and other		-	-	(3)	-	-	-	(3)
Balance at the end		193	-	2,301	2	414	26	2,936
Impairment		-	-	-	-	-	-	-
Balance at the beginning		162	-	-	6	187	14	369
Additions	44	-	-	26	-	68	12	105
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements	44	-	-	-	-	-	-	-
Transfers		(68)	-	-	1	10	-	(57)
Exchange difference and other		-	-	(26)	-	-	-	(26)
Balance at the end		94	-	-	7	265	26	392
Net tangible assets		-	-	-	-	-	-	-
Balance at the beginning		983	-	660	7	2,741	76	4,467
Balance at the end		869	2	587	7	2,377	73	3,915

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Tangible assets. Breakdown by type of assets and changes in the year 2019 (Millions of Euros)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Investment properties	Right to use asset: Tangible asset of own use	Right to use asset: Investment properties	Total
Revalued cost								
Balance at the beginning		1,408	-	3,207	16	-	-	4,631
Additions		26	-	93	-	3,200	100	3,419
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements		-	-	(224)	-	(57)	-	(282)
Transfers		(74)	-	(14)	(1)	-	-	(89)
Exchange difference and other		-	-	1	-	-	-	1
Balance at the end		1,360	-	3,063	15	3,143	100	7,681
Accrued depreciation								
Balance at the beginning		215	-	2,486	2	-	-	2,703
Additions	40	17	-	119	-	217	10	362
Contributions from merger transactions		-	-	-	-	-	-	-
Retirements		-	-	(194)	-	(2)	-	(195)
Transfers		(16)	-	(9)	-	-	-	(25)
Exchange difference and other		-	-	1	-	-	-	1
Balance at the end		215	-	2,404	2	215	10	2,845
Impairment								
Balance at the beginning		178	-	-	12	-	-	190
Additions	44	-	-	20	1	60	-	80
Retirements		-	-	-	(1)	-	-	(1)
Transfers		(16)	-	-	(5)	127	14	120
Exchange difference and other		-	-	(20)	-	-	-	(20)
Balance at the end		162	-	-	6	187	14	369
Net tangible assets								
Balance at the beginning		1,016	-	721	2	-	-	1,739
Balance at the end		983	-	660	7	2,741	76	4,467

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented.

As of December 31, 2020 and 2019, the cost of fully amortized tangible assets that remained in use were €1,636 million and €1,686 million, respectively.

The main activity of the Bank is carried out through a network of bank branches located geographically as shown in the following table:

Branches by geographical location (Number of branches)

	2020	2019
Spain	2,482	2,642
Rest of the world	24	24
Total	2,506	2,666

As of December 31, 2020 and 2019, the percentage of branches leased from third parties in Spain was 67.65% and 67.30%, respectively.

16. Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2020 and 2019 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

The breakdown of the balance under this heading in the balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)	2020	2019
Transactions in progress	783	836
Accruals	57	70
Total	**840**	**905**

The breakdown of the changes in 2020 and 2019 in the balance under this heading in the balance sheets is as follows:

Other intangible assets. Changes over the year (Millions of Euros)		2020			2019		
	Notes	Computer software	Other intangible assets	Total of intangible assets	Computer software	Other intangible assets	Total of intangible assets
Balance at the beginning		**836**	**70**	**905**	**816**	**82**	**898**
Additions		251	-	251	318	-	318
Contributions from merger transactions		-	-	-	-	-	-
Amortization in the year	40	(304)	(13)	(316)	(298)	(13)	(311)
Balance at the end		**783**	**57**	**840**	**836**	**70**	**905**

17. Tax assets and liabilities

The balance of the heading “Tax Liabilities” in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax of each year, net of tax withholdings and prepayments for that period, and the provision for current period corporation tax in the case of companies with a net tax liability. The amount of the tax refunds due to Group companies and the tax withholdings and prepayments for the current period are included under “Tax Assets” in the accompanying balance sheets.

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000, since the merger had been carried out under the tax neutrality system provided for in Title VIII, Chapter VIII of Corporation Tax Law 43/1995. On December, 30, 2002, the pertinent notification was made to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation. Similarly, on the occasion of the acquisition of Unnim Group in 2012, the companies composing the Tax Group No. 580/11 which met the requirements became part of the tax group 2/82 from January 1, 2013. Lastly, on the occasion of the acquisition of Catalunya Banc Group in 2015, the companies composing the Tax Group No. 585/11 which met the requirements became part of the tax group 2/82 from January 1, 2016.

In 2018, the Bank carried out an intra-community cross-border merger by absorption of Banco Bilbao Vizcaya Argentaria (Portugal), S.A. as well as merger by absorption of BBVA Renting. These transactions carried out under the special regime for mergers, divisions, transfers of assets and exchanges of securities provided for in Chapter VII of Title VII of the Corporate Tax Law, approved by Law 27/2014, of November 27. The information requirements under the above legislation are included in the financial statements for 2018 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

In 2016, the Bank carried corporate restructuring operations, under the special regime for mergers, divisions, transfers of assets and exchanges of securities provided for in Chapter VII of Title VII of the Corporate Tax Law, approved by Law 27/2014, of November 27. The information requirements under the above legislation are included in the financial statements for 2016 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

In 2013, 2011 and 2009, the Bank also participated in corporate restructuring operations subject to the special regime for mergers, splits, transfers of assets and exchanges of securities under Chapter VIII of Title VII of the Corporation Tax Act, approved by Royal Legislative Decree 4/2004, of March 5. The reporting requirements under the above legislation are included in the financial statements of the relevant entities for 2013, 2011 and 2009 as well as in the merger by absorption deed, other official documents and internal records of the Bank, available to the tax authorities.

Also, in 2003, as in previous years, the Bank performed corporate restructuring operations under the special system of tax neutrality regulated by Act 29/1991 of December 16 (which adapted certain tax provisions to the Directives and Regulations of the European Communities) and by Title VIII, Chapter VIII of Corporation Tax Act 43/1995, of December 27. The disclosures required under the aforementioned legislation are included in the financial statements of the relevant entities for the period in which the transactions took place.

17.1. Years open for review by the tax authorities

At the date these financial statements were prepared, the Bank has 2014 and subsequent years open for review by the tax authorities for the main taxes applicable to it.

In 2020, as a result of the tax audit conducted by the tax authorities, tax inspection proceedings were issued against several companies of the previous Catalunya Banc Group 585/11 for the years 2013 to 2015. These proceedings became final in 2020 and did not represent a material amount for the understanding of the financial statements as a whole.

In view of the different interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that could be conducted by the tax authorities in the future could give rise to contingent tax liabilities which cannot be objectively quantified at the present time. However, the Bank considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Bank’s financial statements.

17.2. Reconciliation

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the recognized corporation tax expense is as follows:

Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax (Millions of Euros)

	2020	2019
Corporation tax	**75**	**611**
Decreases due to permanent differences:	-	-
Tax credits and tax relief at consolidated Companies	(49)	(44)
Other items net	(106)	(711)
Net increases (decreases) due to temporary differences	94	33
Charge for income tax and other taxes	**-**	**-**
Deferred tax assets and liabilities recorded (utilized)	(94)	(33)
Income tax and other taxes accrued in the period	**(80)**	**(144)**
Adjustments to prior years' income tax and other taxes	116	95
Income tax and other taxes	**36**	**(49)**

The item “Other taxes” of the above table includes in 2020 the effect in income tax of non-deductible impairments for approximately €2,727 million. In 2019, the effect on income tax of those dividends and capital gains with the right to exemption in order to avoid double taxation is fundamentally included, for approximately €2,900 million euros.

The Bank avails itself of the tax credits for investments in new fixed assets (in the scope of the Canary Islands tax regime, for a non-material amount), tax relief, R&D tax credits, donation tax credits and double taxation tax credits, in conformity with corporate income tax legislation.

Under the regulations in force until December 31, 2001, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax deferral for reinvestment. The information related to this tax credit can be found in the corresponding annual reports.

From 2002 to 2014, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of properties and shares representing ownership interests of more than 5%. The information related to this tax credit can be found in the corresponding annual reports.

In 2020, following the approval of Royal Decree-Law 3/2016, of December 2, by which certain measures in the tax field directed to the consolidation of the public finances and other urgent measures in social matter are adopted, the Bank has included in its tax base €84 million as a reversal of the impairment losses on instruments representing participation in the capital or in the equity of companies which have been tax deductible from the tax base of Corporate Income Tax in tax periods started prior to January, 1, 2013. After this adjustment, there is no amount pending to be included in the tax base.

Millions of Euros	
	2020
Pending addition to taxable income as of January 1, 2020	**84**
Decrease income (included) 2020	(84)
Sales and liquidations 2020	-
Pending addition to taxable income as of December 31, 2020	**-**

In the year 2020, and as a consequence of what is established in the transitory provision thirty-ninth of the Corporate Income Tax Law, in accordance with the wording given by Royal Decree-Law 27/2018, of December 28, which adopts certain measures in tax and cadastral matters, the Bank has made a decrease of €47 million in its tax base, as the last third of the charges and credit to reserves accounts for the first application of Circular 4/2017 and which were considered deductible as of January 1, 2018. After this adjustment, there is no amount pending to be integrated in the tax base.

Integration in taxable base of accounting operations due to application of Circular 4/2017 (Millions of Euros)	
	2020
Income pending to integrate at January 1, 2020	**47**
Integration 2020	(47)
2018 Income tax declaration adjustments 2019	-
Income pending to integrate at December 31, 2020	**-**

17.3. Income tax recognized in equity

In addition to the income tax registered in the income statements, in 2020 and 2019 the Bank recognized the following amounts in equity:

Tax recognized in Total Equity (Millions of Euros)		
	2020	**2019**
Charges to total equity		
Debt securities	(142)	(154)
Equity instruments	(2)	(15)
Other	-	-
Subtotal	**(144)**	**(169)**
Credits to total equity		
Debt securities	-	-
Equity instruments	-	-
Other	114	109
Subtotal	**114**	**109**
Total	**(30)**	**(60)**

17.4. Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying balance sheets includes the tax receivables relating to deferred tax assets. The balance under the "Tax liabilities" heading includes the liabilities relating to the Bank's various deferred tax liabilities. The details of the most important tax assets and liabilities are as follows:

Tax Assets and Liabilities. Breakdown (Millions of Euros)

	2020	2019	Variation
Tax assets			
Current tax assets	633	1,443	(810)
Deferred tax assets	12,131	12,317	(186)
Pensions	312	302	10
Financial Instruments	227	373	(146)
Other assets	81	249	(168)
Impairment losses	251	206	45
Other	422	402	20
Secured tax assets (*)	9,360	9,362	(2)
Tax losses	1,478	1,423	55
Total	**12,764**	**13,760**	**(996)**
Tax Liabilities			
Current tax liabilities	173	149	24
Deferred tax liabilities	898	972	(74)
Charge for income tax and other taxes	898	972	(74)
Total	**1,071**	**1,120**	**(49)**

(*) The Law guaranteeing the deferred tax assets was approved in Spain in 2013.

Based on the available information, including historical profit levels and projections that the Bank handles for the coming 15 years results, it is considered that sufficient taxable income to recover deferred tax assets above would be generated when they become deductible under the provisions of tax legislation.

With respect to the changes in assets and liabilities due to deferred tax contained in the above table, the following should be pointed out:

- The variations in deferred tax assets related to Impairment losses, Pensions and Other Assets as well as the decrease of the deferred tax liabilities are due mainly to the adjustments on the corporate income tax finally presented for year 2019 and the estimation for 2020.
- The decrease in deferred tax assets related to Financial Instruments and Other Assets is due to the review of the deferred taxes recorded in the balance carried out on the occasion of each accounting closing.
- The increase in tax losses is due to the estimation for 2020.

Of the assets and liabilities due to deferred tax contained in the above table, those included in section 17.3 above have been recognized against the entity's equity, and the rest against earnings for the year or, in its case, Reserves.

From the guaranteed tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish Government is as follows:

Secured tax assets (Millions of Euros)

	2020	2019
Pensions	1,924	1,924
Impairment losses	7,436	7,438
Total	**9,360**	**9,362**

On the other hand, BBVA, S.A., has not recognized certain negative tax bases and deductions for which, in general, there is no legal period for offsetting, which are mainly originated by Catalunya Banc.

18. Other assets and liabilities

The composition of the balance of these captions in the accompanying balance sheets is:

Other assets and liabilities (Millions of Euros)	Notes	2020	2019
ASSETS			
Insurance contracts linked to pensions	**22**	**2,074**	**2,096**
Rest of other assets		**763**	**504**
Transactions in progress		106	72
Accruals		269	242
Other items		388	190
Total		**2,837**	**2,600**
LIABILITIES			
Transactions in progress		68	32
Accruals		726	895
Other items		749	718
Total		**1,543**	**1,645**

19. Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale

The composition of the balances under the headings “Non-current assets and disposal groups classified as held for sale” and “liabilities included in disposal groups classified as held for sale” in the accompanying balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale: Breakdown by items (Millions of Euros)	2020	2019
Foreclosures and recoveries	993	1,021
Foreclosures	959	980
Recoveries from financial leases	34	41
Other assets from tangible assets	476	280
Business sale - Assets (*)	11,699	23
Accrued amortization (**)	(89)	(49)
Impairment losses	(3,100)	(308)
Total non-current assets and disposal groups classified as held for sale	**9,978**	**967**

(*) The balance of 2020 is mainly of the participation in BBVA USA Bancshares Inc (See Note 14). The balance of 2019 is mainly of the participation in BBVA Paraguay (See Note 14)

(**) Corresponds to the accumulated depreciation of assets before classification as “Non-current assets and disposal groups classified as held for sale".

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The changes in the balances under this heading in 2020 and 2019 are as follows:

Non-current assets and disposal groups classified as held for sale. Changes in the year 2020 (Millions of Euros)

	Notes	Foreclosed assets	From own use assets (*)	Business sale - assets (**)	Total
Cost (1)					
Balance at the beginning		**1,021**	**231**	**23**	**1,275**
Additions		212	-	2	215
Retirements (sales and other decreases)		(163)	(44)	-	(206)
Exchange differences		-	-	(7)	(7)
Transfers and other movements.	14	(79)	199	11,681	11,801
Balance at the end		**992**	**387**	**11,699**	**13,078**
Impairment (2)					
Balance at the beginning		**183**	**125**	**-**	**308**
Additions	14.45	47	28	933	1,008
Retirements (sales and other decreases)		(20)	(13)	-	(33)
Other movements and exchange differences	14	(5)	66	1,755	1,816
Balance at the end		**205**	**206**	**2,688**	**3,100**
Balance at the end of Net carrying value (1)-(2)		**787**	**180**	**9,011**	**9,978**

(*) Net of accumulated amortization until reclassified as non-current assets and disposal groups held for sale.

(**) The balance of 2020 corresponds to the state in BBVA USA Bancshares Inc and BBVA Paraguay (See Note 14).

Non-current assets and disposal groups classified as held for sale. Changes in the year 2019 (Millions of Euros)

	Notes	Foreclosed assets	From own use assets (*)	Business sale - assets (**)	Total
Cost (1)					
Balance at the beginning		**1,259**	**211**	**-**	**1,470**
Additions		459	1	-	460
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(488)	(44)	-	(532)
Transfers, other movements and exchange differences		(209)	63	23	(123)
Balance at the end		**1,021**	**231**	**23**	**1,275**
Impairment (2)					
Balance at the beginning		**283**	**122**	**-**	**405**
Additions	45	40	10	-	50
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(111)	(22)	-	(133)
Other movements and exchange differences		(29)	15	-	(14)
Balance at the end		**183**	**125**	**-**	**308**
Balance at the end of net carrying value (1)-(2)		**838**	**106**	**23**	**967**

(*) Net of accumulated amortization until reclassified as non-current assets and disposal groups held for sale.

(**) The balance of 2019 corresponds to the state in BBVA Paraguay (See Note 14).

As indicated in Note 2.3, “Non-current assets and disposal groups held for sale” and “liabilities included in disposal groups classified as held for sale” are valued at the lower amount between its fair value less costs to sell and its book value. As of December 31, 2020, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

Assets from foreclosures or recoveries

The table below shows the main non-current assets held for sale from foreclosures or recoveries:

Non-current assets and disposal groups classified as held for sale. From foreclosures or recoveries (Millions of Euros)		
	2020	**2019**
Residential assets	628	677
Industrial assets	141	145
Agricultural assets	13	15
Total	**782**	**838**

The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2020 and 2019 had been held:

Assets from foreclosures or recoveries. Period of ownership (Millions of Euros)		
	2020	**2019**
Up to one year	105	282
From 1 to 3 years	353	313
From 3 to 5 years	163	154
Over 5 years	161	89
Total	**782**	**838**

In 2020 and 2019, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €14 and €21 million respectively, with a mean percentage financed of 83% and 92%, respectively, of the price of sale. The total nominal amount of these loans, which are recognized under "Loans and receivables", is €1,503 and €1,622 million, as of December 31, 2020 and 2019, respectively.

As of December 31, 2020 and 2019, there were no gains not recognized in the income statement from the sale of assets financed by the Bank.

20. Financial liabilities at amortized cost

20.1. Breakdown of the balance

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Financial liabilities measured at amortized cost (Millions of Euros)	2020	2019
Deposits	277,369	234,052
Deposits from central banks	37,903	24,390
Demand deposits	162	22
Time deposits	37,741	24,368
Deposits from credit institutions	22,106	18,201
Demand deposits	6,569	4,859
Time deposits	11,419	11,060
Repurchase agreements (*)	4,118	2,282
Customer deposits	217,360	191,461
Demand deposits	137,115	115,419
Time deposits	36,332	34,656
Repurchase agreements (*)	619	-
Savings deposits	43,294	41,385
Debt certificates issued	43,692	40,845
Other financial liabilities	10,127	10,362
Total	**331,189**	**285,260**

(*) See Note 31.

The amount recorded in Deposits from central banks - Time deposits includes the provisions of the TLTRO III facilities of the European Central Bank amounting to €34.902 million de euros as of December 31, 2020, that basically explains the change compared to the previous year (See Note 5.5.2).

On April 30, 2020, the European Central Bank modified some of the terms and conditions of the TLTRO III facilities in order to support the continued access of companies and households to bank credit in the face of interruptions and temporary shortages of funds associated with the COVID-19 pandemic. Entities whose eligible net lending exceeds 0% between March 1, 2020 and March 31, 2021 will pay an interest rate 0.5% lower than the average rate of the deposit facilities during the period that includes from June 24, 2020 to June 23, 2021. This means that the interest rate applicable to the facilities drawn down is -1%. Outside of this period, the average interest rate of the deposit facilities will be applied (currently -0.5%) provided that the financing objectives are met according to the conditions of the European Central Bank.

The Bank is reasonably certain about the fulfillment of these financing objectives. Therefore, the effective interest rate of each facility is -0.5% and the accounting registration of the discount in the interest rate associated with the COVID-19 pandemic is recognized during the annual period from June 24, 2020 to June 23, 2021.

The positive remuneration currently being generated by the drawdowns of the TLTRO III facilities is recorded under the heading of "Interest income and other similar income – Other income" in the income statements and amounts to €211 million as of December 31, 2020 (See Note 33.1).

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

20.2. Deposits from credit institutions

The breakdown of this heading by geographical area and the nature of the related instruments in the accompanying balance sheets, is as follows:

Deposits from credit institutions. December 2020 (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
Spain	1,983	1,366	-	3,349
Rest of Europe	2,885	3,548	4,051	10,484
Mexico	106	-	-	106
South America	460	498	-	958
The United States	758	3,734	-	4,492
Rest of the world	377	2,273	67	2,717
Total	**6,569**	**11,419**	**4,118**	**22,106**

Deposits from credit institutions. December 2019 (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
Spain	1,968	1,096	-	3,064
Rest of Europe	1,784	3,607	2,282	7,673
Mexico	396	-	-	396
South America	293	922	-	1,216
The United States	235	2,972	-	3,208
Rest of the world	183	2,462	-	2,645
Total	**4,859**	**11,060**	**2,282**	**18,201**

20.3. Customer deposits

The breakdown of this heading in the accompanying balance sheets, by type of instrument and geographical area, is as follows:

Customer deposits. December 2020 (Millions of Euros)

	Demand deposits	Savings Deposits	Time deposits and other	Repurchase agreements	Total
Spain	129,385	42,627	20,520	-	192,532
Rest of Europe	5,656	297	10,359	619	16,931
Mexico	176	22	70	-	268
South America	692	100	609	-	1,401
The United States	563	38	4,086	-	4,687
Rest of the world	643	210	688	-	1,541
Total	**137,115**	**43,294**	**36,332**	**619**	**217,360**

Customer deposits. December 2019 (Millions of Euros)

	Demand deposits	Savings deposits	Time deposits and other	Repurchase agreements	Total
Spain	109,278	40,673	24,080	-	174,032
Rest of Europe	4,333	315	5,986	-	10,634
Mexico	238	26	317	-	582
South America	779	106	1,189	-	2,074
The United States	242	39	2,214	-	2,494
Rest of the world	549	226	870	-	1,645
Total	**115,419**	**41,385**	**34,656**	**-**	**191,461**

Previous table includes as of 31, December 2020 and 2019, subordinated deposits amounted to €360 million and €303 million, respectively, vinculated to subordinated debt issues and preferred shares launched BBVA International Preferred, S.A.U., (call exercised) BBVA Global Finance, Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal and CaixaSabadell Preferents, S.A. Unipersonal, which are unconditionally and irrevocably secured by the Bank.

20.4. Debt certificates

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Debt certificates issued (Millions of Euros)	2020	2019
In Euros	**37,949**	**36,503**
Promissory bills and notes	759	554
Non-convertible bonds and debentures	14,794	12,637
Mortgage Covered bonds (**)	10,320	12,316
Other securities	2,831	2,317
Accrued interest and others (*)	837	794
Subordinated liabilities	8,407	7,885
Convertible perpetual certificates	4,500	5,000
Non-convertible preferred stock	-	-
Other non-convertible subordinated liabilities	3,613	2,668
Valuation adjustments (*)	294	217
In Foreign Currency	**5,743**	**4,342**
Promissory bills and notes	333	235
Non-convertible bonds and debentures	1,956	1,072
Mortgage Covered bonds (**)	105	112
Other securities	1,016	740
Accrued interest and others (*)	3	10
Subordinated liabilities	2,329	2,173
Convertible perpetual certificates	1,630	1,780
Non-convertible preferred stock	-	-
Other non-convertible subordinated liabilities	693	390
Valuation adjustments (*)	7	3
Total	**43,692**	**40,845**

(*) Accrued interest but pending payment, valuation adjustments and issuance costs included

(**) See Appendix X.

As of December 31, 2020 and 2019, 64% and 71% of "Debt certificates" have fixed-interest rates, and 36% and 29% have variable interest rates, respectively.

The total cost of the accrued interest under "Debt securities issued" in 2020 and 2019 totaled €600 million and €622 million, respectively.

As of December 31, 2020 and 2019 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €354 million and €348 million, respectively.

The heading "Nonconvertible bonds and debentures" as of December 31, 2020 includes several issues, the latest maturing in 2039.

The heading "Mortgage Covered Bonds" as of December 31, 2020 includes issues with various maturities, the latest in 2037.

Subordinated liabilities included in this heading and in Note 20.3, and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank's shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

The variations of the balance under this heading are mainly the result of the following transactions:

Convertible perpetual liabilities

The AGM held on March 17, 2017, resolved, under agenda item five, to confer authority to the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the approval date of the authorization, up to a maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the AGM resolved to confer to the Board of Directors the authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or effectively carried out to cover the conversion of mandatory convertible issuances made under this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred by the AGM held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

Under that delegation, BBVA made the following issuances that qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013:

- In May and November 2017, BBVA carried out two issues of perpetually convertible securities (additional Tier 1 capital instruments) excluding shareholders' pre-emptive rights, for a nominal amount of 500 million euros and 1,000 million U.S. dollars, respectively. These issues are listed on the Global Exchange Market of Euronext Dublin of the Irish Stock Exchange and were directed only to qualified investors and foreign private banking clients, and cannot be placed or subscribed in Spain or among investors resident in Spain.
- In September 2018 and March 2019, BBVA carried out both issuances of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1,000 million each. These issuances are listed in the AIAF Fixed Income Securities Market and were targeted only at professional clients and eligible counterparties, and not being offered or sold to any retail clients.
- On September 5, 2019, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instrument), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1,000 million. This issuance is listed in the Global Exchange Market of Euronext Dublin and was targeted only at qualified investors, not being offered to, and not being subscribed for, in Spain or by Spanish residents.
- On July15, 2020, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instruments), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1 billion. This issuance is listed in the AIAF Fixed Income Securities Market and was targeted only at professional clients and eligible counterparties, not being offered or sold to any retail clients.(See Note 5.5.1)

Additionally, an issue of perpetually convertible securities (additional Tier 1 capital instruments) would remain in circulation, which was carried out in April 2016, for an amount of 1,000 million euros, by virtue of previous delegations of the shareholders' meeting. This issue was directed only to qualified investors and foreign private banking clients, and cannot be placed or subscribed in Spain or among investors residing in Spain. This issue is listed on the Global Exchange Market of Euronext Dublin of the Irish Stock Exchange and is computed as additional Tier 1 capital of the Bank and the Group, in accordance with Regulation (EU) 575/2013.

These perpetual securities will be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These issues may be fully redeemed at BBVA´s option only in the cases contemplated in their respective terms and conditions, and in any case, in accordance with the provisions of the applicable legislation. In particular:

- On February 19, 2019 the Bank early redeemed the issuance of preferred securities contingently convertible (additional tier 1 instrument), carried out by the Bank on February 19, 2014, for a total amount of €1,5 billion and once the prior consent from the Regulator has been obtained.
- On February 18, 2020, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on February 18, 2015, for an amount of €1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator had been obtained.

20.5. Other financial liabilities

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Other financial liabilities (Millions of Euros)	2020	2019
Lease liabilities	2,886	3,111
Creditors for other financial liabilities	3,223	3,289
Collection accounts	2,728	2,666
Creditors for other payment obligations	1,289	1,296
Total	**10,127**	**10,362**

A breakdown of the maturity of the lease liabilities, due after December 31, 2020 is provided below:

Maturity of future payment obligations (Millions of Euros)	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Leases	192	380	379	1,936	2,886

The information required by Final Provision second of Law 31/2014 of December 3, which amends the Corporate Law to improve corporate governance modifies Additional Provision third of Law 15/2010, of July 5, amending the Law 3/2004 of December 29, through which measures for combating late payment in commercial transactions are set, is as follows:

Payments made and pending payments (*) (Millions of Euros)	2020		2019	
	BBVA S.A.	BBVA GROUP IN SPAIN	BBVA S.A.	BBVA GROUP IN SPAIN
Average payment period to suppliers (days)	22	22	28	28
Ratio of outstanding payment transactions (days)	22	22	28	28
Ratio outstanding payment transactions (days)	19	19	20	20
Total payments	2,342	2,352	2,519	2,524
Total outstanding payments	104	104	92	92

(*) It is considered on time payments made within 60 days, and not on time those which exceeds 60 days.

The data shown in the table above on payments to suppliers refer to those which by their nature are trade creditors for the supply of goods and services, so data relating to "Other financial liabilities other liabilities -Trade pay " is included in the balance.

21. Provisions

The breakdown of the balance under this heading in the accompanying balance sheets, based on type of provisions, is as follows:

Provisions: Breakdown by concepts (Millions of Euros)	Notes	2020	2019
Pensions and other post employment defined benefit obligations	22	3,544	3,810
Other long term employee benefits	22	18	25
Provisions for taxes and other legal contingencies		439	359
Commitments and guarantees given		270	235
Other provisions (*)		177	188
Total		**4,449**	**4,616**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

The changes in 2020 and 2019 in the balances under this heading in the accompanying balance sheets are as follows:

Provisions for pensions and similar obligations. Changes over the year (Millions of Euros)

	2020	2019
Balance at the beginning	**3,835**	**4,072**
Add		
Charges to income for the year	235	233
Interest expense and similar charges	*2*	*7*
Personnel expense	*4*	*4*
Provision expense	*228*	*222*
Charges to equity (*)	-	1
Transfers and other changes	3	66
Less		
Benefit payments	(475)	(533)
Employer contributions	(24)	(2)
Unused amounts reversed during the period	(11)	(2)
Balance at the end	**3,563**	**3,835**

(*)Corresponds to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions (see Note 2.8).

Provisions for taxes, legal contingents and other provisions. Changes over the year (Millions of Euros)

	2020	2019
Balance at beginning	**782**	**1,053**
Additions	555	410
Acquisition of subsidiaries	-	-
Unused amounts reversed during the period	(297)	(239)
Amount used and other variations	(154)	(442)
Balance at the end	**886**	**782**

Ongoing legal proceedings and litigation

The financial sector faces an environment of increased regulatory pressure and litigation. In this environment, the various Group entities are often sued on lawsuits and are therefore involved in individual or collective legal proceedings and litigation arising from their activity and operations, including proceedings arising from their lending activity, from their labor relations and from other commercial, regulatory or tax issues, as well as in arbitration.

On the basis of the information available, the Group considers that, as of December 31, 2020, the provisions made in relation to judicial proceedings and arbitration, where so required, are adequate and reasonably cover the liabilities that might arise, if any, from such proceedings. Furthermore, on the basis of the information available and with the exceptions indicated in Note 5.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, on a case-by-case basis, a significant adverse effect on the, the Group´s business, financial situation or results of operations.

IRPH index

In relation to consumer mortgage loan contracts linked to the interest rate index known as IRPH (average rate for mortgage loans over three years for the acquisition of free housing), the Spanish Supreme Court issued on 14 December 2017 its judgment 669/2017 confirming that it was not possible to determine the lack of transparency of the interest rate of the loan merely by reference to one or other of the official indexes nor, therefore, was it abuse according to Directive 93/13. In a separate legal proceeding, albeit concerning the same clause, the matter was referred to the Court of Justice of the European Union (the EU Court of Justice), raising a preliminary question in which the application of the above referred IRPH index and the decision of the Supreme Court on the matter was questioned again. On March 3, 2020, the EU Court of Justice resolved the referred question for a preliminary ruling.

In that resolution, the EU Court of Justice concluded that the fact that the main elements relating to the calculation of the saving banks IRPH index used by the bank to which the question referred refers (Bankia, S.A.) were provided in the Bank of Spain Regulation (Circular 8/1990), published in the Spanish Official Gazette, which allowed consumers to understand the calculation of such index. In addition, the EU Court of Justice indicated that the national court shall determine whether the bank that is party to this proceeding complied with the applicable information obligations under national legislation. In the event that the entity had not complied with the applicable transparency regulations, the EU Court of Justice decision does not declare the contract null and void but provides that the national court could replace the IRPH index applied in the case under trial for a substitute index. The resolution sets forth that, in the absence of an agreement to the contrary of the parties to the contract, the referred substitute index could be the IRPH index for credit entities in Spain (as established in the fifteenth additional provision of Law 14/2013, of September 27, 2013).

On November 13, 2020, the Supreme Court has issued new judgments on which it has again analyzed the legality of the above referred clause after the EU Court of Justice ruling which indicated that it was up to the national judge to rule on its transparency and possible abuse. In the particular cases analyzed, the Supreme Court has ruled that, even if the entity had not adequately complied with some regulatory requirement of transparency, such as reporting the evolution of the index in the past, this would not mean that the clause was abusive. In short, it considers that the control rules are different from transparency and abuse, so that if the clause is not abusive, the possible breach of any obligation of transparency cannot have legal consequences. Following these rulings, the Supreme Court is rejecting the appeals on the grounds of the existence of case law on the matter and lack of interest in the case. Therefore, BBVA considers that the ruling of the EU Court of Justice and these recent rulings of the Supreme Court should not have significant effects on the Group's business, financial situation or results of operations.

Revolving credit cards

There are also claims before the Spanish courts challenging the application of certain interest rates and other mandatory regulations to certain revolving credit card contracts. On March 4, 2020, the Supreme Court issued a ruling (number 149/2020) confirming the nullity of a revolving credit card agreement entered into by another entity (Wizink Bank) on the grounds that the interest applied to the card was usurious. In that ruling, the Supreme Court recognized that the reference to the "normal interest on money" to be used for this product must be the average interest applicable to credit transactions by means of credit and revolving cards published in the Bank of Spain's statistics, which is slightly higher than 20% annually. The Supreme Court also considered usurious a rate of 26.82% annually, when compared to such average rate. The Supreme Court concluded that for an interest rate to be usurious, it must be "manifestly disproportionate to the circumstances of the case", and therefore the ruling limits its effects to the case under analysis, and the marketing by credit entities of this product must be analyzed on a case-by-case basis.

BBVA considers that this ruling of the Supreme Court should not have a significant effect on the Group's business, financial situation or results of operations.

22. Post-employment and other employee benefit commitments

As stated in Note 2.8, the Bank has assumed commitments with employees including short-term employee benefits (Note 39.1), defined contribution and defined benefit plans, as well as other long-term employee benefits.

The main Employee Welfare System has been implemented in Spain. Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right-holders in the event of retirement (except for those hired after March 8, 1980), permanent disability, death of spouse or death of parent.

The Employee Welfare System in place at the Bank supersedes and improves the terms and conditions of the collective labor agreement for the banking industry; including benefits in the event of retirement, death and disability for all employees, including those hired after March 8, 1980. The Bank externally funded all its pension commitments with active and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with non-Group companies and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.96% owned by the Banco Bilbao Vizcaya Argentaria Group.

The table below shows a breakdown of recorded balance sheet liabilities relating to defined benefit plans as at December 31, 2020 and 2019:

Net liability (asset) on the balance sheet (Millions of Euros)	Notes	2020	2019
Pension commitments		3,464	3,523
Early retirement commitments		1,236	1,478
Other long-term employee benefits		18	25
Total commitments		**4,718**	**5,026**
Pension plan assets		1,172	1,200
Total plan assets		**1,172**	**1,200**
Total net liability/asset on the balance sheet		**3,546**	**3,826**
Of which: provisions- provisions for pensions and similar obligations	*21*	*3,544*	*3,810*
Of which: provisions-other long-term employee benefits	*21*	*18*	*25*
Other net assets in pension plans		*(16)*	*(9)*
Of which: Insurance contracts linked to pensions	*18*	*(2,074)*	*(2,096)*

The following table shows defined benefit plan costs recorded in the income statement for fiscal years 2020 and 2019:

Income Statement and equity impact (Millions of Euros)	Notes	2020	2019
Interest and similar expense		**2**	**7**
Interest expense		2	7
Interest income		-	-
Personnel expense		**51**	**52**
Defined contribution plan expense	39.1	44	47
Defined benefit plan expense	39.1	2	1
Other benefit expense		5	4
Provisions or reversal of provisions	**41**	**217**	**220**
Early retirement expense		220	189
Past service cost expense		-	1
Remeasurements (*)		(7)	23
Other provision expense		4	7
Total effects in income statements: debit (credit)		**270**	**279**
Total effects on equity: debit (credit) (**)		**-**	**1**

(*) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statement (see Note 2.8).

(**) Actuarial gains (losses) on remeasurement of the net defined benefit pension liability before income taxes (see Note 2.8).

22.1. Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, BBVA pays the required premiums to fully insure the related liability.

The change in these commitments as of December 31, 2020 and 2019 was as follows:

Defined benefit plans (Millions of Euros)

	2020				2019			
	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	**5,001**	**1,200**	**3,801**	**2,096**	**5,164**	**1,126**	**4,038**	**2,032**
Current service cost	6	-	6	-	5	-	5	-
Interest income or expense	36	13	23	20	53	18	35	28
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-
Past service costs (1)	223	-	223	-	191	-	191	-
Remeasurements:	149	70	79	99	342	157	185	168
Return on plan assets (2)	*-*	*70*	*(70)*	*99*	*-*	*157*	*(157)*	*168*
From changes in demographic assumptions	*60*	*-*	*60*	*-*	*(1)*	*-*	*(1)*	*-*
From changes in financial assumptions	*96*	*-*	*96*	*-*	*286*	*-*	*286*	*-*
Other actuarial gain and losses	*(7)*	*-*	*(7)*	*-*	*57*	*-*	*57*	*-*
Benefit payments	(710)	(113)	(597)	(132)	(774)	(121)	(653)	(132)
Settlement payments	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	(7)	(7)	-	-	7	6	1	-
Other effects	2	9	(7)	(9)	13	14	(1)	-
Balance at the end	**4,700**	**1,172**	**3,528**	**2,074**	**5,001**	**1,200**	**3,801**	**2,096**

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading “Provisions – Pensions and other post-employment defined benefit obligations” of the accompanying balance sheet as of December 31, 2020 includes €356 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank’s Management Committee.(see Note 49)

Both the costs and the present value of the commitments are determined by independent qualified actuaries using the “projected unit credit” method.

In order to guarantee the good governance of these plans, the Bank has established an Employee Benefits Committee including members from the different areas to ensure that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as at December 31, 2020 and 2019:

Actuarial Assumptions. Commitments in Spain		
	2020	**2019**
Discount rate	0.53%	0.68%
Rate of salary increase	-	-
Mortality tables	PER 2020	PERM/F 2000P

The discount rate shown as of December, 31, 2020, corresponds to the weighted average rate, the actual discount rates used are 0% and 0.75% depending on the type of commitment.

The discount rate used to value future benefit cash flows has been determined by reference to Eurozone high quality corporate bonds (see Note 2.8).

The expected return on plan assets has been set in line with the adopted discount rate.

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire or the contractually agreed age in the case of early retirements.

Changes in the actuarial main assumptions can affect the calculation of the commitments. Should the discount rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered amounting to approximately an increase or decrease of €19 million net of tax.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include leave and long-service awards, which consist of either an established monetary award or shares in Banco Bilbao Argentaria A.A. granted to employees when they complete a given number of years of qualifying service. As of December 31, 2020 and 2019 the value of these commitments amounted to €18 and €25 million respectively. These amounts are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying balance sheet (see Note 21).

Information on the various commitments is provided in the following sections.

Pension commitments

These commitments relate mainly to retirement, death and disability pension payments. They are covered by insurance contracts, pension funds and internal provisions.

The change in pension commitments as of December 31, 2020 and 2019 is as follows:

Pensions commitments (Millions of Euros)

	2020				2019			
	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	**3,523**	**1,200**	**2,323**	**2,096**	**3,379**	**1,126**	**2,253**	**2,032**
Net commitments addition	-	-	-	-	-	-	-	-
Current service cost	6	-	6	-	5	-	5	-
Interest income or expense	36	13	23	20	49	18	31	28
Contributions by plan participants	-	-	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-	-	-
Past service costs (1)	3	-	3	-	2	-	2	-
Remeasurements:	160	70	90	99	335	157	178	168
Return on plan assets (2)	*-*	*70*	*(70)*	*99*	*-*	*157*	*(157)*	*168*
From changes in demographic assumptions	*58*	*-*	*58*	*-*	*(1)*	*-*	*(1)*	*-*
From changes in financial assumptions	*96*	*-*	*96*	*-*	*273*	*-*	*273*	*-*
Other actuarial gain and losses	*6*	*-*	*6*	*-*	*63*	*-*	*63*	*-*
Benefit payments	(262)	(113)	(149)	(132)	(271)	(121)	(150)	(132)
Settlement payments	-	-	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-	-	-
Defined contribution transformation	-	-	-	-	-	-	-	-
Effect on changes in foreign exchange rates	(7)	(7)	-	-	7	6	1	-
Other effects	5	9	(4)	(9)	17	14	3	-
Balance at the end	**3,464**	**1,172**	**2,292**	**2,074**	**3,523**	**1,200**	**2,323**	**2,096**
Of Which: vested benefit obligation relating to current employees	*3,284*	*-*	*-*	*-*	*3,349*	*-*	*-*	*-*
Of Which: vested benefit obligation relating to retired employees	*180*	*-*	*-*	*-*	*174*	*-*	*-*	*-*

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

These pension commitments are insured through policies with the insurer belonging to the Group, and with other unrelated insurers whose policyholder is BBVA. There are also commitments in the Group's insurance company whose policyholder is the BBVA Employment Pension Plan.

All the policies meet the requirements established by the accounting regulations regarding the non-recoverability of contributions. However, the policies whose policyholder is the Entity that have been carried out with BBVA Seguros –a BBVA related party – and consequently these policies cannot be considered plan assets under the applicable standards. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet (see Note 21), while the related assets held by the insurance company are included under the heading “Insurance contracts linked to pensions “.

Additionally, there are commitments in insurance policies of the Pension Plan and with insurance companies not related to the Bank. In this case the accompanying balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2020 and 2019, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

Pension benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using "cash flow matching" techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing social benefits for the different groups of employees and, in some cases where a service was provided, quantified it as an annual amount in cash.

In addition, some overseas branches of the Bank maintain defined-benefit pension commitments with some of their active and inactive personnel. These arrangements are closed to new entrants who instead participate in defined-contribution plans.

Early retirement commitments

In 2020 the Bank offered certain employees the possibility of taking retirement or early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 769 employees (611 in 2019). The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement.

The change in these commitments during financial years 2020 and 2019 is shown below:

Early retirement commitments (Millions of Euros)

	2020			2019		
	Defined Benefit Obligation	**Plan assets**	**Net liability (asset)**	**Defined benefit obligation**	**Plan assets**	**Net liability (asset)**
Balance at the beginning	**1,478**	**-**	**1,478**	**1,785**	**-**	**1,785**
Current service cost	-	-	-	-	-	-
Interest income or expense	-	-	-	4	-	4
Contributions by plan participants	-	-	-	-	-	-
Employer contributions	-	-	-	-	-	-
Past service costs (1)	220	-	220	189	-	189
Remeasurements:	(11)	-	(11)	7	-	7
Return on plan assets (2)	-	-	-	-	-	-
From changes in demographic assumptions	*2*	-	*2*	-	-	-
From changes in financial assumptions	-	-	-	*13*	-	*13*
Other actuarial gain and losses	*(13)*	-	*(13)*	*(6)*	-	*(6)*
Benefit payments	(448)	-	(448)	(503)	-	(503)
Settlement payments	-	-	-	-	-	-
Business combinations and disposals	-	-	-	-	-	-
Defined contribution transformation	-	-	-	-	-	-
Effect on changes in foreign exchange rates	-	-	-	-	-	-
Other effects	(3)	-	(3)	(4)	-	(4)
Balance at the end	**1,236**	**-**	**1,236**	**1,478**	**-**	**1,478**

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The valuation and account treatment of these commitments is the same as that of the pension commitments, except for the treatment of actuarial gains and losses (see Note 2.8).

Estimated benefit payments

As of December, 31, 2020 the estimated payments over the next ten years are as follows:

Estimated future payments (Millions of Euros)						
	2021	**2022**	**2023**	**2024**	**2025**	**2026 - 2030**
Commitments in Spain	556	474	388	313	257	856
Of which: Early retirements	362	287	209	142	95	141

22.2. Defined contribution plans

The Bank sponsors defined contribution plans, in some cases with employees making contributions which are matched by the employer.

These contributions are accrued and charged to the income statement in the corresponding financial year. No liability is therefore recognized in the accompanying balance sheets for this purpose (see Note 2.8).

23. Common stock

As of December 31, 2020, 2019 and 2018, BBVA's common stock amounted to €3,267,264,424.20 divided into 6,667,886,580 fully subscribed and paid-up registered shares, all of the same class and series, at €0.49 par value each, represented through book-entries. All of the Bank shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's common stock.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the Sistema de Interconexión Bursátil Español (Mercado Continuo), as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange under the ticker "BBVA".

Additionally, as of December 31, 2020, the shares of Banco BBVA Peru, S.A.; BBVA Banco Provincial, S.A.; Banco BBVA Colombia, S.A.; Banco BBVA Argentina, S.A. and Garanti BBVA A.S., were listed on their respective local stock markets. Banco BBVA Argentina, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange. Also, the Depositary Receipts ("DR") of Garanti BBVA, A.S. are listed in the London Stock Exchange. BBVA is also currently included, amongst other indexes, in the IBEX 35® Index, which is made up by the 35 most liquid securities traded on the Spanish Market and, technically, it is a price index that is weighted by capitalization and adjusted according to the free float of each company comprised in the index.

As of December 31, 2020, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 10.94%, 1.31%, and 8.36% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On April 18, 2019, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it had an indirect holding of BBVA common stock totaling 5.917%, of which 5.480% are voting rights attributed to shares and 0.437% are voting rights through financial instruments.

On February 3, 2020, Norges Bank reported to the Spanish Securities and Exchange Commission (CNMV) that it had an indirect holding of BBVA S.A. common stock totaling 3.366%, of which 3.235% are voting rights attributed to shares, and 0.131% are voting rights through financial instruments.

On the other hand, BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. Furthermore, BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known that could give rise to changes in the control of the Bank.

Agreements of the AGM

Capital increase

BBVA's AGM held on March 17, 2017 resolved, under agenda item four, to confer authority on the Board of Directors to increase Bank's share capital, on one or several occasions, within the legal term of five years of the approval date of the authorization, up to the maximum amount corresponding to 50% of Bank's share capital at the time on which the resolution was adopted, likewise conferring authority to the Board of Directors to totally or partially exclude shareholders' pre-emptive subscription rights over any specific issue that may be made under such authority.

However, the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of the capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of the referred authority and those that may be resolved or carried out to cover the conversion of mandatory convertible issues that may also be made with the exclusion of pre-emptive subscription rights in use of the authority to issue convertible securities conferred by the AGM held on March 17, 2017, under agenda item five (without prejudice to the anti-dilution adjustments and this limit not being applicable to contingent convertible issues) shall not exceed the nominal maximum overall amount of 20% of the share capital of BBVA at the time of the authorization.

As of the date of this document, the Bank's Board of Directors has not exercised the authority conferred by the AGM.

Convertible and/or exchangeable securities

Convertible and/or exchangeable securities are detailed in Note 20.4.

24. Share premium

As of December 31, 2020 and 2019, the balance under this heading in the accompanying balance sheets was €23,992 million.

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use.

25. Retained earnings, Revaluation reserves and Other

25.1. Breakdown of the balance

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Retained earnings, revaluation reserves and other reserves (Millions of Euros)

	2020	2019
Restricted reserves		
Legal reserve	653	653
Restricted reserve for retired capital	120	124
Revaluation Royal Decree-Law 7/1996	-	-
Voluntary reserves		
Voluntary and others	8,117	8,331
Total	**8,890**	**9,108**

25.2. Legal reserve

Under the amended Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

25.3. Restricted reserves

As of December 31, 2020 and 2019, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)

	2020	2019
Restricted reserve for retired capital	88	88
Restricted reserve for parent company shares and loans for those shares	30	34
Restricted reserve for redenomination of capital in euros	2	2
Total	**120**	**124**

The restricted reserve for retired capital resulted from in the reduction of the nominal par value of the BBVA shares made in April 2000.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the Parent Company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the Bank's common stock in euros.

25.4. Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

Revaluation and regularization of the balance sheet (Millions of Euros)

Legal revaluations and regularizations of tangible assets:	-
Cost	187
Less:	-
Single revaluation tax (3%)	*(6)*
Balance as of December 31, 1999	**181**
Rectification as a result of review by the tax authorities in 2000	(5)
Transfer to voluntary reserves	(176)
Total as of December 31, 2020 and 2019	**-**

26. Treasury shares

In 2020 and 2019 the Group companies performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of euros)

	2020		2019	
	Number of Shares	**Millions of Euros**	**Number of Shares**	**Millions of Euros**
Balance at beginning	**12,617,189**	**62**	**47,257,691**	**296**
+ Purchases	234,691,887	807	214,925,699	1,088
- Sales and other changes	(232,956,244)	(830)	(249,566,201)	(1,298)
+/- Derivatives on BBVA shares	-	7	-	(23)
+/- Other changes	-	-	-	-
Balance at the end	**14,352,832**	**46**	**12,617,189**	**62**
Of which:	-	-	-	-
Held by BBVA, S.A.	592,832	9	-	-
Held by Corporación General Financiera, S.A.	13,760,000	37	12,617,189	62
Held by other subsidiaries	-	-	-	-
Average purchase price in Euros	3.44	-	5.06	-
Average selling price in Euros	3.63	-	5.20	-
Net gains or losses on transactions (Shareholders' funds-Reserves)		-		13

The percentages of treasury shares held by the Group in 2020 and 2019 are as follows:

Treasury Stock	2020			2019		
	Min	**Max**	**Closing**	**Min**	**Max**	**Closing**
% treasury stock	0.008%	0.464%	0.215%	0.138%	0.746%	0.213%

The number of BBVA shares accepted by the Bank in pledge of loans as of December 31, 2020 and 2019 is as follows:

Shares of BBVA accepted in pledge

	2020	**2019**
Number of shares in pledge	39,407,590	43,018,382
Nominal value (Euros)	0.49	0.49
% of share capital	0.59%	0.65%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2020 and 2019 is as follows:

Shares of BBVA owned by third parties but managed by the Group

	2020	**2019**
Number of shares owned by third parties	18,266,509	23,807,398
Nominal value (Euros)	0.49	0.49
% of share capital	0.27%	0.36%

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27. Accumulated other comprehensive income (loss)

The breakdown of the balance under this heading in the accompanying balance sheets is as follows:

Accumulated other comprehensive income (Millions of Euros)	Notes	2020	2019
Items that will not be reclassified to profit or loss		**(1,376)**	**(520)**
Actuarial gains (losses) on defined benefit pension plans		(61)	(75)
Non-current assets and disposal groups classified as held for sale		-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	11.4	(1,294)	(469)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		(21)	24
Items that may be reclassified to profit or loss		**252**	**138**
Hedge of net investments in foreign operations [effective portion]		-	-
Foreign currency translation		-	-
Hedging derivatives. Cash flow hedges (effective portion)		(100)	(196)
Fair value changes of debt instruments measured at fair value through other comprehensive income	11.4	352	335
Hedging instruments (non-designated items)		-	-
Non-current assets and disposal groups classified as held for sale		-	-
Total		**(1,124)**	**(381)**

The balances recognized under these headings are presented net of tax.

28. Capital base and capital management

As of December 31, 2020 and 2019, equity is calculated in accordance to the applicable regulation of each year on minimum capital base requirements for Spanish credit institutions –both as individual entities and as consolidated group– and how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

The minimum capital base requirements established by the current regulation are calculated according to BBVA S.A.'s exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, BBVA S.A. must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

With respect to de capital requirement the ECB, in its announcement on March 12, 2020, in reaction to COVID-19, has allowed the banks to use additional Tier 1 or Tier 2 capital instruments to meet the Pillar II (P2R) requirements for 2021, which is known as "Pillar 2 tiering". This measure has been reinforced by the relaxation of the Countercyclical Capital Buffer (CCyB) announced by various national macroprudential authorities and by other complementary measures published by the ECB. All of this has resulted in a reduction of 66 basis points in the fully-loaded CET1 requirement for BBVA, with that requirement standing at 7.84% and the total ratio requirement at 12.01%, both at individual level. The reduction in the requirement at the total ratio level is only around 2 basis points, as a result of the lower applicable countercyclical buffer.

This total capital requirement includes: i) a Pillar 1 requirement of 8% that should be fulfilled by a minimum of 4.5% of CET1; ii) a Pillar 2 requirement of 1.5% of CET1 that remains at the same level as the one included in the previous SREP decision; iii) a Capital Conservation buffer of 2.5% of CET1; and iv) the Countercyclical Capital buffer 0.03% of CET1.

The ECB Pillar 2 requirement remains at the same level as the one established in the last SREP decision, being the sole difference the evolution of the Countercyclical Capital buffer of 0.01% approximately.

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A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2020 and 2019 is shown below:

Eligible capital resources (Millions of Euros)

	Notes	2020 (*)	2019 (**)
Capital	23	3,267	3,267
Share premium	24	23,992	23,992
Retained earnings, revaluation reserves and other reserves	25.1	8,890	9,108
Other equity instruments, net		34	48
Treasury shares	26	(9)	-
Profit for the year		(2,182)	2,241
Attributable dividend		-	(1,086)
Total Equity		**33,992**	**37,570**
Accumulated other comprehensive income		(1,124)	(381)
Shareholders´ equity		**32,867**	**37,189**
Intangible assets		(355)	(884)
Fin. treasury shares		(98)	(107)
Indirect treasury shares		(259)	(377)
Deductions		**(712)**	**(1,368)**
Temporary CET 1 adjustments		618	544
Equity not eligible at solvency level		**618**	**544**
Other adjustments and deductions		**(2,113)**	**(2,784)**
Common Equity Tier 1 (CET 1)		**30,660**	**33,581**
Additional Tier 1 before regulatory adjustments		**6,130**	**5,400**
Tier 1		**36,790**	**38,981**
Tier 2		**5,106**	**3,585**
Total Capital (Total Capital=Tier 1 + Tier 2)		**41,896**	**42,566**
Total Minimum equity required		**24,325**	**24,603**

(*) Provisional data.

(**) December 31, 2019 and 2018 figures have been restated (See Note 1.3)

(1) Other adjustments and deductions includes the amount of minority interest not eligible as capital, amount of dividends not distributed and other deductions and filters set by the CRR. *(Capital Requirements Regulation)*. Additionally includes shareholder remuneration (See Note 3).

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

The BBVA S.A.'s capital in accordance with the aforementioned applicable regulation as of December 31, 2020 and 2019 is shown below:

Amount of capital CC1 (Millions of Euros)		
	2020 (*)	**2019 (**)**
Capital and share premium	27,259	27,259
Retained earnings and equity instruments	9,509	9,652
Other accumulated income and other reserves	(996)	(194)
Net interim attributable profit	(2,182)	2,241
Ordinary Tier 1 (CET 1) before other reglamentary adjustments	**33,590**	**38,958**
Goodwill and intangible assets	(355)	(884)
Direct and indirect holdings in equity	-	-
Deferred tax assets	(1,478)	(1,419)
Other deductions and filters (***)	(1,096)	(3,074)
Total common equity Tier 1 reglamentary adjustments	**(2,930)**	**(5,377)**
Common equity TIER 1 (CET1)	**30,660**	**33,581**
Equity instruments and share premium classified as liabilities	6,130	5,400
Additional Tier 1 (CET 1) before regulatory adjustments	6,130	5,400
Temporary CET 1 adjustments		-
Total regulatory adjustments of additional equity I Tier 1	-	-
Additional equity Tier 1 (AT1)	**6,130**	**5,400**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**36,790**	**38,981**
Equity instruments and share premium accounted as Tier 2	4,540	3,242
Credit risk adjustments	576	344
Tier 2 before regulatory adjustments	5,116	3,585
Tier 2 reglamentary adjustments	(10)	-
Tier 2	5,106	3,585
Total capital (Total capital=Tier 1 + Tier 2)	**41,896**	**42,566**
Total RWA's	**202,559**	**204,512**
CET 1 (phased-in)	15.1%	16.4%
Tier 1 (phased-in)	18.2%	19.1%
Total capital (phased-in)	20.7%	20.8%

(*) Provisional data.

(**) According to EBA Standards published in June 2020 (EBA / ITS / 2020/04), the table has been adapted according to the format established by the EBA in those rows that are applicable to the date of the report, between which is the transitory impact by IFRS 9 in CET1, which has been reclassified from the row "Common Equity Tier 1 before regulatory adjustments" as a regulatory adjustment of Common Equity Tier 1 capital, within the row "Other deductions and filters ". Likewise, the information corresponding to December 2019 and December 2018 has been restated for comparative purposes (see Note 1.3)

(***) Additionally includes shareholder remuneration (See Note 3).

The situation of uncertainty that is causing the COVID-19, has led to strong variations in asset prices in financial markets, accompanied by a very pronounced increase in volatility; Stock markets have experienced declines as a reflection of the impact of the crisis on corporate profits and the increase in risk aversion that has also spread to the debt markets, as well as the evolution of currency exchange rates. All of this has had a negative impact on the Group's capital ratios until June 30, 2020. However, during the second quarter of the year the stability of the financial markets was largely motivated by the measures to stimulate the economy announced by the different national and supranational authorities, has partially recovered the shocks produced in the price of assets and has reduced volatility, which has had a positive contribution to capital ratios during the last quarter.

Additionally, the approval by the European Parliament and Council of Regulation 2020/873 (known as "CRR Quick Fix"), which modifies Regulation 575/2013 (Capital Requirements Regulation (CRR)) has contributed positively to capital ratios.

As of December 2020 Common Equity Tier 1 (CET1) phased-in ratio stood at 14,82% which represented a decrease of +135 basis point compared to 2019 due to the worsening in the capital base due to the negative result for the year, mainly driven by impairments on loan losses carried out at the end of March in the stakes of the USA and Turkey (see note 14), provisions as a consequence of the economic effects of the COVID-19 pandemic (see note 5.2.1) and, finally, the negative result from the sale of the business in the USA (see note 14).

Risk-weighted assets (APR) decreased by approximately €1,941 million euros in 2020 as a result of the increase in exposures focused on financing programs guaranteed by the ICO, with a lower consumption of APRs, as well as the effects of the advanced application of the new SME and Infrastructure reducing factors in response to the economic effects of the COVID-19 pandemic and the relative stabilization of financial markets that began during the second quarter, largely motivated by the measures to stimulate the economy and the announced guaranteed programs by the different national and supranational authorities as well as the approval by the Parliament and the European Council of regulation 2020/873 (known as CRR quick fix)

The fully-loaded additional Tier 1 capital (AT1) stood at 3.02% as of December 31, 2020. For these purposes, it should be noted that BBVA S.A. carried out a green AT1 issuance for an amount of 1,000 million euros with a coupon of 6% and an early redemption option in favor of the issuer after the fifth year and a half. Moreover, an AT1 issuance for an amount of €1,500 million (coupon of 6.75%) was amortized in February, on the first date of the early amortization option.

Finally, in terms of issues eligible as Tier 2 capital, BBVA S.A, issued two issuances in 2020: an issuance of €1,000 million in January, with a maturity of 10 years and an early amortization option in favor of the issuer from the fifth year, with a coupon of 1%; and another issuance of 300 million pounds sterling in July, with a coupon of 3.104% and maturity of 11 years and with an early amortization option in favor of the issuer from the sixth year.

All of this, together with the evolution of the remaining elements eligible as Tier 2 capital, set the Tier 2 fully-loaded ratio at 2.40% as of December 31, 2020.

The CET1 phased-in ratio stood at 15.14% as of December 31, 2020, taking into account the effect of the IFRS 9 standard. AT1 reached 3.03% and Tier 2 2.52% resulting in a total capital ratio of 20.68%.

The aim of capital management within BBVA and the Group is to ensure that both BBVA and the Group have the necessary capital at any given time to develop the corporate strategy reflected in the Strategic Plan, in line with the risk profile set out in the Group Risk Appetite Framework (RAF).

In this regard, BBVA's capital management is also part of the most relevant forward-looking strategic decisions in the Group's management and monitoring, which include the Annual Budget and the Liquidity and Funding Plan, with which it is coordinated — all with the aim of achieving the Group's overall strategy.

Capital must be allocated optimally in order to meet the need to preserve the solvency of BBVA and the Group at all times. Together with the Group's solvency risk profile included in the RAF, this optimal allocation serves as a guide for the Group's capital management and means a continuous need for a solid capital position that makes it possible to:

- Anticipate ordinary and extraordinary consumption that may occur, even under stress;
- Promote the development of the Group's business and align it with capital and profitability objectives by allocating resources appropriately and efficiently;
- (Cover all risks—including potential risks—to which it is exposed¬;
- Comply with regulatory and internal management requirements at all times; and
- Remunerate BBVA shareholders in accordance with the Shareholder Remuneration Policy in force at any given time.

The areas involved in capital management in the Group shall follow and respect the following principles in their respective areas of responsibility:

- Ensuring that capital management is integrated and consistent with the Group's Strategic Plan, RAF, Annual Budget and other strategic-prospective processes, to help achieve the Group's long-term sustainability.
- Taking into account both the applicable regulatory and supervisory requirements and the risks to which the Group is—or may be—exposed when conducting its business (economic vision), when establishing a target capital level, all while adopting a forward-looking vision that takes adverse scenarios into consideration.
- Carrying out efficient capital allocation that promotes good business development, ensuring that expectations for the evolution of activity meet the strategic objectives of the Group and anticipating the ordinary and extraordinary consumption that may occur.
- Ensuring compliance with the solvency levels, including the minimum requirement for own funds and eligible liabilities (MREL), required at any given time.

- Compensating BBVA shareholders in an adequate and sustainable manner.
- Optimizing the cost of all instruments used for the purpose of meeting the target capital level at any given time

To achieve the aforementioned principles, capital management will be based on the following essential elements:

- An adequate governance and management scheme, both at the corporate body level and at the executive level.
- Planning, managing and monitoring capital properly, using the measurement systems, tools, structures, resources and quality data necessary to do so.
- A set of metrics, which is duly updated, to facilitate the tracking of the capital situation and to identify any relevant deviations from the target capital level.
- A transparent, correct, consistent and timely communication and dissemination of capital information outside the Group.
- An internal regulatory body, which is duly updated, including the regulations and procedures that, ensure adequate capital management

29. Commitments and guarantees given

The breakdown of the balance under these headings in the accompanying balance sheets is as follows:

Commitments and guarantees given (Millions of Euros)

	Notes	2020	2019
Loan commitments given		**80,959**	**73,582**
Of which: defaulted		*100*	*157*
Central banks		-	-
General governments		2,177	2,128
Credit institutions		11,313	11,545
Other financial corporations		4,571	3,404
Non-financial corporations		49,259	42,714
Households		13,639	13,791
Financial guarantees given		**8,745**	**9,086**
Of which: defaulted		*156*	*153*
Central banks		-	-
General governments		85	103
Credit institutions		258	359
Other financial corporations		4,416	4,385
Non-financial corporations		3,862	4,107
Households		124	132
Other commitments given		**25,711**	**28,151**
Of which: defaulted		*305*	*311*
Central banks		112	1
General governments		77	77
Credit institutions		3,114	4,326
Other financial corporations		3,541	2,947
Non-financial corporations		18,746	20,685
Households		121	115
Total commitments and guarantees given	**5.2.2**	**115,415**	**110,819**

The amount registered recorded in the balance sheet as of December 31, 2020, for loan commitments given, financial guarantees given and other commitments given is €83 million, €75 million and €112 million, respectively (see Note 21).

Since a significant portion of the amounts above will expire without any payment obligation materializing for the companies, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In 2020 and 2019 no issuance of debt securities carried out by associates, or non-Group entities have been guaranteed.

30. Other contingent assets and liabilities

As of December 31, 2020 and 2019, there were no material contingent assets or liabilities other than those disclosed in these Financial Statements.

31. Purchase and sale commitments and future payment obligations

The purchase and sale commitments of BBVA are disclosed in notes 8, 12 and 20.

Future payment obligations other than those mentioned in the notes above correspond to leases payable derived from operating lease contracts (see Note 20.5) and estimated employee benefit payments, as detailed in (see Note 22.1)

32. Transactions on behalf of third parties

As of December 31, 2020 and 2019 the details of the relevant transactions on behalf of third parties are as follows:

Transactions on behalf of third parties. Breakdown by concepts (Millions of Euros)

	2020	2019
Financial instruments entrusted by third parties	318,218	518,077
Conditional bills and other securities received for collection	3,935	4,109
Securities lending	6,991	8,807
Total	**329,144**	**530,993**

33. Net interest income

33.1. Interest and similar income

The breakdown of the interest and similar income recognized in the accompanying income statement is as follows:

Interest income. Breakdown by origin (Millions of Euros)

	2020	2019
Financial assets held for trading	176	285
Financial assets designated at fair value through profit or loss	4	3
Financial assets at fair value through other comprehensive income	253	285
Financial assets at amortized cost	3,839	4,295
Hedging derivatives	(126)	(177)
Cash flow hedges (effective portion)	*45*	*23*
Fair value hedges	*(171)*	*(200)*
Other assets	57	27
Liabilities interest income	425	215
Total	**4,629**	**4,933**

(*) Includes accrued interest following TLTRO III transactions in 2019 and 2020 (see Note 20.1).

The amounts recognized in equity during both years in connection with hedging derivatives and the amounts derecognized from equity in 2020 and 2019 and taken to the income statement during those years are disclosed in the accompanying statements of recognized income and expenses.

33.2. Interest expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Interest expense. Breakdown by origin (Millions of Euros)	2020	2019
Financial liabilities held for trading	120	293
Financial liabilities designated at fair value through profit or loss	45	-
Financial liabilities at amortized cost	1,080	1,344
Hedging derivatives and interest rate risk	(369)	(296)
Cash flow hedges	*3*	*2*
Fair value hedges	*(372)*	*(298)*
Other liabilities	10	69
Assets interest expense	228	137
Total	**1,115**	**1,548**

34. Dividend income

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Dividend income (Millions of Euros)	2020	2019
Investments in associates	3	3
Investments in joint-ventures	2	-
Investments in subsidiaries	1,245	2,732
Other shares and dividend income	110	118
Total	**1,360**	**2,853**

35. Fee and commission income

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Fee and commission income (Millions of Euros)	2020	2019
Bills receivables	15	21
Demand accounts	223	174
Credit and debit cards and TPVs	339	402
Checks	5	7
Transfers and other payment orders	155	129
Insurance product commissions	142	157
Loan commitments given	105	87
Other commitments and financial guarantees given	159	166
Asset management	126	104
Securities fees	65	95
Custody securities	94	98
Other fees and commissions	697	704
Total	**2,125**	**2,144**

36. Fee and commission expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Fee and commission expense (Millions of Euros)

	2020	2019
Credit and debit cards	126	191
Transfers and others payment orders	4	4
Custody securities	13	14
Other fees and commissions	215	238
Total	**358**	**447**

37. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

The breakdown of the balance under this heading, by source of the related items, in the accompanying income statements is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	2020	2019
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	87	107
Financial assets at amortized cost	*100*	*35*
Other financial assets and liabilities	*(13)*	*72*
Gains (losses) on financial assets and liabilities held for trading, net	353	375
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains (losses)	*353*	*375*
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	28	35
Reclassification of financial assets from fair value through other comprehensive income	-	-
Reclassification of financial assets from amortized cost	-	-
Other gains (losses)	*28*	*35*
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(69)	(101)
Gains (losses) from hedge accounting, net	13	21
Subtotal gains (losses) on financial assets and liabilities	**412**	**438**
Exchange Differences	(29)	(133)
Total	**383**	**304**

The breakdown of the balance (excluding exchange rate differences) under this heading in the accompanying income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	2020	2019
Debt instruments	299	284
Equity instruments	(36)	1,167
Loans and advances to customers	4	114
Derivatives	286	(1,042)
Derivatives held for trading	274	(1,063)
Interest rate agreements	(252)	(58)
Security agreements	118	(1,061)
Commodity agreements	-	-
Credit derivative agreements	(25)	41
Foreign-exchange agreements	433	16
Hedging Derivatives Ineffectiveness	13	21
Fair value hedges	13	21
Hedging derivative	(316)	(11)
Hedged item	329	32
Cash flow hedges	-	-
Customer deposits	(139)	(84)
Other	(2)	(1)
Total	**412**	**438**

In addition, in 2020 and 2019, under the heading “Exchange differences, net” of the income statements, net amounts of negative €57 million and negative €225 million, respectively, are recognized for transactions with foreign exchange trading derivatives.

38. Other operating income and expense

The breakdown of the balance under the heading “Other operating income” and in the accompanying income statements is as follows:

Other operating income (Millions of Euros)

	2020	2019
Real estate income	28	29
Financial income from non-financial services	104	81
Other operating income	11	15
Total	**142**	**125**

The breakdown of the balance under the heading "Other operating expense" in the accompanying income statements is as follows:

Other operating expense (Millions of Euros)

	Notes	2020	2019
Contributions to guaranteed banks deposits funds	1.8	382	340
Real estate agencies		47	41
Other operating expense		100	106
Total		**529**	**487**

39. Administration expense

39.1 Personnel expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Personnel expense (Millions of Euros)

	Notes	2020	2019
Wages and salaries		1,639	1,833
Social security costs		377	394
Defined contribution plan expense	22	44	47
Defined benefit plan expense	22	2	1
Other personnel expense		83	120
Total		**2,144**	**2,394**

Share-based employee remuneration

The amounts registered under the heading "Personnel expense - Other personnel expense" in the income statements for the years 2020 and 2020, corresponding to the plans for remuneration based on equity instruments in force in each year, amounted to €10 million and €24 million for BBVA, respectively. These amounts have been registered with a balancing entry under the heading "Shareholders' funds – Other equity instruments" in the accompanying balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

System of Variable Remuneration in Shares

BBVA has a specific remuneration system applicable to those employees whose professional activities may have a material impact on the risk profile of the Group (hereinafter "Identified Staff"), designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2020, this remuneration scheme is reflected in the following remuneration policies:

- **BBVA Group Remuneration Policy**, approved by the Board of Directors on 29 of November 2017, that applies in general to all employees of BBVA and of its subsidiaries that form part of the consolidated group. This policy includes in a specific chapter the remuneration system applicable to the members of BBVA Group Identified Staff, including Senior Management.

- **BBVA Directors' Remuneration Policy**, approved by the Board of Directors and by the General Shareholders' Meeting held on March 15, 2019, that it's applicable to BBVA Directors. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, to which they belong, incorporating some particularities of their own, derived from their condition of directors.

The Annual Variable Remuneration for the Identified Staff members is subject to specific rules for settlement and payment established in their corresponding remuneration policies, specifically:

- Variable remuneration for Identified Staff members for each financial year will be subject to *ex ante* adjustments, so that it shall be reduced at the time of the performance assessment in the event of negative performance of the Group's results or other parameters such as the level of achievement of budgeted targets, and it shall not accrue or it will accrue in a reduced amount, should certain level of profits and capital ratios not be achieved.
- 60% of the Annual Variable Remuneration will be paid, if conditions are met, in the year following that to which it corresponds (the "Upfront Portion"). For executive directors, members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter, the "Deferred Component") for a 5 year-period for executive directors and members of the Senior Management, and 3 years for the remaining Identified Staff.
- 50% of the Annual Variable Remuneration, both the Upfront Portion and the Deferred Component, shall be established in BBVA shares. As regards executive directors and Senior Management, 60% of the Deferred Component shall be established in shares.
- Shares received as Annual Variable Remuneration shall be withheld for a one-year period after delivery, except for the transfer of those shares required to honor the payment taxes.
- The Deferred Component of the Annual Variable Remuneration may be reduced in its entirety, but never increased, based on the result of multi-year performance indicators aligned with the Group's core risk management and control metrics related to the solvency, capital, liquidity, profitability or to the share performance and the recurring results of the Group.
- Resulting cash portions of the Deferred Component of Annual Variable Remuneration and subject to the multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI), measured as the year-on-year change prices, as agreed by the Board of Directors.
- The entire Annual Variable Remuneration shall be subject to *malus* and *clawback* arrangements during the whole deferral and withholding period, both linked to a downturn in the financial performance of the Bank as a whole, of a specific unit or area, or of exposure generated by an Identified Staff member, when such a downturn in financial performance arises from any of the circumstances expressly named in the remuneration policies.
- No personal hedging strategies or insurances shall be used in connection with remuneration or liability that may undermine the effects of alignment with sound risk management.
- The variable component of the remuneration for a financial year shall be limited to a maximum amount of 100% of the fixed component of the total remuneration, unless the General Meeting resolves to increase this percentage up to a maximum of 200%.

In this regard, the General Meeting held on March 13, 2020 resolved to increase this limit to a maximum level of 200% of the fixed component of the total remuneration for a given number of the Identified Staff members, in the terms indicated in the report issued for this purpose by the Board of Directors dated February 10, 2020.

According to the settlement and payment scheme indicated, during 2020, a total amount of 2.845.924 BBVA shares corresponding to the Upfront Portion of 2019 Annual Variable Remuneration has been delivered to the Identified Staff.

Additionally, according to the Remuneration Policy applicable in 2016, during 2020 a total amount of 2.302.154 BBVA shares corresponding to the Deferred Component of 2016 Variable Remuneration has been delivered to the Identifies Staff. This amount has been subject to a downward adjustment due to multi-year performance indicators evaluation.

Likewise, the aforesaid policy established that the deferred amounts in shares of the Annual Variable Remuneration finally vested, subject to multi-year performance indicators, will be updated in cash, based on the terms established by the Board of Directors. In this regard, during 2020 a total amount of 1.682.872 euros has been delivered to the Identified Staff as updates of the corresponding shares of the Deferred Component of 2016 Annual Variable Remuneration.

Detailed information on the delivery of shares to executive directors and Senior Management is included in Note 49.

Translation of Financial Statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks (see notes 1 to 51). In the event of a discrepancy, the original Spanish-language version prevails.

39.2. Other administrative expense

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Other administrative expense. Breakdown by main concepts (Millions of Euros)	2020	2019
Technology and systems	662	649
Communications	48	47
Advertising	75	89
Property, fixtures and materials	128	140
Taxes	49	45
Surveillance and cash courier services	35	39
Other administration expense	413	478
Total	**1,409**	**1,487**

40. Depreciation

The breakdown of the balance under this heading in the accompanying income statements is as follows:

Depreciation (Millions of Euros)	Notes	2020	2019
Tangible assets	15	347	362
For own use		121	135
Right-of-use assets		226	227
Intangible assets	16	316	311
Total		**663**	**673**

41. Provisions or (reversal) of provisions

In 2020 and 2019, the net provisions recognized in the income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)	Notes	2020	2019
Pensions and other post employment defined benefit obligations	22	217	220
Commitments and guarantees given (*)		41	9
Other provisions		217	162
Total		**475**	**391**

(*) In 2020, the amount of commitments and guarantees given includes the negative impact of the update of the macroeconomic scenario following the Covid-19 pandemic (see Notes 1.5 and 5.2)

42. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

The breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss by the nature of those assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss (Millions of Euros)

	Notes	2020	2019
Financial assets at fair value through other comprehensive income		4	(1)
Financial assets at amortized cost (*)		1,228	176
Of which: recovery of written-off assets	*5.2.5*	*(238)*	*(791)*
Total		**1,232**	**175**

(*) In 2020, the amount includes the negative impact of the update of the macroeconomic scenario following the Covid-19 pandemic (see Notes 1.5 and 5.2)

43. Impairment or (reversal) of impairment on investments in subsidiaries, joint ventures or associates.

The impairment losses on non-financial assets and investments in subsidiaries, joint ventures or associates broken down by the nature of these assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on Investments in subsidiaries, joint ventures or associates (Millions of Euros)

	2020	2019
Investments in subsidiaries, joint ventures or associates	319	610
Total	**319**	**610**

44. Impairment or reversal of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)

	Notes	2020	2019
Tangible assets	15	105	80
Intangible assets	16	-	-
Other		-	(2)
Total		**105**	**78**

45. Gain (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The main items included in the balance under this heading in the accompanying consolidated income statements are as follows:

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	Notes	2020	2019
Gains on sale of real estate		33	19
Impairment of non-current assets held for sale	19	(75)	(50)
Gains (losses) on sale of investments classified as non-current assets held for sale		-	-
Gains on sale of equity instruments classified as non-current assets held for sale		-	-
Total		**(43)**	**(31)**

46. Statements of cash flows

The table below shows the breakdown of the main cash flows related to financing activities as of December 31, 2020 and 2019:

Main Cash Flows in financing activities 2020 (Millions of Euros)

	December 31, 2020	December 31, 2019	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	360	304		
Issuances of subordinated liabilities	*10,736*	10,058		
Total	11,096	10,362	784	(50)

Main cash flows in financing activities in 2019 (Millions of Euros)

	December 31, 2019	December 31, 2018	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	304	300		
Issuances of subordinated liabilities	10,058	10,288		
Total	10,362	10,588	(365)	139

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47. Accountant fees and services

The details of the fees for the services contracted by BBVA for the year ended December 31, 2020 and 2019 with its auditors and other audit entities are as follows:

Fees for Audits Conducted and other related services (Millions of Euros) (**)	2020	2019
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	12.6	12.6
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the Deloitte worldwide organization	0.5	0.5
Fees for audits conducted by other firms	-	-

(*) Including fees pertaining to annual legal audits (€11.1 and €11.1 million as of December 31, 2020 and December 31, 2019, respectively)

(**) Regardless of the billed period.

In addition, in 2020 and 2019, the Bank contracted services (other than audits) as follows:

Other Services Rendered (Millions of euros)	2020	2019
Firms belonging to the KPMG worldwide organization	-	-

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. at the date of preparation of these financial statements as follows:

Fees for Audits Conducted (*) (Millions of euros)	2020	2019
Legal audit of BBVA,S.A.	4.9	4.9
Other audit services of BBVA, S.A.	5.4	5.5
Limited Review of BBVA, S.A.	0.9	0.9
Reports related to issuances	0.3	0.3
Assurance services and other required by the regulator	0.6	0.6
Other	-	-

(*) Services provided by KPMG Auditores, S.L. to BBVA S.A., branch of BBVA in New York and branch of BBVA in London.

Information related to the services provided by KPMG AUDITORES, S.L., to companies controlled by BBVA, S.A., during the year ended December 31, 2020, is in the accompanying financial statement and dependent companies as of December 31, 2020.

The services provided by the auditors meet the independence requirements of the external auditor established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC).

48. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. These transactions are not relevant and are carried out under normal market conditions. As of December 31, 2020 and 2019 the following are the transactions with related parties:

48.1. Transactions with significant shareholders

As of December 31, 2020 and 2019 there were no shareholders considered significant (see Note 23).

48.2. Transactions with BBVA Group entities

The balances of the main captions in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)

	2020	2019
Assets		
Loans and advances to credit institutions	258	158
Loans and advances to customers	3,659	3,769
Debt securities	316	201
Liabilities	-	
Deposits from credit institutions	887	1,135
Customer deposits	8,814	8,517
Debt certificates	-	-
Memorandum accounts	-	
Financial guarantees given	4,251	4,230
Contingent commitments	1,210	1,275
Other commitments given	1,693	1,442

(*) Includes balances with BBVA USA.

The balances of the main captions in the accompanying income statements resulting from transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances of income statement arising from transactions with entities of the Group (Millions of Euros)

	2020	2019
Income statement		
Financial incomes	40	29
Financial costs	110	119
Fee and commission income	513	526
Fee and commission expense	78	91

(*) Includes balances with BBVA USA.

There were no other material effects in the financial statements arising from dealings with these entities, and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

48.3. Transactions with members of the Board of Directors and Senior Management

The amount and nature of the transactions carried out with members of the Board of Directors and Senior Management of the Bank, as well as their respective related parties is given below. All of these transactions belong to the Bank's normal course of business, are not material and have being carried out under normal market conditions.

As of December 31, 2020, there were no loans or credits granted by the Group's entities to the members of the Board of Directors. As of December 2019, the amount availed against the loans and credits granted by the Group's entities to the members of the Board of Directors amounted to €607. On this same date, there were no loans or credits granted to parties related to the members of the Board of Directors.

As of December 31, 2020 and 2019, the amount availed against the loans granted by the Group's entities to the members of Senior Management (excluding executive directors) amounted to €5,349 and €4,414 thousand, respectively. On those same dates, the amount availed against the loans granted by the Group's entities to parties related to members of Senior Management amounted to €580 and €57, respectively.

As of December 31, 2020 and 2019 no guarantees had been granted to any member of the Board of Director or their related parties.

As of December 31, 2020 and 2019 the amount availed against guarantees arranged with members of Senior Management amounted to €10 thousand, on both dates.

As of December 31, 2020 and 2019, the amount availed against guarantees and commercial loans arranged with parties related to the Senior Management amounted to €25 thousand, on both dates.

The information on the remuneration and other benefits of the members of the BBVA Board of Directors and Senior Management is included in Note 49.

48.4. Transactions with other related parties

As of December 31, 2020 and 2019 the Bank did not conduct any transactions with other related parties that are not in the ordinary course of its business, which were carried out at arm's-length market conditions and of marginal relevance; whose information is not necessary to give a true picture of the BBVA Group's net equity, net earnings and financial situation.

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49. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

Remuneration received by non-executive directors in 2020

The remuneration paid to non-executive members of the Board of Directors during the 2020 financial year is indicated below, individualized and itemized:

Remuneration for non-executive directors (thousands of euro)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remunerations Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions (1)	Total
José Miguel Andrés Torrecillas	129	111	66	36		115		50	507
Jaime Caruana Lacorte	129	167	165	107					567
Raúl Galamba de Oliveira (2)	107			71			32		211
Belén Garijo López	129		66		107	46			349
Sunir Kumar Kapoor	129						43		172
Lourdes Máiz Carro	129		66		43				238
José Maldonado Ramos	129	167				46			342
Ana Peralta Moreno	129		66		43				238
Juan Pi Llorens	129			214		46	43	80	512
Ana Revenga Shanklin (2)	97			71					168
Susana Rodríguez Vidarte	129	167		107		46			449
Carlos Salazar Lomelín (2)	97				29				125
Jan Verplancke	129				29		43		200
Total (3)	**1,588**	**611**	**431**	**606**	**250**	**301**	**161**	**130**	**4,078**

(1) Amounts received during the 2020 financial year by José Miguel Andrés Torrecillas, in his capacity as Deputy Chair of the Board of Directors, and by Juan Pi Llorens, in his capacity as Lead Director.

(2) Directors appointed by the General Shareholders' Meeting held on 13 March 2020. Remunerations paid based on the date on which the position was accepted.

(3) Includes remuneration paid for membership on the Board and its various committees during the 2020 financial year. The composition of these committees was amended by resolution of the Board of Directors dated 29 April 2020.

Also, during 2020 financial year, €95 thousand was paid out in casualty and healthcare insurance premiums for non-executive members of the Board of Directors.

In addition, Tomás Alfaro Drake and Carlos Loring Martínez de Irujo, who left their roles as directors on 13 March 2020, received a total of €54 thousand and €111 thousand, respectively, for their membership of the Board and of the various Board Committees during the first quarter of the financial year. The Bank has also paid out a total of €18 thousand in casualty and healthcare insurance premiums.

Remuneration received by executive directors in 2020

During the 2020 financial year, the executive directors received the amount of the Annual Fixed Remuneration corresponding to such financial year, established for each director in the Remuneration Policy for BBVA Directors, which was approved by the General Shareholders' Meeting held on 15 March 2019.

In addition, the executive directors received their Annual Variable Remuneration ("AVR") for the 2019 financial year, which, in accordance with the settlement and payment system set out in the remuneration policy applicable to such year, was due to be paid to them during the 2020 financial year.

In application of this settlement and payment system:

- 40% of the 2019 Annual Variable Remuneration corresponding to executive directors was paid in the 2020 financial year (the Upfront Portion); in equal parts in cash and BBVA shares.
- The remaining 60% of the Annual Variable Remuneration has been deferred (40% in cash and 60% in shares) for a period of five years (the Deferred Portion), and its accrual and payment will be subject to compliance with a series of multi-year indicators. The application of these indicators, calculated over the first three years of deferral, may lead to the reduction or even forfeit of the Deferred Portion, even in its entirety, but in no event may it be increased. Provided that the relevant conditions are met, the resulting amount will then be paid, in cash and in BBVA shares, according to the following payment schedule: 60% in 2023, 20% in 2024 and the remaining 20% in 2025.
- All of the shares delivered to the executive directors as AVR, including both as part of the Upfront Portion and the Deferred Portion, will be withheld for a one year lock-up period after delivery, except for the shares transferred to honor the payment of taxes accruing on the shares received.
- The Deferred Portion of the Annual Variable Remuneration payable in cash will be subject to updating under the terms established by the Board of Directors.
- Executive directors may not use personal hedging strategies or insurance in connection with the remuneration and responsibility that may undermine the effects of alignment with prudent risk management.
- Over the entire deferral and withholding period, the Annual Variable Remuneration for the executive directors will be subject to variable remuneration reduction and recovery arrangements ("malus" and "clawback").
- The variable component of the remuneration for executive directors corresponding to the 2019 financial year is limited to a maximum amount of 200% of the fixed component of the total remuneration, as agreed by the General Shareholders' Meeting held during such financial year.

Additionally, upon receipt of the shares, executive directors will not be allowed to transfer a number equivalent to twice their Annual Fixed Remuneration for at least three years after their delivery.

In 2020, the Group Executive Chairman and the Chief Executive Officer likewise received the deferred portion of their Annual Variable Remuneration due that year for the 2016 financial year (50% of the Annual Variable Remuneration), after being adjusted downwards following the results of the multi-year performance indicators. This remuneration was paid in equal parts in cash and in shares, together with the corresponding update in cash, thus concluding the payment of the Annual Variable Remuneration to the executive directors for the 2016 financial year.

In accordance with the above, the remunerations paid to executive directors during the 2020 financial year are indicated below, individualized and itemized:

Annual Fixed Remuneration for 2020 (thousands of euro)	
Group Executive Chairman	2,453
Chief Executive Officer	2,179
Total	**4,632**

In addition, in accordance with the current Remuneration Policy for BBVA Directors, during the 2020 financial year, the Chief Executive Officer has received €654 thousand for the cash in lieu of pension item (equivalent to 30% of his Annual Fixed Remuneration)—given that he does not have a retirement pension (see the Pension commitments section of this Note)—and €600 thousand for the mobility allowance item.

2019 Annual Variable Remuneration (Upfront payment)		
	In cash (1) (thousands of euro)	**In shares (1)**
Group Executive Chairman	636	126,470
Chief Executive Officer	571	113,492
Total	**1,207**	**239,962**

(1) Remuneration corresponding to the Upfront Portion (40%) of the AVR for the 2019 financial year (50% in cash and 50% in BBVA shares).

2016 Deferred Annual Variable Remuneration (Deferred Portion)

	In cash (1) (thousands of euro)	In shares (1)
Group Executive Chairman	656	89,158
Chief Executive Officer	204	31,086
Total	**861**	**120,244**

(1) Remunerations corresponding to deferred AVR for the 2016 financial year (50% of the AVR for 2016, in equal parts in cash and shares), payment of which was due in 2020, together with its corresponding update in cash, and after a downwards adjustment following the results of the multi-year performance indicators. In the case of both the Chairman and Chief Executive Officer, this remuneration is associated with their previous positions.

In addition, the executive directors received remuneration in kind during the 2020 financial year, including insurance and other premiums, amounting to a total of €360 thousand of which €228 thousand corresponds to the Group Executive Chairman and €132 thousand to the Chief Executive Officer.

As Head of Global Economics & Public Affairs (Head of GE&PA), former executive director José Manuel González-Páramo Martínez-Murillo, who left his role of director on 13 March 2020, received €168 thousand as fixed remuneration; €174 thousand and 28,353 BBVA shares corresponding to the Upfront Portion (40%) of the AVR for the 2019 financial year and to the Deferred Portion of the AVR for the 2016 financial year, payment of which was due in the 2020 financial year, including the corresponding cash update; as well as €33 thousand as remuneration in kind.

Remuneration received by Senior Management in 2020

During the 2020 financial year, the members of Senior Management, excluding executive directors, received the amount of the Annual Fixed Remuneration corresponding to such financial year.

In addition, they received the Annual Variable Remuneration for the 2019 financial year, which, in accordance with the settlement and payment system set out in the remuneration policy applicable for such financial year, was due to be paid to them during the 2020 financial year.

Under this settlement and payment system, the same rules as set out above for executive directors are applicable. These include, among other things: 40% of the Annual Variable Remuneration, in equal parts cash and in BBVA shares, will be paid in the financial year following the year to which it corresponds (the Upfront Portion), and the remaining 60% will be deferred (40% in cash and 60% in shares) for a five-year period, with its accrual and payment being subject to compliance with a series of multi-year indicators (the Deferred Portion), applying the same payment schedule established for executive directors. The shares received will be withheld for a one year lock-up period (this will not apply to those shares transferred to honor the payment of taxes arising therefrom). Likewise, senior management may not use personal hedging strategies or insurance in connection with the remuneration; the variable component of the remuneration for senior management corresponding to the 2019 financial year will be limited to a maximum amount of 200% of the fixed component of the total remuneration; and over the entire deferral and withholding period, the Annual Variable Remuneration will be subject to reduction and recovery (malus and clawback) arrangements.

Similarly, in accordance with the remuneration policy for this group applicable in 2016 and in application of the settlement and payment system of the Annual Variable Remuneration for said financial year, the members of Senior Management who were beneficiaries of such remuneration received in 2020 the deferred portion of the Annual Variable Remuneration for the 2016 financial year, after being adjusted downwards following the results of the multi-year performance indicators. This remuneration has been paid in equal parts in cash and in shares, along with its update in cash, concluding the payment of this remuneration to the members of Senior Management for the 2016 financial year.

In accordance with the above, the remuneration paid during the 2020 financial year to all members of Senior Management as a whole, who held that position as of 31 December, 2020 (15 members, excluding executive directors), is indicated and itemized below:

Annual Fixed Remuneration for 2020 (thousands of euro)

Senior Management total	14,101

2019 Annual Variable Remuneration (Upfront Portion)

	In cash (thousands of euro)	In shares
Senior Management total	1,402	280,055

(1) Remuneration corresponding to the Upfront Portion (40%) of the AVR for the 2019 financial year (paid 50% in cash and 50% in BBVA shares), as well as the upfront portion of the retention plans for two members of Senior Management.

2016 Annual Variable Remuneration (Deferred Portion)

	In cash (thousands of euro)	In shares
Senior Management total	1,380	182,461

(1) Remuneration corresponding to deferred AVR for the 2016 financial year (50% of the AVR for 2016, in equal parts in cash and in shares), payment of which was due in 2020, together with its corresponding update in cash, and after being adjusted downwards following the results of the multi-year performance indicators.

In addition, all members of Senior Management, excluding executive directors, have received remuneration in kind during the 2020 financial year, including insurance and other premiums, amounting to a total of €1,086 thousand.

Remuneration of executive directors due in 2021 and subsequent financial years

- **Annual Variable Remuneration for executive directors for the 2020 financial year**

In view of the exceptional circumstances arising from the COVID-19 crisis, the two executive directors have voluntarily waived the generation of the whole of the Annual Variable Remuneration corresponding to the 2020 financial year, so they will not accrue any remuneration in this respect.

- **Deferred Annual Variable Remuneration for executive directors for the 2017 financial year**

Following the end of 2020 financial year, the amount corresponding to the deferred Annual Variable Remuneration of executive directors for the 2017 financial year has been determined, with delivery in 2021, if conditions are met in accordance with the conditions set out in the remuneration policies applicable to the 2017 financial year and applicable to each of them.

Thus, based on the result of each of the multi-year performance indicators set by the Board of Directors in 2017 to calculate the deferred portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, the final amount of the deferred Annual Variable Remuneration for the 2017 financial year has been determined.

As a result, the remuneration has been determined in an amount of €411 thousand and 83,692 BBVA shares, in the case of the Group Executive Chairman and €307 thousand and 39,796 BBVA shares, in the case of the Chief Executive Officer, which includes in both cases the corresponding updates.

- **Outstanding deferred Annual Variable Remuneration for executive directors**

At year-end 2020, in accordance with the conditions established in the remuneration policies applicable in previous years, in addition to 40% of the 2017 deferred AVR of the Group Executive Chairman, 60% of the Annual Variable Remuneration corresponding to financial years 2018 and 2019 of both executive directors, remains deferred and is pending payment to them, and will be received in future years if the applicable conditions are met.

Remunerations of Senior Management due in 2021 and subsequent financial years

- **Annual Variable Remuneration for Senior Management for the 2020 financial year**

In view of the exceptional circumstances arising from the COVID-19 crisis, the members of Senior Management have, like the executive directors, voluntarily waived the generation of the whole of the Annual Variable Remuneration corresponding to the 2020 financial year, so they will not accrue any remuneration in this respect.

- **Deferred Annual Variable Remuneration for Senior Management for the 2017 financial year**

Following the end of the 2020 financial year, the amount corresponding to the deferred Annual Variable Remuneration of members of Senior Management (15 members as at 31 December, 2020, excluding executive directors) for the 2017 financial year has been determined, with delivery in 2021, if conditions are met, in accordance with the payment schedule set out in the remuneration policies applicable to the 2017 financial year and applicable to each of them.

Thus, based on the result of each of the multi-year performance indicators set by the Board of Directors in 2017 to calculate the deferred portion of this remuneration, and in application of the corresponding scales of achievement and their corresponding targets and weightings, the amount of the deferred portion of the 2017 Annual Variable Remuneration for members of Senior Management, with delivery in 2021, has been determined in the aggregate total amount, excluding executive directors, of €610 thousand and 107,740 BBVA shares, including the corresponding updates.

- **Outstanding deferred Annual Variable Remuneration for the members of Senior Management**

At year-end 2020, in accordance with the conditions established in the remuneration policies applicable in previous years, in addition to 40% of the 2017 deferred AVR in the case of some members of Senior Management, 60% of the Annual Variable Remuneration corresponding to financial years 2018 and 2019 remains deferred and is pending payment to all members of Senior Management, and will be received in future years if the applicable conditions are met.

Fixed remuneration system with deferred delivery of shares for non-executive directors

BBVA has a fixed remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the General Shareholders' Meeting held on 18 March 2006 and extended by resolutions of the General Shareholders' Meetings held on 11 March 2011 and 11 March 2016 for a further five year period in each case.

This system is based on the annual allocation to non-executive directors of a number of "theoretical shares" of BBVA equivalent to 20% of the total remuneration in cash received by each director in the previous financial year, calculated according to the average closing prices of BBVA shares during the 60 trading sessions prior to the dates of the Annual General Shareholders' Meetings approving the corresponding financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave directorship for any reason other than serious breach of their duties.

The “theoretical shares” allocated to non-executive directors who are beneficiaries of the remuneration system in shares with deferred delivery in the 2020 financial year, corresponding to 20% of the total remuneration received in cash by each of them in the 2019 financial year, were as follows:

	Theoretical shares allocated in 2020	Theoretical shares accumulated as at 31 December 2020
José Miguel Andrés Torrecillas	20,252	75,912
Jaime Félix Caruana Lacorte	22,067	31,387
Raúl Galamba de Oliveira	-	-
Belén Garijo López	14,598	62,126
Sunir Kumar Kapoor	7,189	22,915
Lourdes Máiz Carro	10,609	44,929
José Maldonado Ramos	14,245	108,568
Ana Peralta Moreno	10,041	15,665
Juan Pi Llorens	20,676	92,817
Ana Revenga Shanklin	-	-
Susana Rodríguez Vidarte	18,724	141,138
Carlos Salazar Lomelín	-	-
Jan Verplancke	7,189	12,392
Total (1)	**145,590**	**607,849**

(1) Furthermore, 8,984 “theoretical shares” were assigned to Tomás Alfaro Drake and 18,655 “theoretical shares” were assigned Carlos Loring Martínez de Irujo, who left their roles as directors on 13 March 2020. After leaving their roles, both directors received a number of BBVA shares equivalent to the total number of “theoretical shares” that each of them had accumulated until that date (102,571 and 135,046 BBVA shares, respectively) by application of the system.

Pension commitments with executive directors and Senior Management

The Bank has not made pension commitments with non-executive directors.

With regard to the Group Executive Chairman, the Remuneration Policy for BBVA Directors establishes a pension framework whereby he is eligible, provided that he does not leave his position as a result of a serious breach of his duties, to receive a retirement pension, paid as a lump sum or in instalments, when he reaches the legally established retirement age. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields at that date.

The annual contribution to cover the retirement contingency for the Group Executive Chairman's defined-contribution system, as established in the Remuneration Policy for BBVA Directors approved by the General Shareholders’ Meeting in 2019, was determined as a result of the conversion of his previous defined-benefit rights into a defined-contribution system, in the annual amount of €1,642 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the aforementioned agreed annual contribution will be based on variable components and considered “discretionary pension benefits”, and therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations.

In the event the Group Executive Chairman’s contract terminates before reaching retirement age for reasons other than serious breach of duties, the retirement pension due to the Group Executive Chairman upon reaching the legally established age will be calculated based on the funds accumulated through the contributions made by the Bank under the terms set out, up to that date, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank in any event from the time of termination.

With respect to the commitments to cover the contingencies for death and disability benefits for the Group Executive Chairman, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage of these contingencies.

In line with the above, during the 2020 financial year, the following amounts have been recorded to meet the pension commitments for the Group Executive Chairman: an amount of €1,642 thousand with regard to the retirement contingency and an amount of €377 thousand for the payment of premiums for the death and disability contingencies, as well as an upwards adjustment of €15 thousand for “discretionary pension benefits” for the 2019 financial year, which were declared at such financial year-end and had to be registered in the accumulated fund in 2020.

As of 31 December, 2020, the total accumulated amount of the fund to meet the retirement commitments for the Group Executive Chairman amounts to €23,057 thousand.

With regard to the agreed annual contribution to the retirement contingency corresponding to the 2020 financial year, 15% (€246 thousand) was registered in this financial year as “discretionary pension benefits”. Following year-end, the amount was adjusted applying the same criteria used to determine the Annual Variable Remuneration for the rest of the Bank's staff. Thus, the “discretionary pension benefits” for the 2020 financial year were determined in an amount of €148 thousand, following a downwards adjustment of €98 thousand. These “discretionary pension benefits” will be included in the accumulated fund in the 2021 financial year and will be subject to the conditions established for these benefits in the Remuneration Policy for BBVA Directors.

With regard to the Chief Executive Officer, in accordance with the provisions of the current Remuneration Policy for BBVA Directors approved by the General Shareholders’ Meeting and his contract, the Bank is not required to make any contributions to a retirement pension, although he is entitled to an annual cash sum instead of a retirement pension equal to 30% of his Annual Fixed Remuneration. However, the Bank does have pension commitments to cover the death and disability contingencies, for which purpose the corresponding annual insurance premiums are paid.

In accordance with the above, in the 2020 financial year, the Bank paid the Chief Executive Officer the fixed-remuneration amount set out for cash in lieu of pension in the 'Remuneration received by executive directors in 2020' section of this Note and furthermore, €253 thousand was recorded for the payment of the annual insurance premiums to cover the death and disability contingencies.

In the case of the former executive director, the Head of GE&PA, €89 thousand were registered as contributions to fulfil the pension commitments undertaken in proportion to the time he spent in office during the 2020 financial year. This corresponds to: the sum of the annual contribution made to cover the retirement pension and the adjustment made to the “discretionary pension benefits`” for the 2019 financial year that fell due in the 2020 financial year once the AVR for the year 2019 had been determined (€52 thousand); and to the death and disability premiums (€37 thousand).

As of the date on which he left his position, the total accumulated fund to meet the retirement commitments for the former executive director Head of GE&PA amounted to €1,404 thousand, with no additional contributions to be made by the Bank from that point on.

In accordance with the same criteria used in the case of the Group Executive Chairman, the “discretionary pension benefits” for the 2020 financial year of the former executive director Head of GE&PA (calculated in proportion to the time he remained in office in 2020) were determined in an amount of €5 thousand, following a downwards adjustment of €3 thousand, and will be included in the accumulated fund in the 2021 financial year, subject to the conditions established in the Remuneration Policy for BBVA Directors.

Furthermore, in the 2020 financial year, to meet the pension commitments for members of Senior Management (15 members holding that position as at 31 December, 2020, excluding executive directors) it was recorded an amount of €2,739 thousand corresponding to the contribution to the retirement contingency and of €978 thousand corresponding to premiums to cover the death and disability contingencies, as well as an upwards adjustment of €12 thousand for “discretionary pension benefits” for the 2019 financial year, which were declared at 2019 year-end and had to be registered in the accumulated fund in 2020.

As at 31 December, 2020, the total accumulated amount of the fund to meet the retirement commitments for members of Senior Management amounts to €22,156 thousand.

As for the executive directors, 15% of the agreed annual contributions for members of Senior Management to cover retirement contingencies will be based on variable components and considered “discretionary pension benefits”, and are therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the remuneration policy applicable to members of Senior Management.

For this purpose, with regard to the annual contribution for the retirement contingency registered in the 2020 financial year, an amount of €405 thousand was registered in the 2020 financial year as “discretionary pension benefits” and, following the end of the 2020 financial year, as for the Group Executive Chairman, this amount was adjusted applying the same criteria used to determine the Annual Variable Remuneration for the rest of the Bank's staff, taking into account as well the area and individual results of each senior manager established to this effects by the executive area. Accordingly, the “discretionary pension benefits” for such financial year, corresponding to all members of Senior Management, were determined to amount to a total of €255 thousand, following a downwards adjustment of €150 thousand. These “discretionary pension benefits” will be included in the accumulated fund in the 2021 financial year, and will be subject to the conditions established for these benefits in the remuneration policy applicable to members of Senior Management, in accordance with the regulations applicable to BBVA on this matter.

Payments for the extinction of the contractual relationship

In accordance with the Remuneration Policy for BBVA Directors, the Bank has no commitments to pay severance benefits to executive directors.

The contractual framework defined for the executive directors, in accordance with the Remuneration Policy for BBVA Directors, establishes a post-contractual non-compete clause for executive directors, effective for a period of two (2) years after they leave their role as BBVA executive directors, provided that they do not leave due to retirement, disability or serious breach of duties. In compensation for this agreement, the Bank shall award them remuneration of an amount equivalent to their Annual Fixed Remuneration for each year of the non-compete agreement, which will be awarded monthly over the course of the two years.

Accordingly, the former executive director Head of GE&PA, who left his role on 13 March 2020, received for this concept, €625 thousand during the 2020 financial year.

With regard to Senior Management, excluding executive directors, during the 2020 financial year, the Bank paid out a total of €2,185 thousand resulting from the extinction of the contractual relationship with one member of Senior Management and in fulfilment of the provisions of the member’s contract (for the payment of legal severance benefits and notice). This contract includes the right to receive the corresponding legal severance pay, provided that the member of Senior Management does not leave of his own will, for retirement, disability or due to a serious breach of duties, which will be calculated in accordance with the provisions of applicable labor regulations, and a notice clause. In addition, the contract establishes a non-compete clause, effective for a period of one (1) year after the member leaves the role as a senior manager of BBVA, provided that the member does not leave due to retirement, disability or serious breach of duties. In compensation for this agreement, the member of Senior Management received a total of €898 thousand during 2020.

These payments comply with the conditions set out in the regulations applicable to the group of employees with a material impact on the Group's risk profile, to which members of Senior Management belong.

50. Other information

50.1 Environmental impact

Given the activities the Bank engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its equity, financial situation and profits. Consequently, as of December 31, 2020, there is no item included that requires disclosure in an environmental information report pursuant to Ministry JUS/471/2018, of March 21, by which the new model for the presentation in the Commercial Register of the consolidated annual accounts of the subjects obliged to its publication is approved.

50.2 Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 21 of Royal Decree 84/2015, dated February 13, of the Ministry of Economy and Finance.

50.3 Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

50.4 Mortgage market policies and procedures

The disclosure required by Bank of Spain Circular 5/2011 under the provisions of Spanish Royal Decree 716/2009, of April 24, (implementing certain aspects of Act 2/1981, of March 25, on the regulation of the mortgage market and other mortgage and financial market regulations) is detailed in Appendix X.

50.5 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash in 2020 and 2019 (cash basis accounting, regardless of the year in which they are accrued). For a complete analysis of all remuneration awarded to shareholders in 2020 and 2019 (see Note 3).

Dividends Paid

	2020			2019		
	% Over Nominal	Euros per Share	Amount (Millions of Euros)	% Over Nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	32.65%	0.16	1,067	53.06%	0.26	1,734
Rest of shares	-	-	-	-	-	-
Total dividends paid in cash	**32.65%**	**0.16**	**1,067**	**53.06%**	**0.26**	**1,734**
Dividends with charge to income	32.65%	0.16	1,067	53.06%	0.26	1,734
Dividends with charge to reserve or share premium	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-

Interest income by geographical area

The breakdown of the balance under the heading “Interest Income and similar income” in the accompanying income statements by geographical area is as follows:

Interest income. Breakdown by geographical area (Millions of Euros)

	Notes	2020	2019
Domestic		4,168	4,352
Foreign		461	581
European Union		*154*	*209*
Eurozone		*154*	*162*
No Eurozone		*-*	*47*
Rest of countries		*307*	*372*
Total	**33.1**	**4,629**	**4,933**

Number of employees

The breakdown of the average number of employees in the Bank in 2020 and 2019, by gender, is as follows:

Average number of employees	2020		2019	
	Male	**Female**	**Male**	**Female**
Management team	764	249	799	250
Other line personnel	10,259	10,696	10,577	10,861
Clerical staff	826	1,366	1,014	1,612
General services	-	-	-	-
Branches abroad	556	423	561	439
Total	**12,405**	**12,734**	**12,952**	**13,162**

During 2020 and 2019, the average number of handicap employees with disabilities greater than or equal to 33% was 152 employees and 148, respectively.

The breakdown of the number of employees in the Bank as of December 31, 2020 and 2019, by category and gender, is as follows:

Number of employees at the end of year. Professional category and gender	2020		2019	
	Male	**Female**	**Male**	**Female**
Management team	755	251	801	252
Other line personnel	10,153	10,639	10,454	10,814
Clerical staff	806	1,367	1,001	1,599
General services	-	-	-	-
Branches abroad	548	421	558	433
Total	**12,262**	**12,678**	**12,814**	**13,098**

50.6. Responsible lending and consumer credit granting

BBVA has incorporated the best practices of responsible lending and credit granting to Retail Customers, and has policies and procedures that contemplate these practices complying with the provisions of the Central Bank of Spain and the Ministry of Economy and Finance.

Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on September 18, 2019) and the Rules and the Operating Frameworks derived from it, establish policies, practices and procedures in relation to responsible granting of loans and credit to Retail Customers.

In compliance with the different Regulation of the Bank of Spain of Economy and Finance, the following summary of those policies contained in the Corporate Retail Credit Risk Policy BBVA is provided:

- The need to adapt payment plans with sources of payment capacity;
- The evaluation requirements of affordability;
- The need when applicable, to take into account the existing financial obligations payments;
- In cases where, for commercial reasons or the type of rate/currency, the offer to the borrowers includes contractual clauses or contracting financial products to hedge interest rate and exchange rate risks.
- The need, when there is collateral, to establish a reasonable relationship between the amount of the loan and its potential extensions and value of collateral, regardless revaluations thereof;
- The need for extreme caution in the use of appraisal values on credit operations that have real estate as an additional borrower's personal guarantee;
- The periodic review of the value of collateral taken to hedge loans;
- A number of elements of management in order to ensure independence in the activity of appraisal companies;
- The need to warn customers of potential consequences in terms of cost by default interest and other expenses that would continue in default;
- Debt renegotiation criteria (refinancing and restructurings);

- The minimum documentation that operations should have in order to be granted and during its term.

In order to maintain an effective monitoring of these policies, BBVA has the following control mechanisms:

- Validations and computer controls built into the workflows of analysis, decision and contracting operations, in order to embed these principles in management;
- Alignment between the specifications of the product catalog with the policies of responsible lending;
- Different areas of sanction to ensure adequate hierarchy decision levels in response to the complexity of operations;
- A reporting scheme that allows to monitor the proper implementation of the policies of responsible lending.

51. Subsequent events

On January 22, 2021 and after obtaining all required authorizations, BBVA has completed the sale to Banco GNB Paraguay, S.A., an affiliate of Grupo Gilinski, of its 100% direct and indirect stake share capital in Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay").

The amount received by BBVA Group amounts to approximately USD250 million (€210 million). The transaction results in a capital loss of approximately 9 million euros net of taxes on the Group income statement. Also this operation will have a positive impact on BBVA Group's Common Equity Tier 1 (fully loaded) of approximately 6 basis points, that will be recognized in BBVA Group´s 2021 first quarter consolidated financial statements (See Note 14).

On January 29, 2021, it was announced that a cash distribution in the amount of €0.059 gross per share as shareholder remuneration in relation to the Group's result in the 2020 financial year was expected to be submitted to the relevant governing bodies of BBVA for consideration (see Note 3).

From January 1, 2020 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.

52. Explanation added for translation into English

Translation of financial statements originally issued in Spanish and prepared in accordance with Spanish generally accepted accounting principles (Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks).

Creating Opportunities

Appendices

APPENDIX I. BBVA Group Consolidated Financial Statements

Consolidated balance sheets as of December 31, 2020, 2019 and 2018

ASSETS (Millions of Euros)	2020	2019 (*)	2018 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**65,520**	**44,303**	**58,196**
FINANCIAL ASSETS HELD FOR TRADING	**108,257**	**101,735**	**89,103**
Derivatives	40,183	32,232	29,523
Equity instruments	11,458	8,892	5,254
Debt securities	23,970	26,309	25,577
Loans and advances to central banks	53	535	2,163
Loans and advances to credit institutions	20,499	21,286	14,566
Loans and advances to customers	12,095	12,482	12,021
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	**5,198**	**5,557**	**5,135**
Equity instruments	4,133	4,327	3,095
Debt securities	356	110	237
Loans and advances to customers	709	1,120	1,803
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**1,117**	**1,214**	**1,313**
Debt securities	1,117	1,214	1,313
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**69,440**	**61,183**	**56,337**
Equity instruments	1,100	2,420	2,595
Debt securities	68,308	58,731	53,709
Loans and advances to credit institutions	33	33	33
FINANCIAL ASSETS AT AMORTIZED COST	**367,668**	**439,162**	**419,660**
Debt securities	35,737	38,877	32,530
Loans and advances to central banks	6,209	4,275	3,941
Loans and advances to credit institutions	14,575	13,649	9,163
Loans and advances to customers	311,147	382,360	374,027
DERIVATIVES - HEDGE ACCOUNTING	**1,991**	**1,729**	**2,892**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**51**	**28**	**(21)**
JOINT VENTURES AND ASSOCIATES	**1,437**	**1,488**	**1,578**
Joint ventures	149	154	173
Associates	1,288	1,334	1,405
INSURANCE AND REINSURANCE ASSETS	**306**	**341**	**366**
TANGIBLE ASSETS	**7,823**	**10,068**	**7,229**
Properties, plant and equipment	7,601	9,816	7,066
For own use	7,311	9,554	6,756
Other assets leased out under an operating lease	290	263	310
Investment properties	222	252	163
INTANGIBLE ASSETS	**2,345**	**6,966**	**8,314**
Goodwill	910	4,955	6,180
Other intangible assets	1,435	2,010	2,134
TAX ASSETS	**16,526**	**17,083**	**18,100**
Current tax assets	1,199	1,765	2,784
Deferred tax assets	15,327	15,318	15,316
OTHER ASSETS	**2,513**	**3,800**	**5,472**
Insurance contracts linked to pensions	-	-	-
Inventories	572	581	635
Other	1,941	3,220	4,837
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**85,987**	**3,079**	**2,001**
TOTAL ASSETS	**736,176**	**697,737**	**675,675**

(*) Presented for comparison purposes only.

BBVA
Creating Opportunities

Consolidated balance sheets as of December 31, 2020, 2019 and 2018

LIABILITIES AND EQUITY (Millions of Euros)

	2020	2019 (*)	2018 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**86,488**	**88,680**	**79,761**
Derivatives	41,680	34,066	30,801
Short positions	12,312	12,249	11,025
Deposits from central banks	6,277	7,635	10,511
Deposits from credit institutions	16,558	24,969	15,687
Customer deposits	9,660	9,761	11,736
Debt certificates	-	-	-
Other financial liabilities	-	-	-
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	**10,050**	**10,010**	**6,993**
Deposits from central banks	-	-	-
Deposits from credit institutions	-	-	-
Customer deposits	902	944	976
Debt certificates	4,531	4,656	2,858
Other financial liabilities	4,617	4,410	3,159
Memorandum item: Subordinated liabilities	-	-	-
FINANCIAL LIABILITIES AT AMORTIZED COST	**490,606**	**516,641**	**509,185**
Deposits from central banks	45,177	25,950	27,281
Deposits from credit institutions	27,629	28,751	31,978
Customer deposits	342,661	384,219	375,970
Debt certificates	61,780	63,963	61,112
Other financial liabilities	13,358	13,758	12,844
Memorandum item: Subordinated liabilities	*16,488*	*18,018*	*18,047*
DERIVATIVES - HEDGE ACCOUNTING	**2,318**	**2,233**	**2,680**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**-**	**-**	**-**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**9,951**	**10,606**	**9,834**
PROVISIONS	**6,141**	**6,538**	**6,772**
Pensions and other post employment defined benefit obligations	4,272	4,631	4,787
Other long term employee benefits	49	61	62
Provisions for taxes and other legal contingencies	612	677	686
Commitments and guarantees given	728	711	636
Other provisions	479	457	601
TAX LIABILITIES	**2,355**	**2,808**	**3,276**
Current tax liabilities	545	880	1,230
Deferred tax liabilities	1,809	1,928	2,046
OTHER LIABILITIES	**2,802**	**3,742**	**4,301**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**75,446**	**1,554**	**-**
TOTAL LIABILITIES	**686,156**	**642,812**	**622,801**

(*) Presented for comparison purposes only.

BBVA Creating Opportunities

Consolidated balance sheets for the years ended December 31, 2020, 2019 and 2018

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	2020	2019 (*)	2018 (*)
SHAREHOLDERS' FUNDS	**58,904**	**58,950**	**57,333**
Capital	**3,267**	**3,267**	**3,267**
Paid up capital	3,267	3,267	3,267
Unpaid capital which has been called up	-	-	-
Share premium	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital	**-**	**-**	**-**
Other equity	**42**	**56**	**50**
Retained earnings	**30,508**	**29,388**	**26,063**
Revaluation reserves	**-**	**-**	**3**
Other reserves	**(164)**	**(119)**	**(37)**
Reserves or accumulated losses of investments in joint ventures and associates	(164)	(119)	(37)
Other	-	-	-
Less: treasury shares	**(46)**	**(62)**	**(296)**
Profit or loss attributable to owners of the parent	**1,305**	**3,512**	**5,400**
Less: interim dividends	**-**	**(1,084)**	**(1,109)**
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(14,356)**	**(10,226)**	**(10,223)**
Items that will not be reclassified to profit or loss	**(2,815)**	**(1,875)**	**(1,284)**
Actuarial gains (losses) on defined benefit pension plans	(1,474)	(1,498)	(1,245)
Non-current assets and disposal groups classified as held for sale	(65)	3	-
Share of other recognized income and expense of investments joint ventures and associates	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1,256)	(404)	(155)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)	-	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(21)	24	116
Items that may be reclassified to profit or loss	**(11,541)**	**(8,351)**	**(8,939)**
Hedge of net investments in foreign operations (effective portion)	(62)	(896)	(218)
Foreign currency translation	(14,185)	(9,147)	(9,630)
Hedging derivatives. Cash flow hedges (effective portion)	10	(44)	(6)
Fair value changes of debt instruments measured at fair value through other comprehensive income	2,069	1,760	943
Hedging instruments (non-designated items)	-	-	-
Non-current assets and disposal groups classified as held for sale	644	(18)	1
Share of other recognized income and expense of investments in joint ventures and associates	(17)	(5)	(29)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**5,471**	**6,201**	**5,764**
Accumulated other comprehensive income (loss)	(6,949)	(5,572)	(5,290)
Other items	12,421	11,773	11,053
TOTAL EQUITY	**50,020**	**54,925**	**52,874**
TOTAL EQUITY AND TOTAL LIABILITIES	**736,176**	**697,737**	**675,675**

MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)

	2020	2019 (*)	2018 (*)
Loan commitments given	132,584	130,923	118,959
Financial guarantees given	10,665	10,984	16,454
Other commitments given	36,190	39,209	35,098

(*) Presented for comparison purposes only.

BBVA
Creating Opportunities

Consolidated income statements for the years ended December 31, 2020, 2019 and 2018

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	2020	2019 (*)	2018 (*)
Interest and other income	22,389	27,762	26,954
Interest expense	(7,797)	(11,972)	(11,669)
NET INTEREST INCOME	**14,592**	**15,789**	**15,285**
Dividend income	137	153	145
Share of profit or loss of entities accounted for using the equity method	(39)	(42)	(7)
Fee and commission income	5,980	6,786	6,462
Fee and commission expense	(1,857)	(2,284)	(2,059)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	139	186	191
Gains (losses) on financial assets and liabilities held for trading, net	777	419	640
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	208	143	96
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	56	(98)	139
Gains (losses) from hedge accounting, net	7	55	69
Exchange differences, net	359	581	13
Other operating income	492	639	929
Other operating expense	(1,662)	(1,943)	(2,021)
Income from insurance and reinsurance contracts	2,497	2,890	2,949
Expense from insurance and reinsurance contracts	(1,520)	(1,751)	(1,894)
GROSS INCOME	**20,166**	**21,522**	**20,936**
Administration costs	(7,799)	(8,769)	(9,020)
Personnel expense	(4,695)	(5,351)	(5,205)
Other administrative expense	(3,105)	(3,418)	(3,816)
Depreciation and amortization	(1,288)	(1,386)	(1,034)
Provisions or reversal of provisions	(746)	(614)	(395)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(5,179)	(3,552)	(3,681)
Financial assets measured at amortized cost	(5,160)	(3,470)	(3,680)
Financial assets at fair value through other comprehensive income	(19)	(82)	(1)
NET OPERATING INCOME	**5,153**	**7,202**	**6,807**
Impairment or reversal of impairment of investments in joint ventures and associates	(190)	(46)	-
Impairment or reversal of impairment on non-financial assets	(153)	(128)	(137)
Tangible assets	(125)	(94)	(4)
Intangible assets	(19)	(12)	(83)
Other assets	(9)	(23)	(50)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(7)	(5)	80
Negative goodwill recognized in profit or loss	-	-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	444	23	815
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**5,248**	**7,046**	**7,565**
Tax expense or income related to profit or loss from continuing operations	(1,459)	(1,943)	(2,042)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**3,789**	**5,103**	**5,523**
Profit (loss) after tax from discontinued operations	(1,729)	(758)	704
PROFIT FOR THE YEAR	**2,060**	**4,345**	**6,227**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**756**	**833**	**827**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,305**	**3,512**	**5,400**

	2020	2019 (*)	2018 (*)
EARNINGS PER SHARE (Euros)	**0.14**	**0.47**	**0.75**
Basic earnings (losses) per share from continued operations	0.40	0.58	0.64
Diluted earnings (losses) per share from continued operations	0.40	0.58	0.64
Basic earnings (losses) per share from discontinued operations	(0.26)	(0.11)	0.11
Diluted earnings (losses) per share from discontinued operations	(0.26)	(0.11)	0.11

(*)Presented for comparison purposes only.

Statements of Recognized Income and Expenses for the year ended December 31, 2020, 2019 and 2018

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	2020	2019 (*)	2018 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**2,060**	**4,345**	**6,227**
OTHER RECOGNIZED INCOME (EXPENSE)	**(5,375)**	**(286)**	**(2,605)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(822)**	**(584)**	**(141)**
Actuarial gains (losses) from defined benefit pension plans	(88)	(364)	(79)
Non-current assets and disposal groups held for sale	17	2	-
Share of other recognized income and expense of entities accounted for using the equity method	-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(796)	(229)	(172)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	-	-	-
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	4	(133)	166
Income tax related to items not subject to reclassification to income statement	40	140	(56)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(4,553)**	**298**	**(2,464)**
Hedge of net investments in foreign operations (effective portion)	**378**	**(687)**	**(244)**
Valuation gains (losses) taken to equity	378	(687)	(244)
Transferred to profit or loss	-	-	-
Other reclassifications	-	-	-
Foreign currency translation	**(4,873)**	**(104)**	**(2,186)**
Translation gains (losses) taken to equity	(4,873)	(123)	(2,191)
Transferred to profit or loss	-	1	5
Other reclassifications	-	18	-
Cash flow hedges (effective portion)	**230**	**(203)**	**(10)**
Valuation gains (losses) taken to equity	230	(193)	(69)
Transferred to profit or loss	-	(10)	58
Transferred to initial carrying amount of hedged items	-	-	-
Other reclassifications	-	-	-
Debt securities at fair value through other comprehensive income	**460**	**1,131**	**(860)**
Valuation gains (losses) taken to equity	515	1,280	(725)
Transferred to profit or loss	(54)	(149)	(135)
Other reclassifications	-	-	-
Non-current assets and disposal groups held for sale	**(492)**	**461**	**581**
Valuation gains (losses) taken to equity	(472)	472	561
Transferred to profit or loss	(20)	-	20
Other reclassifications	-	(11)	-
Entities accounted for using the equity method	**(13)**	**31**	**11**
Income tax relating to items subject to reclassification to income statements	**(243)**	**(332)**	**244**
TOTAL RECOGNIZED INCOME/EXPENSE	**(3,315)**	**4,060**	**3,622**
Attributable to minority interest (non-controlling interests)	**(606)**	**552**	**(443)**
Attributable to the parent company	**(2,709)**	**3,509**	**4,065**

(*)Presented for comparison purposes only.

Consolidated statements of changes in equity for the years ended December 31, 2020, 2019 and 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2020	**Capital**	**Share Premium**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(-) Treasury shares**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends**	**Accumulated other comprehensive income (loss) (Note 30)**	**Accumulated other comprehensive income (loss) (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2020 (*)	**3,267**	**23,992**	**-**	**56**	**26,402**	**-**	**(125)**	**(62)**	**3,512**	**(1,084)**	**(7,235)**	**(3,526)**	**9,727**	**54,925**
Effect of changes in accounting policies	-	-	-	-	2,985	-	6	-	-	-	(2,992)	(2,045)	2,045	-
Adjusted initial balance	**3,267**	**23,992**	**-**	**56**	**29,388**	**-**	**(119)**	**(62)**	**3,512**	**(1,084)**	**(10,226)**	**(5,572)**	**11,773**	**54,925**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,305**	**-**	**(4,013)**	**(1,362)**	**756**	**(3,315)**
Other changes in equity	**-**	**-**	**-**	**(14)**	**1,120**	**-**	**(45)**	**16**	**(3,512)**	**1,084**	**(116)**	**(16)**	**(107)**	**(1,590)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,065)	-	-	-	-	-	-	-	(124)	(1,190)
Purchase of treasury shares	-	-	-	-	-	-	-	(807)	-	-	-	-	-	(807)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	823	-	-	-	-	-	822
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	2,585	-	(40)	-	(3,512)	1,084	(116)	(16)	16	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(22)	-	-	-	-	-	-	-	-	-	(22)
Other increases or (-) decreases in equity	-	-	-	8	(399)	-	(4)	-	-	-	-	-	1	(394)
Balances as of December 31, 2020	**3,267**	**23,992**	**-**	**42**	**30,508**	**-**	**(164)**	**(46)**	**1,305**	**-**	**(14,356)**	**(6,949)**	**12,421**	**50,020**

(*) Balances as of December 31, 2019 as originally reported in the consolidated Financial Statements for the year 2019.

Consolidated statements of changes in equity for the years ended December 31, 2020, 2019 and 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2019 (*)	Capital	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings	Revaluation reserves	Other reserves	(-) Treasury shares	Profit or loss attributable to owners of the parent	(-) Interim dividends	Accumulated other comprehensive income (loss)	Non-controlling interest: Accumulated other comprehensive income (loss)	Non-controlling interest: Other	Total
Balances as of January 1, 2019 (**)	**3,267**	**23,992**	**-**	**50**	**23,017**	**3**	**(57)**	**(296)**	**5,324**	**(975)**	**(7,215)**	**(3,236)**	**9,000**	**52,874**
Effect of changes in accounting policies	-	-	-	-	3,045	-	20	-	76	(134)	(3,007)	(2,054)	2,054	-
Adjusted initial balance	**3,267**	**23,992**	**-**	**50**	**26,063**	**3**	**(38)**	**(296)**	**5,400**	**(1,109)**	**(10,223)**	**(5,290)**	**11,054**	**52,874**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**3,512**	**-**	**(3)**	**(282)**	**833**	**4,060**
Other changes in equity	**-**	**-**	**-**	**6**	**3,326**	**(3)**	**(82)**	**234**	**(5,400)**	**25**	**-**	**-**	**(115)**	**(2,009)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,063)	-	-	-	-	(1,084)	-	-	(142)	(2,289)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,088)	-	-	-	-	-	(1,088)
Sale or cancellation of treasury shares	-	-	-	-	13	-	-	1,322	-	-	-	-	-	1,335
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	4,364	(3)	(70)	-	(5,400)	1,109	-	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(4)	-	-	-	-	-	-	-	-	-	(4)
Other increases or (-) decreases in equity	-	-	-	11	13	-	(13)	-	-	-	-	-	27	38
Balances as of December 31, 2019	**3,267**	**23,992**	**-**	**56**	**29,388**	**-**	**(119)**	**(62)**	**3,512**	**(1,084)**	**(10,226)**	**(5,572)**	**11,773**	**54,925**

(*) Presented for comparison purposes only.

(**) Balances as of December 31, 2018 as originally reported in the consolidated Financial Statements for the year 2018.

BBVA
Creating Opportunities

Consolidated statements of changes in equity for the years ended December 31, 2020, 2019 and 2018

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

												Non-controlling interest		
2018 (*)	**Capital**	**Share Premium**	**Equity instruments issued other than capital**	**Other Equity**	**Retained earnings**	**Revaluation reserves**	**Other reserves**	**(-) Treasury shares**	**Profit or loss attributable to owners of the parent**	**(-) Interim dividends**	**Accumulated other comprehensive income (loss) (Note 30)**	**Accumulated other comprehensive income (loss) (Note 31)**	**Other (Note 31)**	**Total**
Balances as of January 1, 2018 (**)	**3,267**	**23,992**	**-**	**54**	**25,474**	**12**	**(44)**	**(96)**	**3,519**	**(1,043)**	**(8,792)**	**(3,378)**	**10,358**	**53,323**
Effect of changes in accounting policies	-	-	-	-	348	-	30	-	(5)	(129)	(1,192)	(1,181)	1,209	(919)
Adjusted initial balance	**3,267**	**23,992**	**-**	**54**	**25,822**	**12**	**(13)**	**(96)**	**3,514**	**(1,172)**	**(9,984)**	**(4,559)**	**11,567**	**52,404**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**5,400**	**-**	**(1,335)**	**(1,270)**	**827**	**3,622**
Other changes in equity	**-**	**-**	**-**	**(4)**	**240**	**(10)**	**(24)**	**(199)**	**(3,514)**	**63**	**1,096**	**540**	**(1,341)**	**(3,152)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Settlement or maturity of other equity instruments issued	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(996)	-	-	-	-	(1,109)	-	-	(378)	(2,483)
Purchase of treasury shares	-	-	-	-	-	-	-	(1,684)	-	-	-	-	-	(1,684)
Sale or cancellation of treasury shares	-	-	-	-	(24)	-	-	1,484	-	-	-	-	-	1,460
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity	-	-	-	-	1,278	(10)	(23)	-	(3,514)	1,172	1,096	540	(540)	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(19)	-	-	-	-	-	-	-	-	-	(19)
Other increases or (-) decreases in equity	-	-	-	15	(17)	-	(1)	-	-	-	-	-	(423)	(426)
Balances as of December 31, 2018	**3,267**	**23,992**	**-**	**50**	**26,063**	**3**	**(38)**	**(296)**	**5,400**	**(1,109)**	**(10,223)**	**(5,290)**	**11,054**	**52,874**

(*) Presented for comparison purposes only.

(**) Balances as of December 31, 2017 as originally reported in the consolidated Financial Statements for the year 2017.

BBVA
Creating Opportunities

Consolidated statements of cash flows for the years ended December 31, 2020, 2019 and 2018

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)

	2020	2019 (*)	2018 (*)
A) CASH FLOWS FROM OPERATING ACTIVITIES (1 + 2 + 3 + 4 + 5)	**39,349**	**(10,654)**	**13,436**
1. Profit for the year	**2,060**	**4,345**	**6,227**
2. Adjustments to obtain the cash flow from operating activities	**11,653**	**9,582**	**7,619**
Depreciation and amortization	1,288	1,386	1,034
Other adjustments	10,365	8,196	6,585
3. Net increase/decrease in operating assets	**(57,484)**	**(39,247)**	**(7,762)**
Financial assets held for trading	(10,465)	(11,724)	1,524
Non-trading financial assets mandatorily at fair value through profit or loss	(241)	(318)	(643)
Other financial assets designated at fair value through profit or loss	97	99	349
Financial assets at fair value through other comprehensive income	(16,649)	(3,755)	(206)
Financial assets at amortized cost	(30,212)	(26,559)	(7,880)
Other operating assets	(15)	3,010	(906)
4. Net increase/decrease in operating liabilities	**85,074**	**16,268**	**10,141**
Financial liabilities held for trading	361	8,121	(611)
Other financial liabilities designated at fair value through profit or loss	647	2,680	1,338
Financial liabilities at amortized cost	84,853	8,016	10,481
Other operating liabilities	(787)	(2,549)	(1,067)
5. Collection/Payments for income tax	**(1,955)**	**(1,602)**	**(2,789)**
B) CASH FLOWS FROM INVESTING ACTIVITIES (1 + 2)	**(37)**	**98**	**7,516**
1. Investment	**(1,185)**	**(1,494)**	**(2,154)**
Tangible assets	(632)	(852)	(943)
Intangible assets	(491)	(528)	(552)
Investments in joint ventures and associates	(62)	(114)	(150)
Other business units	-	-	(20)
Non-current assets classified as held for sale and associated liabilities	-	-	(489)
Other settlements related to investing activities	-	-	-
2. Divestments	**1,148**	**1,592**	**9,670**
Tangible assets	558	128	731
Intangible assets	-	-	-
Investments in joint ventures and associates	307	98	558
Subsidiaries and other business units	-	5	4,268
Non-current assets classified as held for sale and associated liabilities	283	1,198	3,917
Other collections related to investing activities	-	162	196
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	**(2,069)**	**(2,702)**	**(5,092)**
1. Payments	**(5,316)**	**(7,418)**	**(8,995)**
Dividends	(1,065)	(2,147)	(2,107)
Subordinated liabilities	(2,820)	(3,571)	(4,825)
Treasury stock amortization	-	-	-
Treasury stock acquisition	(807)	(1,088)	(1,686)
Other items relating to financing activities	(624)	(612)	(377)
2. Collections	**3,247**	**4,716**	**3,903**
Subordinated liabilities	2,425	3,381	2,451
Treasury shares increase	-	-	-
Treasury shares disposal	822	1,335	1,452
Other items relating to financing activities	-	-	-
D) EFFECT OF EXCHANGE RATE CHANGES	**(4,658)**	**(634)**	**(344)**
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	**32,585**	**(13,892)**	**15,516**
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR	**44,303**	**58,196**	**42,680**
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	**76,888**	**44,303**	**58,196**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)

	2020	2019 (*)	2018 (*)
Cash	6,447	7,060	6,346
Balance of cash equivalent in central banks	53,079	31,755	43,881
Other financial assets	5,994	5,488	7,970
Less: Bank overdraft refundable on demand	-	-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	**65,520**	**44,303**	**58,196**
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED AS NON-CURRENT ASSETS AND DISPOSABLE GROUPS CLASSIFIED AS HELD FOR SALE IN THE UNITED STATES	**11,368**	**-**	**-**

(*) Presented for comparison purposes only.

This Appendix is an integral part of Note 1.9 of the financial statements for the year ended December 31, 2020.

APPENDIX II. Additional information on subsidiaries and structured entities composing the BBVA Group

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.63	49.37	100.00	21	22	-
ADQUIRA MEXICO SA DE CV	MEXICO	COMMERCIAL	-	100.00	100.00	3	3	-
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	15	19	(3)
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	1,464	1,552	(101)
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	-	100.00	100.00	71	41	5
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1,341	1,443	(102)
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	27	23	4
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	-	100.00	100.00	27	7	10
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	-	100.00	100.00	4	4	-
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-
APLICA NEXTGEN SERVICIOS S.A. DE C.V	MEXICO	SERVICES	-	100.00	100.00	1	-	-
APLICA TECNOLOGIA AVANZADA SA DE CV	MEXICO	SERVICES	100.00	-	100.00	203	199	10
ARIZONA FINANCIAL PRODUCTS, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	799	798	-
ARRAHONA AMBIT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	12	21	-
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	53	114	-
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	58	67	-
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	64	79	-
ARRELS CT LLOGUER, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	5	6	-
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	22	23	(1)
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	-	100.00	100.00	28	32	(2)
AZLO BUSINESS, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	23	(23)
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	-	99.95	-	1	-
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.59	66.55	157	488	333
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	-	100.00	110	164	28
BANCO INDUSTRIAL DE BILBAO SA	SPAIN	BANKING	-	99.93	99.93	48	47	-
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	-
BANCO PROVINCIAL OVERSEAS NV	CURAÇAO	BANKING	-	100.00	100.00	49	47	2
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	33	143	(9)
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	79	627	12
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	-	100.00	98	122	9
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	-	100.00	100.00	-	-	-
BBVA ASSET MANAGEMENT SA SAF	PERU	FINANCIAL SERVICES	-	100.00	100.00	9	5	4
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	43	(66)	113
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	28	19	9
BBVA AUTOMERCANTIL COMERCIO E ALUGER DE VEICULOS AUTOMOVEIS LDA.	PORTUGAL	FINANCIAL SERVICES	100.00	-	100.00	6	6	-
BBVA BANCO CONTINENTAL SA (1)	PERU	BANKING	-	46.12	46.12	972	1,944	164
BBVA BANCOMER GESTION, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	19	11	8

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2020. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary).

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	**Location**	**Activity**	**Direct**	**Indirect**	**Total**	**Net carrying amount**	**Equity excluding profit (loss) 31.12.20**	**Profit (loss) 31.12.20**
BBVA BANCOMER OPERADORA SA DE CV	MEXICO	SERVICES	-	100.00	100.00	20	17	3
BBVA BANCOMER SA INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER	MEXICO	BANKING	-	100.00	100.00	9,920	8,443	1,474
BBVA BANCOMER SEGUROS SALUD SA DE CV	MEXICO	INSURANCES SERVICES	-	100.00	100.00	8	8	1
BBVA BANCOMER SERVICIOS ADMINISTRATIVOS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	49	40	9
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	-	100.00	100.00	4	3	1
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	-	100.00	16	19	-
BBVA BROKER ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	-	99.96	99.96	-	3	4
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	-	1	5
BBVA COLOMBIA SA	COLOMBIA	BANKING	77.41	18.06	95.47	355	1,155	112
BBVA CONSOLIDAR SEGUROS SA	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	9	18	17
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME SA (BBVA CONSUMER FINANCE - EDPYME)	PERU	FINANCIAL SERVICES	-	100.00	100.00	24	20	3
BBVA DATA & ANALYTICS SL	SPAIN	SERVICES	-	100.00	100.00	6	4	-
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	-	100.00	100.00	4	2	2
BBVA FINANCIAL CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	210	212	(2)
BBVA FINANZIA SPA	ITALY	IN LIQUIDATION	100.00	-	100.00	3	3	-
BBVA FOREIGN EXCHANGE INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	26	20	7
BBVA FRANCES ASSET MANAGMENT S.A. SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN	ARGENTINA	FINANCIAL SERVICES	-	100.00	100.00	14	9	5
BBVA FUNDOS S.GESTORA FUNDOS PENSOES SA	PORTUGAL	PENSION FUND MANAGEMENT	100.00	-	100.00	8	8	2
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	PENSION FUNDS MANAGEMENT	100.00	-	100.00	-	4	-
BBVA GLOBAL MARKETS BV	NETHERLANDS	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
BBVA GLOBAL SECURITIES, B.V.	NETHERLANDS	OTHER ISSUERS COMPANIES	100.00	-	100.00	-	-	-
BBVA HOLDING CHILE SA	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	139	315	26
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SPAIN	SERVICES	76.00	-	76.00	1	2	1
BBVA INSTITUIÇAO FINANCEIRA DE CREDITO SA	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	54	4
BBVA INSURANCE AGENCY, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	48	43	5
BBVA INTERNATIONAL PREFERRED SOCIEDAD ANONIMA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
BBVA IRELAND PLC (IN LIQUIDATION)	IRELAND	FINANCIAL SERVICES	100.00	-	100.00	2	3	-
BBVA LEASING MEXICO SA DE CV	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	51	126	8
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	-	100.00	100.00	10	(8)	17
BBVA MORTGAGE CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2,799	2,730	68
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	1	-
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	37	27	5
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	2	1
BBVA OP3N S.L.	SPAIN	SERVICES	-	100.00	100.00	-	3	-
BBVA OPEN PLATFORM INC	UNITED STATES	SERVICES	-	100.00	100.00	2	10	(8)
BBVA PARAGUAY SA	PARAGUAY	BANKING	100.00	-	100.00	23	144	23
BBVA PENSIONES SA ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUNDS MANAGEMENT	100.00	-	100.00	13	17	8

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2020. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	-	100.00	124	902	76
BBVA PLANIFICACION PATRIMONIAL SL	SPAIN	FINANCIAL SERVICES	80.00	20.00	100.00	-	1	-
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUNDS MANAGEMENT	75.00	5.00	80.00	1	4	9
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
BBVA PROCUREMENT SERVICES AMERICA DEL SUR SpA IN LIQUIDATION	CHILE	IN LIQUIDATION	-	100.00	100.00	4	6	(1)
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	-	100.00	100.00	39	47	12
BBVA REAL ESTATE MEXICO, S.A. DE C.V.	MEXICO	IN LIQUIDATION	-	100.00	100.00	-	-	-
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	223	186	37
BBVA SEGUROS COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	13	10
BBVA SEGUROS DE VIDA COLOMBIA SA	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	104	26
BBVA SEGUROS SA DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	-	99.96	713	462	594
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	-	100.00	100.00	-	-	-
BBVA SOCIEDAD TITULIZADORA S.A.	PERU	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	13	13	-
BBVA TRANSFER HOLDING INC	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	104	87	18
BBVA TRANSFER SERVICES INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	77	66	11
BBVA USA	UNITED STATES	BANKING	-	100.00	100.00	8,687	10,394	(1,707)
BBVA USA BANCSHARES, INC.	UNITED STATES	INVESTMENT COMPANY	100.00	-	100.00	9,018	11,136	(1,632)
BBVA VALORES COLOMBIA SA COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	-	100.00	100.00	10	9	-
BBVA WEALTH SOLUTIONS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	15	10	4
BILBAO VIZCAYA HOLDING SA	SPAIN	INVESTMENT COMPANY	89.00	11.00	100.00	67	132	(77)
CAIXA MANRESA IMMOBILIARIA ON CASA SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1	(1)
CAIXASABADELL PREFERENTS SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	-	1	-
CARTERA E INVERSIONES SA CIA DE	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	92	127	(3)
CASA DE BOLSA BBVA BANCOMER SA DE CV	MEXICO	SECURITIES DEALER	-	100.00	100.00	39	20	19
CATALONIA GEBIRA, S.L. (IN LIQUIDATION)	SPAIN	REAL ESTATE	-	100.00	100.00	-	-	-
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
CATALUNYACAIXA IMMOBILIARIA SA	SPAIN	REAL ESTATE	100.00	-	100.00	315	314	-
CATALUNYACAIXA SERVEIS SA	SPAIN	SERVICES	100.00	-	100.00	2	2	-
CDD GESTIONI S.R.L.	ITALY	REAL ESTATE	100.00	-	100.00	-	-	-
CETACTIUS SL	SPAIN	REAL ESTATE	100.00	-	100.00	1	1	-
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	15	15	-
CIERVANA SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	53	54	(2)
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	-	50.00	50.00	-	-	-
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	-	100.00	100.00	5	4	2
COMPAÑIA CHILENA DE INVERSIONES SL	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	249	10

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2020. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*) Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
COMPASS CAPITAL MARKETS, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,866	6,799	67
COMPASS GP, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	41	41	-
COMPASS INSURANCE TRUST	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
COMPASS LIMITED PARTNER, INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	6,027	5,960	66
COMPASS LOAN HOLDINGS TRS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	68	68	-
COMPASS MORTGAGE FINANCING, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
COMPASS SOUTHWEST, LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	4,973	4,925	48
COMPASS TEXAS MORTGAGE FINANCING, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
CONSOLIDAR A.F.J.P SA	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	1	1	-
CONTENTS AREA, S.L.	SPAIN	SERVICES	-	100.00	100.00	4	4	-
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	8	7	1
CORPORACION GENERAL FINANCIERA SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	510	1,453	9
COVAULT, INC	UNITED STATES	SERVICES	-	100.00	100.00	-	3	(2)
DALLAS CREATION CENTER, INC	UNITED STATES	SERVICES	-	100.00	100.00	2	2	-
DATA ARCHITECTURE AND TECHNOLOGY MEXICO SA DE CV	MEXICO	SERVICES	-	100.00	100.00	1	1	-
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SPAIN	SERVICES	-	51.00	51.00	-	3	-
DATA ARQUITECTURE AND TECHNOLOGY OPERADORA SA DE CV	MEXICO	SERVICES	-	100.00	100.00	-	-	-
DENIZEN FINANCIAL, INC	UNITED STATES	SERVICES	-	100.00	100.00	1	1	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
DEUTSCHE BANK MEXICO SA FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
DISTRITO CASTELLANA NORTE, S.A.	SPAIN	REAL ESTATE	-	75.54	75.54	107	153	(4)
ECASA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	30	24	6
EMPRENDIMIENTOS DE VALOR S.A.	URUGUAY	PAYMENT ENTITIES	-	100.00	100.00	2	2	-
ENTRE2 SERVICIOS FINANCIEROS E.F.C SA	SPAIN	FINANCIAL SERVICES	100.00	-	100.00	9	9	-
EUROPEA DE TITULIZACION SA SGFT	SPAIN	FINANCIAL SERVICES	88.24	-	88.24	2	17	3
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION(1)	MEXICO	REAL ESTATE	-	42.40	42.40	-	1	-
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	-	65.00	65.00	-	1	-
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	3	2	-
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	48	45	4
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	-	100.00	100.00	-	-	-
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	-	100.00	100.00	4	1	3
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	COLOMBIA	REAL ESTATE	-	100.00	100.00	-	1	-
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	-	59.99	59.99	-	2	-
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	-	100.00	100.00	2	2	-
FINANCIERA AYUDAMOS S.A. DE C.V., SOFOMER	MEXICO	IN LIQUIDATION	-	100.00	100.00	5	4	-
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. IN LIQUIDATION	SPAIN	IN LIQUIDATION	-	60.00	60.00	-	-	-

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2020. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary).

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
FORUM COMERCIALIZADORA DEL PERU SA	PERU	SERVICES	-	100.00	100.00	-	-	-
FORUM DISTRIBUIDORA DEL PERU SA	PERU	FINANCIAL SERVICES	-	100.00	100.00	6	5	-
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	43	39	1
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	-	100.00	100.00	244	208	25
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	IN LIQUIDATION	-	100.00	100.00	1	1	-
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	340	282	(3)
GARANTI BANK SA	ROMANIA	BANKING	-	100.00	100.00	258	316	17
GARANTI BBVA AS(1)	TURKEY	BANKING	49.85	-	49.85	4,679	6,228	775
GARANTI BBVA EMEKLILIK AS	TURKEY	INSURANCES SERVICES	-	84.91	84.91	105	63	59
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	-	81.84	81.84	19	17	6
GARANTI BBVA FILO AS	TURKEY	SERVICES	-	100.00	100.00	1	3	39
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	126	108	18
GARANTI BBVA PORTFOY AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	22	14	8
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	89	28	61
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	TURKEY	SERVICES	-	100.00	100.00	11	12	1
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	(16)	(17)
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	-	100.00	100.00	280	340	-
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	-	100.00	100.00	-	-	-
GARANTI KULTUR AS	TURKEY	SERVICES	-	100.00	100.00	-	-	-
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	-	100.00	100.00	-	2	-
GARANTI YATIRIM ORTAKLIGI AS(1)(2)	TURKEY	INVESTMENT COMPANY	-	3.61	3.61	-	4	-
GARANTIBANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	-	100.00	100.00	595	585	7
GARRAF MEDITERRANIA, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
GESCAT GESTIO DE SOL SL	SPAIN	REAL ESTATE	100.00	-	100.00	11	11	-
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	5	3	3
GESCAT LLOGUERS SL	SPAIN	REAL ESTATE	100.00	-	100.00	3	4	-
GESCAT VIVENDES EN COMERCIALITZACIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	89	89	-
GESTION DE PREVISION Y PENSIONES SA	SPAIN	PENSION FUND MANAGEMENT	60.00	-	60.00	9	15	7
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	-	100.00	100.00	1	1	-
GRAN JORGE JUAN SA	SPAIN	REAL ESTATE	100.00	-	100.00	424	423	14
GRUPO FINANCIERO BBVA BANCOMER SA DE CV	MEXICO	FINANCIAL SERVICES	99.98	-	99.98	6,678	9,374	1,747
GUARANTY BUSINESS CREDIT CORPORATION	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	30	30	-
GUARANTY PLUS HOLDING COMPANY	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	-	-	-
HOLVI PAYMENT SERVICE OY	FINLAND	FINANCIAL SERVICES	-	100.00	100.00	-	27	(17)
HUMAN RESOURCES PROVIDER, INC	UNITED STATES	SERVICES	-	100.00	100.00	302	299	3
HUMAN RESOURCES SUPPORT, INC	UNITED STATES	SERVICES	-	100.00	100.00	296	294	2

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2020. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

(2) The percentage of voting rights owned by the Group entities in this company is 99.97%

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation (**)			Millions of Euros (*) Affiliate entity data		
			Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
INMESP DESARROLLADORA, S.A. DE C.V.	MEXICO	REAL ESTATE	-	100.00	100.00	17	16	1
INMUEBLES Y RECUPERACIONES CONTINENTAL SA	PERU	REAL ESTATE	-	100.00	100.00	39	37	2
INPAU, S.A.	SPAIN	REAL ESTATE	-	100.00	100.00	25	25	-
INVERAHORRO SL	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	100	107	(7)
INVERPRO DESENVOLUPAMENT, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	4	9	1
INVERSIONES ALDAMA, C.A.	VENEZUELA	PENSION FUNDS MANAGEMENT	-	100.00	100.00	-	-	-
INVERSIONES BANPRO INTERNATIONAL INC NV(1)	CURAÇAO	INVESTMENT COMPANY	48.00	-	48.01	16	43	2
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	-	100.00	-	-	-
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	-	60.46	60.46	-	-	-
IRIDION SOLUCIONS IMMOBILIARIES SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
JALE PROCAM, S.L. (IN LIQUIDATION)	SPAIN	IN LIQUIDATION	-	50.00	50.00	-	(57)	(4)
LIQUIDITY ADVISORS LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,071	1,055	16
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	-	100.00	100.00	9	2	-
MISAPRE, S.A. DE C.V.	MEXICO	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	-	100.00	100.00	7	7	1
MOTORACTIVE IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	35	27	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	-	100.00	100.00	-	2	-
MULTIASISTENCIA OPERADORA S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-
MULTIASISTENCIA SERVICIOS S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	-	-	-
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	-	100.00	100.00	32	24	8
NOVA TERRASSA 3, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	-	100.00	100.00	2	2	-
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	-	100.00	100.00	1	1	-
OPENPAY S.A. DE C.V.	MEXICO	PAYMENT ENTITIES	-	100.00	100.00	18	2	2
OPENPAY SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	-	-	-
OPERADORA DOS LAGOS S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	1	1	-
OPPLUS OPERACIONES Y SERVICIOS SA	SPAIN	SERVICES	100.00	-	100.00	1	2	17
OPPLUS SAC (IN LIQUIDATION)	PERU	IN LIQUIDATION	-	100.00	100.00	1	1	-
P.I. HOLDINGS NO. 3, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
PARCSUD PLANNER, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
PECRI INVERSION SL	SPAIN	OTHER INVESTMENT COMPANIES	100.00	-	100.00	264	260	5
PENSIONES BBVA BANCOMER, S.A. DE C.V., GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	281	213	68
PHOENIX LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	258	256	2
PI HOLDINGS NO. 1, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	77	77	-
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	26	26	-
PROMOCIONES Y CONSTRUCCIONES CERBAT, S.L.U.	SPAIN	REAL ESTATE	-	100.00	100.00	8	8	-
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	51	36	16

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(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(1) Full consolidation method is used according to accounting rules (see Glossary)

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
PROMOU CT 3AG DELTA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	1	1	-
PROMOU CT EIX MACIA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	4	4	-
PROMOU CT GEBIRA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
PROMOU CT OPENSEGRE, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	5	5	1
PROMOU CT VALLES, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	2	2	-
PROMOU GLOBAL, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	17	18	-
PRONORTE UNO PROCAM, S.A.	SPAIN	PAYMENT ENTITIES	-	100.00	100.00	-	-	-
PROPEL VENTURE PARTNERS BRAZIL S.L.	SPAIN	PAYMENT ENTITIES	-	99.80	99.80	10	11	(1)
PROPEL VENTURE PARTNERS GLOBAL, S.L	SPAIN	FINANCIAL SERVICES	-	99.50	99.50	59	87	-
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	-	100.00	100.00	144	122	22
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	-	58.86	58.86	-	-	-
PROVINCIAL DE VALORES CASA DE BOLSA CA	VENEZUELA	SECURITIES DEALER	-	90.00	90.00	1	1	-
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA CA	VENEZUELA	FINANCIAL SERVICES	-	100.00	100.00	1	1	-
PROV-INFI-ARRAHONA, S.L.	SPAIN	REAL ESTATE	-	100.00	100.00	6	6	-
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUND MANAGEMENT	-	100.00	100.00	2	2	-
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	50.00	50.00	8	11	4
PUERTO CIUDAD LAS PALMAS, S.A.	SPAIN	REAL ESTATE	-	96.64	96.64	-	(26)	(1)
QIPRO SOLUCIONES S.L.	SPAIN	SERVICES	-	100.00	100.00	3	3	2
RALFI IFN SA	ROMANIA	FINANCIAL SERVICES	-	100.00	100.00	37	17	2
RPV COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	-	100.00	100.00	-	(1)	-
RWHC, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	719	706	13
SAGE OG I, INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
SAGE OG2, LLC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	-	-	-
SATICEM GESTIO SL	SPAIN	REAL ESTATE	100.00	-	100.00	4	4	-
SATICEM HOLDING SL	SPAIN	REAL ESTATE	100.00	-	100.00	5	5	-
SATICEM IMMOBILIARIA SL	SPAIN	REAL ESTATE	100.00	-	100.00	16	16	-
SATICEM IMMOBLES EN ARRENDAMENT SL	SPAIN	REAL ESTATE	100.00	-	100.00	2	2	-
SEGUROS BBVA BANCOMER SA DE CV GRUPO FINANCIERO BBVA BANCOMER	MEXICO	INSURANCES SERVICES	-	100.00	100.00	373	177	196
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	-	100.00	100.00	9	11	(1)
SERVICIOS CORPORATIVOS BANCOMER, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	5	5	-
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	-	100.00	100.00	3	2	1
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	-	100.00	100.00	15	14	2
SIMPLE FINANCE TECHNOLOGY CORP.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	40	67	(26)
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO SA	SPAIN	SERVICES	100.00	-	100.00	63	71	(8)
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO SA	SPAIN	PENSION FUNDS MANAGEMENT	77.20	-	77.20	-	-	-
SPORT CLUB 18 SA	SPAIN	INVESTMENT COMPANY	100.00	-	100.00	9	10	(1)
TEXAS LOAN SERVICES LP	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	1,089	1,070	19

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2019. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

			% Legal share of participation (**)			Millions of Euros (*)		
						Affiliate entity data		
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
TMF HOLDING INC.	UNITED STATES	INVESTMENT COMPANY	-	100.00	100.00	15	15	1
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	-	100.00	100.00	1	1	-
TUCSON LOAN HOLDINGS, INC.	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	16	15	1
UNIVERSALIDAD TIPS PESOS E-9	COLOMBIA	FINANCIAL SERVICES	-	100.00	100.00	-	26	-
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS SA	SPAIN	REAL ESTATE	100.00	-	100.00	623	523	(3)
UPTURN FINANCIAL INC	UNITED STATES	FINANCIAL SERVICES	-	100.00	100.00	2	6	(4)
URBANIZADORA SANT LLORENC SA	SPAIN	INACTIVE	60.60	-	60.60	-	-	-
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SPAIN	SERVICES	-	51.00	51.00	1	3	1
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	51.00	51.00	13	19	7

(*) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2020. In the carrying amount (net of provision), the Group´s ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2020.

(**) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

This Appendix is an integral part of Note 14.1 of the financial statements for the year ended December 31, 2020.

APPENDIX III. Additional information on investments and jointly controlled companies accounted for under the equity method of consolidation in the BBVA Group as of December 31, 2020

Acquisitions or increases of interest ownership in consolidated subsidiaries

Most significant companies are included, which together represent 99% of the total investment in this group.

			% Legal share of participation			Millions of Euros (*)				
							Affiliate entity data			
Company	Location	Activity	Direct	Indirect	Total	Net carrying amount	Assets 31.12.20	Liabilities 31.12.20	Equity excluding profit (loss) 31.12.20	Profit (loss) 31.12.20
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	COMMERCIAL	-	44.44	44.44	4	19	11	8	1
ATOM BANK PLC	UNITED KINGDOM	BANKING	39.02	-	39.02	64	3,253	3,089	239	(75)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	-	49.00	49.00	4	9	1	8	-
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	-	50.00	50.00	250	753	204	548	-
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO SA	SPAIN	PUBLIC ENTITIES AND INSTITUTIONS	16.67	-	16.67	25	155	6	140	10
DIVARIAN PROPIEDAD, S.A.U.	SPAIN	REAL ESTATE	20.00	-	20.00	567	2,976	143	2,922	(89)
FIDEICOMISO F/00185 FIMPE - FIDEICOMISO F/00185 PARA EXTENDER A LA SOCIEDAD LOS BENEFICIOS DEL ACCESO A LA INFRAESTRUCTURA DE LOS MEDIOS DE PAGO ELECTRONICOS	MEXICO	FINANCIAL SERVICES	-	28.50	28.50	1	5	-	7	(2)
METROVACESA SA	SPAIN	REAL ESTATE	9.44	11.41	20.85	285	2,910	652	2,341	(82)
REDSYS SERVICIOS DE PROCESAMIENTO SL	SPAIN	FINANCIAL SERVICES	20.00	-	20.00	14	103	32	69	2
ROMBO COMPAÑIA FINANCIERA SA	ARGENTINA	BANKING	-	40.00	40.00	7	91	72	16	2
SERVICIOS ELECTRONICOS GLOBALES SA DE CV	MEXICO	SERVICES	-	46.14	46.14	11	23	-	20	3
SERVIRED SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO SA	ESPAÑA	FINANCIAL SERVICES	28.72	-	28.72	8	45	19	27	(1)
SOLARISBANK AG (2)	GERMANY	BANKING	-	17.59	17.59	39	1,434	1,368	90	(24)
TELEFONICA FACTORING ESPAÑA SA	SPAIN	FINANCIAL SERVICES	30.00	-	30.00	4	81	67	7	8
TF PERU SAC	PERU	FINANCIAL SERVICES	-	24.30	24.30	1	5	1	3	1
JOINT VENTURES										
ALTURA MARKETS SOCIEDAD DE VALORES SA	SPAIN	SECURITY DEALER	50.00	-	50.00	77	3,122	2,969	143	10
COMPAÑIA MEXICANA DE PROCESAMIENTO SA DE CV	MEXICO	SERVICES	-	50.00	50.00	8	16	-	15	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, (1)	SPAIN	INVESTMENT COMPANY	-	50.00	50.00	29	63	5	58	-
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	SPAIN	REAL ESTATE	-	50.00	50.00	17	81	47	30	4
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA (1)	MEXICO	REAL ESTATE	-	44.09	44.09	15	158	-	158	-
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	-	42.40	42.40	7	16	-	16	-
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	-	39.11	39.11	4	15	-	15	-
RCI COLOMBIA SA COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	-	49.00	49.00	36	571	499	65	7
VITAMEDICA ADMINISTRADORA, S.A. DE C.V (1)	MEXICO	SERVICES	-	51.00	51.00	5	18	9	8	1

(*) In foreign companies the exchange rate of December 31, 2020 is applied.

(1) Classified as Non-current asset in seld.

(2) The percentage of voting rights owned by the Group entities in this company is 22.22%

This Appendix is an integral part of Note 14.2 of the financial statements for the year ended December 31, 2020.

APPENDIX IV. Changes and notification of investments and divestments in the BBVA Group in 2020

Acquisitions or increases of interest ownership in consolidated subsidiaries

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective Date for the Transaction (or Notification Date)
ADQUIRA MEXICO SA DE CV	ACQUISITION	100.00	30-Sep-20
PROPEL VENTURE PARTNERS BRAZIL S.L.	CONSTITUTION	99.80	28-May-20
BBVA GLOBAL SECURITIES, B.V.	CONSTITUTION	100.00	07-Dec-20

(*)Variations of less than 0.1% have not been considered due to immateriality

Changes and notifications of participations in the BBVA Group in 2020 (continued)

Disposals or reduction of interest ownership in consolidated subsidiaries

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
CIDESSA UNO SL	MERGER	-	24-Nov-20
EL ENCINAR METROPOLITANO, S.A.	LIQUIDATION	-	1-Aug-20
DENIZEN GLOBAL FINANCIAL SAU	LIQUIDATION	-	25-Nov-20
FIDEICOMISO N.989 EN THE BANK OF NEW YORK MELLON SA INSTITUCION DE BANCA MULTIPLE FIDUCIARIO (FIDEIC.00989 6 EMISION)	MERGER	-	30-Sep-20
FIDEICOMISO Nº 847 EN BANCO INVEX SA INSTITUCION DE BANCA MULTIPLE INVEX GRUPO FINANCIERO FIDUCIARIO (FIDEIC. INVEX 4ª EMISION)	MERGER	-	30-Jun-20
BBVA CONSULTING (BEIJING) LIMITED	LIQUIDATION	-	2-Dec-20
EL MILANILLO, S.A.	LIQUIDATION	-	27-Oct-20
F/403035-9 BBVA HORIZONTES RESIDENCIAL	DISPOSAL	-	31-Oct-20
HOLAMUNO AGENTE DE SEGUROS VINCULADO, S.L.U. IN LIQUIDATION	LIQUIDATION	-	14-Feb-20
HOLVI DEUTSCHLAND SERVICE GMBH (IN LIQUIDATION)	LIQUIDATION	-	14-Feb-20
ARRAHONA RENT, S.L.U.	LIQUIDATION	-	27-Jul-20
L'EIX IMMOBLES, S.L.	LIQUIDATION	-	27-Jul-20
ESPAIS SABADELL PROMOCIONS INMOBILIARIES, S.A.	LIQUIDATION	-	28-Jul-20
HABITATGES FINVER, S.L.	LIQUIDATION	-	28-Jul-20
HABITATGES JUVIPRO, S.L.	LIQUIDATION	-	28-Jul-20
CATALUNYACAIXA CAPITAL SA	MERGER	-	21-Sep-20
CLUB GOLF HACIENDA EL ALAMO, S.L.(IN LIQUIDATION)	LIQUIDATION	-	12-Aug-20
GESCAT SINEVA, S.L.	LIQUIDATION	-	29-Jul-20
GESCAT POLSKA SP ZOO	LIQUIDATION	-	12-Feb-20
EXPANSION INTERCOMARCAL SL	LIQUIDATION	-	28-Jul-20
NOIDIRI SL	LIQUIDATION	-	28-Jul-20
CAIXA MANRESA IMMOBILIARIA SOCIAL SL	LIQUIDATION	-	27-Jul-20

(*)Variations of less than 0.1% have not been considered due to immateriality

Changes and notifications of participations in the BBVA Group in 2020 (continued)

Business combinations and other acquisitions or increases of interest ownership in associates and joint-ventures accounted for under the equity method

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
ADQUIRA ESPAÑA, S.A.	CAPITAL REDUCTION	44.44	31-Mar-20
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA	ACQUISITION	44.09	18-Aug-20
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	CONSTITUTION	50.00	05-May-20
PLAY DIGITAL SA	CONSTITUTION	33.33	27-May-20

(*)Variations of less than 0.1% have not been considered due to immateriality

Changes and notifications of participations in the BBVA Group in 2020 (continued)

Disposal or reduction of interest ownership in associates and joint-ventures companies accounted for under the equity method

Company (*)	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
CAJA DE EMI. CON GAR. DE ANUALIDADES DEBIDA POR EL ESTADO SA	LIQUIDATION	-	13-Oct-20
BATEC MOBILITY, S.L.	DISPOSAL	-	28-Jan-20
CAPIPOTA PRODUCTIONS S.L.	DISPOSAL	-	10-Dec-20
FIDEICOMISO DE ADMINISTRACION REDETRANS	DISPOSAL	-	18-Sep-20
SOCIEDADE ALTITUDE SOFTWARE-SISTEMA E SERVIÇOS SA	DISPOSAL	-	30-Dec-20
SOLARISBANK AG(1)	CAPITAL INCREASE	17.59	30-Sep-20
PLAY DIGITAL SA	DILUTION	13.00	15-Dec-20
NOVA LLAR SANT JOAN, S.A. IN LIQUIDATION	LIQUIDATION	-	03-Apr-20

(*)Variations of less than 0.1% have not been considered due to immateriality

(1) The percentage of voting rights owned by the Group entities in this company is 22.22%

This Appendix is an integral part of Note 14.3 of the financial statements for the year ended December 31, 2020.

APPENDIX V. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2020

Company	Activity	% of voting rights controlled by the Bank		
		Direct	Indirect	Total
BBVA BANCO CONTINENTAL SA	BANKING	-	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	-	48.01
PRO-SALUD, C.A.	NO ACTIVITY	-	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	-	60.46	60.46
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	PENSION FUND MANAGEMENT	75.00	5.00	80.00
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	-	50.00	50.00
DISTRITO CASTELLANA NORTE, S.A.	REAL ESTATE	-	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	-	60.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	-	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	-	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	BANKING	-	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	-	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	-	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	-	51.00	51.00
GARANTI BBVA EMEKLILIK AS	SERVICES	-	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. IN LIQUIDATION	IN LIQUIDATION	-	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	-	76.00
JALE PROCAM, S.L. (IN LIQUIDATION)	IN LIQUIDATION	-	50.00	50.00
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	BANKING	-	50.00	50.00

APPENDIX VI. BBVA Group's structured entities. Securitization funds as of December, 31 2020

			Millions of Euros	
Securitization fund (consolidated)	Company	Origination date	Total securitized exposures at the origination date	Total securitized exposures as of December 31, 2020 (*)
TDA 27 MIXTO, FTA	BBVA, S.A.	Dec-06	275	71
BBVA RMBS 16 FT	BBVA, S.A.	May-16	1,600	1,151
HIPOCAT 9 FTA	BBVA, S.A.	Nov-05	1,016	150
TDA TARRAGONA 1 FTA	BBVA, S.A.	Nov-07	397	85
BBVA RMBS15 FT	BBVA, S.A.	May-15	4,000	2,725
BBVA RMBS 5 FTA	BBVA, S.A.	May-08	5,000	2,043
TDA 22 MIXTO, FTA (UNNIM)	BBVA, S.A.	Dec-04	592	19
HIPOCAT 10 FTA	BBVA, S.A.	Jul-06	1,526	220
BBVA VELA SME 2020-1	BBVA, S.A.	Jun-20	1,245	957
TDA 19 MIXTO, FTA	BBVA, S.A.	Feb-04	600	18
BBVA CONSUMER AUTO 2020-1	BBVA, S.A.	Jun-20	1,100	1,100
BBVA RMBS 10 FTA	BBVA, S.A.	Jun-11	1,600	993
HIPOCAT 8 FTA	BBVA, S.A.	May-05	1,500	196
AYT HIP MIXTO V	BBVA, S.A.	Jul-06	120	26
BBVA RMBS 2 FTA	BBVA, S.A.	Mar-07	5,000	1,485
BBVA RMBS 18 FT	BBVA, S.A.	Nov-17	1,800	1,475
TDA 20 MIXTO, FTA	BBVA, S.A.	Jun-04	100	10
TDA 23 MIXTO, FTA	BBVA, S.A.	Mar-05	860	34
BBVA CONSUMO 9 FT	BBVA, S.A.	Mar-17	1,375	582
BBVA RMBS 14 FTA	BBVA, S.A.	Nov-14	700	406
AYT HIPOTECARIO MIXTO IV, FTA	BBVA, S.A.	Jun-05	100	13
BBVA RMBS 9 FTA	BBVA, S.A.	Apr-10	1,295	725
BBVA LEASING 2 FT	BBVA, S.A.	Jul-20	2,100	1,941
BBVA EMPRESAS 4 FTA	BBVA, S.A.	Jul-10	1,700	20
TDA 28 MIXTO, FTA	BBVA, S.A.	Jul-07	250	71
HIPOCAT 6 FTA	BBVA, S.A.	Sep-03	850	81
TDA 18 MIXTO, FTA	BBVA, S.A.	Nov-03	91	9
BBVA RMBS 3 FTA	BBVA, S.A.	Jul-07	3,000	1,222
BBVA CONSUMO 10 FT	BBVA, S.A.	Jul-19	2,000	1,945
BBVA LEASING 1 FTA	BBVA, S.A.	Jun-07	2,500	14
BBVA RMBS 11 FTA	BBVA, S.A.	Jun-12	1,400	875
BBVA RMBS 13 FTA	BBVA, S.A.	Jul-14	4,100	2,707
BBVA CONSUMO 8 FT	BBVA, S.A.	Jul-16	700	222
BBVA RMBS 12 FTA	BBVA, S.A.	Dec-13	4,350	2,735
BBVA CONSUMER AUTO 2018-1	BBVA, S.A.	Jun-18	800	557
BBVA RMBS 1 FTA	BBVA, S.A.	Feb-07	2,500	799
BBVA RMBS 19 FT	BBVA, S.A.	Nov-19	2,000	1,852
BBVA-6 FTPYME FTA	BBVA, S.A.	Jun-07	1,500	5
GAT VPO (UNNIM)	BBVA, S.A.	Jun-09	780	48
HIPOCAT 11 FTA	BBVA, S.A.	Mar-07	1,628	237
BBVA RMBS 17 FT	BBVA, S.A.	Nov-16	1,800	1,340
HIPOCAT 7 FTA	BBVA, S.A.	Jun-04	1,400	165

(*) Solvency Scope.

APPENDIX VII. BBVA Group's structured entities. Securitization funds as of December 31, 2020

Issue type and data (Millions of Euros)

	2020	2019	Interest rate in force in 2020	Fix (F) or variable (V)	Maturity date
Subordinated debt - Non-convertible					
January-05	-	49	0.64%	V	1/28/20
August-06	40	40	0.56%	V	8/9/21
August-06	46	46	0.56%	V	8/9/21
March-07	73	73	0.82%	V	Perpetual
April-07	68	68	0.80%	V	4/4/22
March-08	125	125	6.03%	V	3/3/33
May-08	50	50	4.06%	V	5/19/23
July-08	100	100	6.20%	F	7/4/23
February-17	1,000	1,000	3.50%	F	2/10/27
February-17	99	99	4.00%	F	2/24/32
March-17	65	65	4.00%	F	2/24/32
March-17	53	53	2.00%	V	3/16/27
March-17	98	107	5.70%	F	3/31/32
May-17	19	18	1.60%	F	5/24/27
May-17	150	150	2.54%	F	5/24/27
May-18	243	265	5.25%	F	5/29/33
February-19	750	750	2.58%	F	2/22/29
January-20	994	-	1.00%	F	1/16/30
July-20	334	-	3.10%	F	7/15/31
Subordinated debt - convertible					
February-15	-	1,500	6.75%	V	Perpetual
April-16	1,000	1,000	8.88%	V	Perpetual
May-17	500	500	5.88%	V	Perpetual
November-17	815	890	6.13%	V	Perpetual
September-18	1,000	1,000	5.88%	V	Perpetual
March-19	1,000	1,000	6.00%	V	Perpetual
September-19	815	890	6.50%	V	Perpetual
July-20	1,000	-	6.00%	V	Perpetual
Subtotal	**10,437**	**9,839**			
Subordinated deposits	**360**	**303**			
Total	**10,797**	**10,142**			

This Appendix is an integral part of Note 20.4 of the financial statements for the year ended December 31, 2020.

APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2020 and 2019

2020 (Millions of Euros)	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	4,955	3,019	1,049	9,022
Non-trading financial assets mandatorily at fair value through profit or loss	84	5	48	137
Financial assets designated at fair value through other comprehensive income	3,552	91	4,690	8,334
Financial assets at amortized cost	18,330	1,737	2,542	22,609
Investments in subsidiaries, joint ventures and associates	-	-	12,313	12,313
Tangible assets	8	4	8	20
Other assets	6,600	439	8,967	16,005
Total	**33,528**	**5,295**	**29,618**	68,440
Liabilities	**-**	**-**	**-**	-
Financial assets held for trading	4,553	210	234	4,997
Other financial liabilities designated at fair value through profit or loss	2,028	263	469	2,760
Financial liabilities at amortized cost	26,183	4,035	1,557	31,776
Other liabilities	190	41	39	269
Total	**32,954**	**4,550**	**2,299**	**39,802**

2019 (Millions of Euros)	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	4,408	1,636	1,290	7,334
Non-trading financial assets mandatorily at fair value through profit or loss	42	-	52	94
Financial assets designated at fair value through other comprehensive income	4,817	137	2,823	7,777
Financial assets at amortized cost	19,352	2,528	2,207	24,087
Investments in subsidiaries, joint ventures and associates	205	-	24,380	24,585
Tangible assets	10	6	9	25
Other Assets	2,924	173	787	3,884
Total	**31,758**	**4,480**	**31,548**	**67,786**
Liabilities				
Financial assets held for trading	3,897	680	517	5,094
Other financial liabilities designated at fair value through profit or loss	1,913	139	377	2,429
Financial liabilities at amortized cost	22,255	1,848	1,930	26,033
Other Liabilities	170	45	50	265
Total	**28,235**	**2,712**	**2,874**	**33,821**

This Appendix is an integral part of Note 2.12 of the financial statements for the year ended December 31, 2020.

APPENDIX IX. Income statement corresponding to the first and second half of 2020 and 2019

INCOME STATEMENTS (Millions of Euros)	Six months ended June 30, 2020	Six months ended June 30, 2019	Six months ended December 31, 2020	Six months ended December 31, 2019
Interest income	2,394	2,440	2,234	2,493
Interest expense	(614)	(784)	(501)	(764)
NET INTEREST INCOME	**1,780**	**1,656**	**1,734**	**1,729**
Dividend income	927	1,335	434	1,518
Fee and commission income	1,067	1,022	1,058	1,122
Fee and commission expense	(172,865)	(207,052)	(184,688)	(240,177)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	140,816	18,491	(53,963)	88,936
Gains (losses) on financial assets and liabilities held for trading, net	300,207	200,021	52,543	174,595
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	8	8	21	28
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(65)	(82)	(4)	(19)
Gains (losses) from hedge accounting, net	10	34	3	(13)
Exchange differences, net	(65)	(117)	36	(16)
Other operating income	71	64	70	62
Other operating expense	(248)	(227)	(281)	(260)
GROSS INCOME	**3,752**	**3,704**	**2,885**	**4,174**
Administrative expense	(1,785)	(1,939)	(1,768)	(1,942)
Personnel expense	(1,057)	(1,185)	(1,087)	(1,209)
Other administrative expense	(728)	(753)	(680)	(733)
Depreciation and amortization	(332)	(333)	(331)	(340)
Provisions or reversal of provisions	(372)	(208)	(102)	(184)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(945)	73	(287)	(248)
NET OPERATING INCOME	**318**	**1,297**	**396**	**1,460**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(348)	(311)	29	(299)
Impairment or reversal of impairment on non-financial assets	(46)	(26)	(60)	(52)
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	-	-	1	(1)
Negative goodwill recognized in profit or loss	-	-	-	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(24)	(3)	(19)	(28)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(99)**	**956**	**347**	**1,081**
Tax expense or income related to profit or loss from continuing operations	(24)	28	(12)	21
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**(122)**	**984**	**335**	**1,102**
Profit (loss) after tax from discontinued operations	(1,468)	145	(927)	10
PROFIT(LOSS) FOR THE YEAR	**(1,590)**	**1,129**	**(592)**	**1,111**

APPENDIX X. Information on data derived from the special accounting registry and other information bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a) Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 3/2010 and Circular 4/2016. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and advances" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established in article 24 of Royal Decree 716/2009, of April, 24, by virtue of which certain aspects of Law 2/1981, of 25 March, of regulation of the mortgage market and other rules of the mortgage and financial system are developed, *"the volume of outstanding mortgage-covered bonds issued by a bank may not exceed 80% of a calculation base determined by adding the outstanding principal of all the loans and mortgage loans in the bank's portfolio that are eligible"* and which are not covered by the issue of mortgage bonds, mortgage participations or mortgage transfer certificates. For these purposes, in accordance with the aforementioned Royal Decree 716/2009, in order to be eligible, loans and mortgage loans, on a general basis: (i) must be secured by a first mortgage on the freehold; (ii) the loan's amount may not exceed 80% of the appraisal value for residential mortgages, and 60% for other mortgage lending; (iii) must be established on assets exclusively and wholly owned by the mortgagor; (iv) must have been appraised by an independent appraisal company unrelated to the Group and authorized by the Bank of Spain; and (v) the mortgaged property must be covered at least by a current damage insurance policy.

The Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the remaining eligible collateral, to avoid exceeding the maximum limit set by Royal Decree 716/2009, and outlined in the preceding paragraph. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by the Bank's external auditor as required by the Spanish Securities and Exchange Commission. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

b) Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of December 31, 2020 and 2019 is shown below.

b.1) Ongoing operations

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

	2020	2019
Nominal value of outstanding loans and mortgage loans	88,753	92,757
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	(27,549)	(30,173)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	**61,204**	**62,584**
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	*44,854*	*44,759*
Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	(1,169)	(1,191)
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	**43,685**	**43,568**
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	34,948	34,854
Issued Mortgage-covered bonds	**32,069**	**32,422**
Outstanding Mortgage-covered bonds	**12,559**	**14,832**
Capacity to issue mortgage-covered bonds	2,879	2,432
Memorandum items:	-	-
Percentage of overcollateralization across the portfolio	191%	193%
Percentage of overcollateralization across the eligible used portfolio	136%	134%
Nominal value of available sums (committed and unused) from all loans and mortgage loans.	5,549	5,841
Of which: Potentially eligible	*4,885*	*4,935*
Of which: Ineligible	*664*	*906*
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.	9,006	9,989
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.	-	-

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)

		2020	2019
Total loans	**(1)**	**88,753**	**92,757**
Issued mortgage participations	**(2)**	**4,114**	**4,494**
Of which: recognized on the balance sheet		*2,928*	*3,213*
Issued mortgage transfer certificates	**(3)**	**23,435**	**25,679**
Of which: recognized on the balance sheet		*21,098*	*22,899*
Mortgage loans as collateral of mortgages bonds	**(4)**	**-**	**-**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-4**	**61,204**	**62,584**
Non eligible loans		16,350	17,825
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009		9,006	9,989
Other		7,344	7,836
Eligible loans		44,854	44,759
That can not be used as collateral for issuances		1,169	1,191
That can be used as collateral for issuances		43,685	43,568
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		43,685	43,568

Mortgage loans. Classification of the nominal values according to different characteristics (Millions of Euros)

	2020			2019		
	Total mortgage loans	**Eligible Loans(*)**	**Eligibles that can be used as collateral for issuances (**)**	**Total mortgage loans**	**Eligible Loans(*)**	**Eligibles that can be used as collateral for issuances (**)**
TOTAL	**61,204**	**44,854**	**43,685**	**62,584**	**44,759**	**43,568**
By source of the operations	-	-	-			
Originated by the bank	56,593	40,975	39,846	57,541	40,462	39,316
Subrogated by other institutions	763	589	584	838	650	644
Rest	3,848	3,290	3,255	4,205	3,647	3,608
By Currency	-	-	-			
In Euros	61,033	44,742	43,573	62,263	44,564	43,373
In foreign currency	171	112	112	321	195	195
By payment situation	-	-	-			
Normal payment	54,197	42,245	41,388	53,983	41,331	40,608
Other situations	7,007	2,609	2,297	8,601	3,428	2,960
By residual maturity	-	-	-			
Up to 10 years	13,031	10,037	9,759	13,788	10,376	10,071
10 to 20 years	25,898	22,116	21,359	26,923	22,521	21,836
20 to 30 years	18,713	11,718	11,613	17,528	10,562	10,398
Over 30 years	3,562	983	954	4,345	1,300	1,263
By Interest rate	-	-	-			
Fixed rate	13,412	9,318	9,260	11,408	6,768	6,720
Floating rate	47,792	35,536	34,425	51,176	37,991	36,848
Mixed rate	-	-	-	-	-	-
By target of operations	-	-	-			
For business activity	10,699	6,598	5,681	11,709	6,825	5,918
Of which: public housing	*2,215*	*1,555*	*757*	*2,333*	*1,529*	*743*
Of which: For households	50,505	38,256	38,004	50,875	37,934	37,650
By type of guarantee	-	-	-			
Secured by completed assets/buildings	**59,190**	**43,696**	**42,868**	**60,638**	**43,823**	**42,920**
Residential use	52,145	39,454	38,781	52,831	39,329	38,594
Of which: public housing	*3,791*	*3,078*	*2,942*	*4,039*	*3,238*	*3,094*
Commercial	7,015	4,233	4,078	7,779	4,484	4,316
Other	30	9	9	28	10	10
Secured by assets/buildings under construction	**1,303**	**942**	**660**	**1,103**	**671**	**446**
Residential use	1,004	734	453	862	560	335
Of which: public housing	*1*	-	-	*5*	*1*	*1*
Commercial	299	208	207	241	111	111
Other	-	-	-	-	-	-
Secured by land	**711**	**216**	**157**	**843**	**265**	**202**
Urban	275	88	34	321	98	43
Non-urban	436	128	123	522	167	159

(*) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

(**) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

December 2020. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80%**	**Total**
Home mortgages	13,665	14,339	12,211	-	40,215
Other mortgages	2,351	2,288			4,639
Total	**16,016**	**16,627**	**12,211**	**-**	**44,854**

December 2019. Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80%**	**Total**
Home mortgages	13,713	14,821	11,562	-	40,096
Other mortgages	2,484	2,179			4,663
Total	**16,197**	**17,000**	**11,562**	**-**	**44,759**

Eligible and non eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	2020		2019	
	Eligible (*)	**Non eligible**	**Eligible (*)**	**Non eligible**
Balance at the beginning	**44,759**	**17,825**	**45,664**	**22,074**
Retirements	**6,429**	**4,535**	**7,447**	**8,498**
Held-to-maturity cancellations	3,918	736	4,363	1,062
Anticipated cancellations	1,913	930	2,231	2,054
Subrogations to other institutions	48	19	22	10
Rest	550	2,850	831	5,372
Additions	**6,524**	**3,060**	**6,542**	**4,249**
Originated by the bank	3,740	2,396	3,219	3,235
Subrogations to other institutions	3	1	4	2
Rest	2,781	664	3,319	1,012
Balance at the end	**44,854**	**16,350**	**44,759**	**17,825**

(*) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	2020	**2019**
Potentially eligible	4,885	4,935
Ineligible	664	906
Total	**5,549**	**5,841**

b.2) Liabilities operations

Issued Mortgage Bonds (Millions of Euros)

	2020		2019	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	-		-	
Mortgage-covered bonds	**32,069**		**32,422**	
Of which: Non recognized as liabilities on balance	*19,510*		*17,590*	
Of Which: outstanding	*12,559*		*14,832*	
Debt securities issued through public offer	10,450		12,501	
Residual maturity up to 1 year	2,750		2,051	
Residual maturity over 1 year and less than 2 years	1,250		2,750	
Residual maturity over 2 years and less than 3 years	2,250		1,250	
Residual maturity over 3 years and less than 5 years	3,000		3,250	
Residual maturity over 5 years and less than 10 years	1,000		3,000	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	19,605		17,662	
Residual maturity up to 1 year	1,500		50	
Residual maturity over 1 year and less than 2 years	2,000		1,500	
Residual maturity over 2 years and less than 3 years	9,000		2,000	
Residual maturity over 3 years and less than 5 years	4,000		9,000	
Residual maturity over 5 years and less than 10 years	3,105		5,112	
Residual maturity over 10 years	-		-	
Deposits	2,014		2,260	
Residual maturity up to 1 year	425		246	
Residual maturity over 1 year and less than 2 years	368		425	
Residual maturity over 2 years and less than 3 years	100		368	
Residual maturity over 3 years and less than 5 years	371		100	
Residual maturity over 5 years and less than 10 years	100		471	
Residual maturity over 10 years	650		650	
Mortgage participations	**2,928**	**257**	**3,213**	**267**
Issued through public offer	2,928	257	3,213	267
Issued without public offer	-	-	-	-
Mortgage transfer certificates	**21,098**	**257**	**22,899**	**267**
Issued through public offer	21,098	257	22,899	267
Issued without public offer	-	-	-	-

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c) Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of December 31, 2020 and 2019:

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)

	Nominal value 2020	Nominal value 2019
Eligible loans according to article 34.6 y 7 of the Law 14/2013	3,284	3,621
Minos: Loans that support the issuance of internationalization bonds	-	-
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 del Royal Decree 579/2014	8	1
Total Loans included in the base of all issuance limit	**3,276**	**3,620**

c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)	Nominal value 2020	Nominal value 2019
(1) Debt securities issued through public offer (a)	**1,500**	**1,500**
Of which: Treasury shares	1,500	1,500
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	1,500	-
Residual maturity over 2 years and less than 3 years	-	1,500
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(2) Debt securities issued without public offer (a)	**-**	**-**
Of which: Treasury shares	-	-
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
(3) Deposits (b)	**-**	**-**
Residual maturity up to 1 year	-	-
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
TOTAL: (1) + (2) + (3)	**1,500**	**1,500**

	Percentage	Percentage
Coverage ratio of internationalization covered bonds on loans (c)	46%	41%

(a) Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Nominative bonds.

(c) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

d) Territorial bonds

d.1) Assets operations

December 2020. Loans that serves as collateral for the territorial bonds	Nominal Value(a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
Central governments	1,505	1,396	109
Regional governments	7,633	7,605	28
Local governments	3,665	3,665	-
Total loans	**12,803**	**12,666**	**137**

(a) Principal pending payment of loans.

December 2019. Loans that serves as collateral for the territorial bonds

	Nominal Value(a)		
	Total	**Spanish Residents**	**Residents in other countries of the European Economic Area**
Central Governments	1,473	1,345	128
Regional Governments	7,691	7,662	29
Local Governments	4,151	4,151	-
Total loans	**13,315**	**13,158**	**157**

(a) Principal pending payment of loans.

d.2) Liabilities operations

Territorial bonds (Millions of Euros)

	Nominal value 2020	**Nominal value 2019**
Territorial bonds issued (a)	**6,540**	**8,040**
Issued through a public offering	6,540	8,040
Of which: Treasury stock	*6,040*	*7,540*
Residual maturity up to 1 year	2,000	4,500
Residual maturity over 1 year and less than 2 years	840	2,000
Residual maturity over 2 years and less than 3 years	200	840
Residual maturity over 3 years and less than 5 years	3,500	700
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-
Other issuances	-	-
Of which: Treasury stock	*-*	*-*
Residual maturity over 1 year and less than 2 years	-	-
Residual maturity over 2 years and less than 3 years	-	-
Residual maturity over 3 years and less than 5 years	-	-
Residual maturity over 5 years and less than 10 years	-	-
Residual maturity over 10 years	-	-

	Percentage	**Percentage**
Coverage ratio of the territorial bonds on loans (b)	51%	60%

(a) Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).

(b) Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.

This Appendix is an integral part of Notes 12.3, 20.4 and 50.4 of the consolidated financial statements for the year ended December 31, 2020.

APPENDIX XI. Risks related to the developer and real-estate sector in Spain

a) Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problematic management and legal aspects, and includes the research department (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management policies, established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new real estate developer risk transactions

In the analysis of new operations, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant points that have helped ensure the success and transformation of construction land operations for our customers' developments.

As regards the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Recoveries and the Real Estate Unit. This guarantees coordination and exchange of information in all the processes.

The following strategies have been implemented with customers: avoidance of large corporate transactions, which had already reduced their share in the years of greatest market growth; non-participation in the second-home market; commitment to public housing financing; and participation in land operations with a high level of urban development security, giving priority to land open to urban development.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. The tools used include the so-called "watch-list", which is updated monthly with the progress of each client under watch, and the different strategic plans for management of special groups. There are plans that involve an intensification of the review of the portfolio for financing land, while, in the case of ongoing promotions, they are classified for monitoring purposes based on the rate of progress of the projects.

These actions have enabled the Bank to anticipate possible impairment situations, by always keeping an eye on BBVA's position with each customer (whether or not as first creditor).In this regard, key aspects include management of the risk policy to be followed with each customer, contract review, deadline extension, improved collateral, rate review (repricing) and asset purchase.

Proper management of the relationship with each customer requires knowledge of various aspects such as the identification of the source of payment difficulties, an analysis of the company's future viability, the updating of the information on the debtor and the guarantors (their current situation and business course, economic-financial information, debt analysis and generation of funds), and the updating of the appraisal of the assets offered as collateral.

BBVA has a classification of debtors in accordance with legislation in force in each country, usually categorizing each one's level of difficulty for each risk.

Based on the information above, a decision is made whether to use the refinancing tool, whose objective is to adjust the structure of the maturity of the debt to the generation of funds and the customer's payment capacity.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks. In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, with demanding terms for guarantees and legal compliance. The policy on refinancing uses outstanding risk rather than nonperforming assets, with a refinancing tool that standardizes criteria and values up to a total of 19 variables when considering any refinancing operation.

In the case of refinancing, the tools used for enhancing the Bank's position are: the search for new intervening parties with proven solvency and initial payment to reduce the principal debt or outstanding interest; the improvement of the debt bond in order to facilitate the procedure in the event of default; the provision of new or additional collateral; and making refinancing viable with new conditions (period, rate and repayments), adapted to a credible and sufficiently verified business plan.

Policies applied in the management of real estate assets in Spain

The policy applied for managing these assets depends on the type of real-estate asset, as detailed below.

In the case of completed homes, the final aim is the sale of these homes to private individuals, thus diluting the risk and beginning a new business cycle. Here, the strategy has been to help subrogation (the default rate in this channel of business is notably lower than in any other channel of residential mortgages) and to support our customers' sales directly, using BBVA's own channel (BBVA Services and our branches), creating incentives for sale and including sale orders for BBVA that set out sale prices which are notably lower than initial ones. In exceptional case we have even accepted partial haircuts, with the aim of making the sale easier.

In the case of ongoing construction work, our strategy has been to help and promote the completion of the works in order to transfer the investment to completed homes. The whole developer Works in Progress portfolio has been reviewed and classified into different stages with the aim of using different tools to support the strategy. This includes the use of developer accounts-payable financing as a form of payment control, the use of project monitoring supported by the Real Estate Unit itself, and the management of direct suppliers for the works as a complement to the developer's own management.

With respect to land, our presence at advanced stages in land development, where risk of rustic land is not significant, simplifies our management. Urban management and liquidity control to tackle urban planning costs are also subject to special monitoring.

b) Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2020 and 2019 is shown below:

December 2020 - Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,565**	**650**	**(317)**
Of which: Impaired assets	*473*	*213*	*(254)*
Memorandum item:			
Write-offs	2,288		
Memorandum item:			
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	166,589		
Total consolidated assets (total business)	445,411		
Impairment and provisions for normal exposures	(1,709)		

December 2019 - Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**2,649**	**688**	**(336)**
Of which: Impaired assets	*567*	*271*	*(282)*
Memorandum item:			
Write-offs	2,265		
Memorandum item:			
Total loans and advances to customers, excluding the public sector (Business in Spain)	167,217		
Total consolidated assets (total business)	407,632		
Impairment and provisions for normal exposures	(1,460)		

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing Allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)

	2020	2019
Without secured loan	**372**	**298**
With secured loan	**2,193**	**2,351**
Terminated buildings	1,307	1,461
Homes	991	1,088
Other	316	373
Buildings under construction	614	545
Homes	430	348
Other	184	197
Land	272	345
Urbanized land	143	240
Rest of land	129	105
Total	**2,565**	**2,649**

As of December 31, 2020 and 2019, 51.0% and 55.2% of loans to developers were guaranteed with buildings (75.8% and 74.5%, are homes), and only 10.6% and 13.0% by land, of which 52.6% and 69.6% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2020 and 2019:

Financial guarantees given (Millions of Euros)

	2020	2019
Houses purchase loans	58	44
Without mortgage	5	5

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2020 and 2019 is as follows:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase - December 2020 (Millions of Euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	74,689	2,841
Without mortgage	1,693	20
With mortgage	72,996	2,821

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase - December 2019 (Millions of Euros)

	Gross amount	Of which: impaired loans
Houses purchase loans	76,961	2,943
Without mortgage	1,672	22
With mortgage	75,289	2,921

The loan to value (LTV) ratio of the above portfolio is as follows:

December 2020 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount	15,197	18,891	20,716	10,624	7,568	72,996
Of which: Impaired loans	*170*	*294*	*426*	*470*	*1,461*	*2,821*

December 2019 - LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)

	Total risk over the amount of the last valuation available (Loan To Value-LTV)					
	Less than or equal to 40%	**Over 40% but less than or equal to 60%**	**Over 60% but less than or equal to 80%**	**Over 80% but less than or equal to 100%**	**Over 100%**	**Total**
Gross amount	15,105	19,453	20,424	11,827	8,480	75,289
Of which: Impaired loans	*182*	*313*	*506*	*544*	*1,376*	*2,921*

Outstanding home mortgage loans as of December 31, 2020 had an average LTV of 46% (47% as of December 31, 2019).

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of Euros)

	December 2020			
	Gross Value	**Provisions**	**Of which: Valuation adjustments on impaired assets, at the time of foreclosure**	**Carrying Amount**
Real estate assets from loans to the construction and real estate development sectors in Spain.	**28**	**(20)**	**(1)**	**8**
Terminated buildings	4	(2)	-	2
Homes	3	(1)	-	2
Other	1	(1)	-	-
Buildings under construction	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Land	24	(18)	(1)	6
Urbanized land	24	(18)	(1)	6
Rest of land	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	**1,090**	**(570)**	**(144)**	**520**
Rest of foreclosed real estate assets	**481**	**(259)**	**(48)**	**222**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,022**	**(317)**	**(279)**	**705**
Total	**2,621**	**(1,166)**	**(472)**	**1,455**

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	December 2019			
	Gross Value	Provisions	Of which: Valuation adjustments on impaired assets, at the time of foreclosure	Carrying Amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**26**	**(17)**	***(1)***	**9**
Terminated buildings	5	(2)	-	3
Homes	4	(1)	-	3
Other	1	(1)	-	-
Buildings under construction	-	-	-	-
Homes	-	-	-	-
Other	-	-	-	-
Land	21	(15)	*(1)*	6
Urbanized land	21	(15)	*(1)*	6
Rest of land	-	-	-	-
Real estate assets from mortgage financing for households for the purchase of a home	**1,149**	**(586)**	**(131)**	**563**
Rest of foreclosed real estate assets	**450**	**(233)**	**(37)**	**217**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,092**	**(247)**	**(209)**	**845**
Total	**2,717**	**(1,083)**	**(378)**	**1,634**

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2020 and 2019 amounted to €1,090 and €1,149 million, respectively, with an average coverage ratio of 52.3% and 51.0%, respectively.

As of December 31, 2020 and 2019, the gross book value of the BBVA Group's total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €1,599 and €1,625 million, respectively. The coverage ratio was 53.1% and 51.4%, respectively.

This Appendix is an integral part of Note 5 of the financial statements for the year ended December 31, 2020.

APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

REFINANCING AND RESTRUCTURING OPERATIONS

a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing and restructuring operations (see definition in the Glossary) are carried out with customers who have requested such an operation in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring operation is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the operation, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring operations do not in general increase the amount of the customer's loan, except for the expenses inherent to the operation itself.
- The capacity to refinance and restructure loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of operations based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the operation in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of operations is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring operations are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring operation does not meet the loan is reclassified from "impaired" or "standard under special monitoring" to outstanding risk. The reclassification to the "standard under special monitoring" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as impaired for reasons other than their default when there are significant doubts that the terms of their refinancing may not be met; or
- "Normal-risk assets under special monitoring" until the conditions established for their consideration as normal risk are met).

The conditions established for assets classified as “standard under special monitoring” to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower´s ability to pay, have been verified; and
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan;
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The BBVA Group’s refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

a) Quantitative information on refinancing and restructuring operations

DECEMEBER 2020
BALANCE OF FORBEARANCE
(Millions of Euros)

TOTAL

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
General Governments	65	76	64	62	45	-	14
Other financial corporations and individual entrepreneurs (financial business)	251	5	22	2	2	-	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	42,142	2,663	7,421	2,144	1,374	29	1,644
Of which: financing the construction and property (including land)	336	48	932	526	302	8	242
Rest homes	55,669	804	44,877	4,846	3,566	2	1,154
Total	**98,127**	**3,548**	**52,384**	**7,054**	**4,987**	**31**	**2,814**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions							
General Governments	39	36	29	20	14	-	11
Other financial corporations and individual entrepreneurs (financial business)	151	2	11	1	1	-	2
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	25,133	1,542	4,632	1,323	687	20	1,493
Of which: financing the construction and property (including land)	313	44	633	356	164	8	217
Rest homes	31,460	456	22,319	2,425	1,597	1	978
Total	**56,783**	**2,036**	**26,991**	**3,769**	**2,299**	**21**	**2,484**

DECEMEBER 2019
BALANCE OF FORBEARANCE
(Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	72	92	64	64	49	-	11
Other financial corporations and individual entrepreneurs (financial business)	228	5	23	3	2	-	3
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39,015	2,585	8,582	2,365	1,467	35	1,829
Of which: financing the construction and property (including land)	458	47	1,092	631	376	10	265
Rest homes	46,560	646	46,782	5,132	3,956	2	1,046
Total	**85,875**	**3,328**	**55,451**	**7,564**	**5,474**	**37**	**2,889**

Of which: IMPAIRED

	Unsecured loans		Secured loans				Accumulated impairment or accumulated losses in fair value due to credit risk
					Maximum amount of secured loans that can be considered		
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	45	41	30	21	16	-	7
Other financial corporations and individual entrepreneurs (financial business)	129	3	12	1	1	-	3
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	22,465	1,719	5,062	1,563	825	9	1,696
Of which: financing the construction and property (including land)	428	43	715	423	206	-	244
Rest homes	28,332	408	23,261	2,514	1,775	1	841
Total	**50,971**	**2,171**	**28,365**	**4,099**	**2,617**	**10**	**2,547**

b) Loans and advances to customers by activity (carrying amount)

December 2020 (Millions of euros)

	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized loans and receivables -Loans and advances to customers. Loan to value: Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	13,621	318	500	75	176	50	511	6
Other financial institutions and financial individual entrepreneurs	16,410	162	9,577	34	1,418	2,600	5,414	273
Non-financial institutions and non-financial individual entrepreneurs	80,806	10,545	1,964	4,462	3,766	1,961	1,001	1,319
Construction and property development	1,970	1,794	18	752	628	290	90	52
Construction of civil works	5,270	586	264	258	189	88	41	274
Other purposes	73,566	8,165	1,682	3,452	2,949	1,583	870	993
Large companies	48,028	2,494	692	1,031	895	530	221	509
SMEs (**) and individual entrepreneurs	25,538	5,671	990	2,421	2,054	1,053	649	484
Rest of households and NPISHs (***)	90,376	74,201	371	16,173	19,714	21,424	10,489	6,772
Housing	75,166	73,087	112	15,859	19,433	21,181	10,260	6,466
Consumption	12,149	88	163	62	71	77	12	29
Other purposes	3,061	1,026	96	252	210	166	217	277
TOTAL	**201,213**	**85,226**	**12,412**	**20,744**	**25,074**	**26,035**	**17,415**	**8,370**
MEMORANDUM:								
Forbearance operations (****)	*7,788*	*5,663*	*40*	*991*	*982*	*1,186*	*860*	*1,684*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

December 2019 (Millions of euros)

	TOTAL (*)	Of which: Mortgage loans	Of which: Secured loans	Collateralized loans and receivables -Loans and advances to customers. Loan to value: Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	14,828	360	439	59	209	63	460	8
Other financial institutions and financial individual entrepreneurs	17,614	194	11,634	88	36	3	11,637	64
Non-financial institutions and non-financial individual entrepreneurs	79,389	11,113	1,936	4,498	3,770	2,168	1,069	1,544
Construction and property development	1,989	1,864	21	685	546	405	125	124
Construction of civil works	5,192	676	155	276	206	134	48	167
Other purposes	72,208	8,573	1,760	3,537	3,018	1,629	896	1,253
Large companies	48,777	2,265	621	953	753	344	212	624
SMEs (**) and individual entrepreneurs	23,431	6,308	1,139	2,584	2,265	1,285	684	629
Rest of households and NPISHs (***)	92,644	76,735	407	15,995	20,442	21,173	11,812	7,720
Housing	76,339	74,272	121	15,175	19,692	20,493	11,560	7,473
Consumption	11,976	116	177	63	73	101	32	24
Other purposes	4,329	2,347	109	757	677	579	220	223
TOTAL	**204,475**	**88,402**	**14,416**	**20,640**	**24,457**	**23,407**	**24,978**	**9,336**
MEMORANDUM:								
Forbearance operations (****)	*8,003*	*6,131*	*43*	*1,024*	*1,152*	*1,285*	*1,054*	*1,659*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

c) Concentration of risks by activity and geographical area (carrying amount)

December 2020 (Millions of euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	104,580	41,466	27,162	14,647	21,305
General governments	69,969	52,317	10,441	1,660	5,551
Central Administration	54,332	37,302	10,159	1,601	5,270
Other	15,637	15,015	282	59	281
Other financial institutions and financial individual entrepreneurs	55,136	18,222	17,664	14,479	4,771
Non-financial institutions and non-financial individual entrepreneurs	124,529	78,705	20,832	12,979	12,013
Construction and property development	3,046	3,046	-	-	-
Construction of civil works	7,571	5,629	1,034	231	677
Other purposes	113,912	70,030	19,798	12,748	11,336
Large companies	86,553	43,403	19,336	12,543	11,271
SMEs and individual entrepreneurs	27,359	26,627	462	205	65
Other households and NPISHs	90,651	88,546	1,571	103	431
Housing	75,167	73,383	1,317	93	374
Consumer	12,149	12,117	16	7	9
Other purposes	3,335	3,046	238	3	48
TOTAL	**444,865**	**279,256**	**77,670**	**43,868**	**44,071**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of loss allowances.

December 2019 (Millions of Euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	77,047	22,717	34,254	11,268	8,808
General governments	60,876	46,080	7,949	3,386	3,461
Central Administration	43,830	29,594	7,508	3,363	3,365
Other	17,046	16,486	441	23	96
Other financial institutions and financial individual entrepreneurs	64,398	17,434	22,142	23,611	1,211
Non-financial institutions and non-financial individual entrepreneurs	121,440	75,266	24,063	14,005	8,106
Construction and property development	2,997	2,997	-	-	-
Construction of civil works	7,489	5,734	1,153	203	399
Other purposes	110,954	66,535	22,910	13,802	7,707
Large companies	85,731	42,137	22,220	13,695	7,679
SMEs and individual entrepreneurs	25,223	24,398	690	107	28
Other households and NPISHs	92,917	90,704	1,880	114	219
Housing	76,340	75,754	283	101	202
Consumer	11,977	11,953	9	8	7
Other purposes	4,600	2,997	1,588	5	10
TOTAL	**416,678**	**252,201**	**90,288**	**52,384**	**21,805**

(*) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of loss allowances.

December 2020 - Spain (Millions of euros)	TOTAL (*)	Andalucia	Aragon	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Credit institutions	41,466	355	14	-	18	-	1,117	-	-	329
Government agencies	52,317	1,189	581	366	500	583	14	248	954	2,229
Central Administration	37,302	-	-	-	-	-	-	-	-	-
Other	15,015	1,189	581	366	500	583	14	248	954	2,229
Other financial institutions and financial individual entrepreneurs	18,222	133	51	2	90	3	1	1	18	551
Non-financial institutions and non-financial individual entrepreneurs	78,705	6,598	1,549	1,165	2,425	2,309	475	1,292	1,492	14,221
Construction and property development	3,046	405	27	47	49	105	7	43	28	727
Construction of civil works	5,629	497	82	49	130	130	27	97	77	1,091
Other purposes	70,030	5,696	1,440	1,069	2,246	2,074	441	1,152	1,387	12,403
Large companies	43,403	1,850	695	734	1,561	859	235	376	529	6,371
SMEs and individual entrepreneurs	26,627	3,846	745	335	685	1,215	206	776	858	6,032
Other households and NPISHs	88,546	13,139	1,413	1,251	2,019	3,864	857	2,572	2,924	27,448
Housing	73,383	10,796	1,171	950	1,724	2,888	721	2,068	2,338	23,477
Consumer	12,117	2,021	211	246	270	882	105	452	477	2,934
Other purposes	3,046	322	31	55	25	94	31	52	109	1,037
TOTAL	**279,256**	**21,414**	**3,608**	**2,784**	**5,052**	**6,759**	**2,464**	**4,113**	**5,388**	**44,778**

December 2020 -Spain (Millions of euros)	Extremadura	Galicia	Madrid	Murcia	Navarra	Comunidad Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit institutions	-	39	38,705	-	-	713	176	-	-
Government agencies	321	788	3,845	113	421	1,042	1,700	78	43
Central Administration	-	-	-	-	-	-	-	-	-
Other	321	788	3,845	113	421	1,042	1,700	78	43
Other financial institutions and financial individual entrepreneurs	1	48	16,688	1	-	14	620	-	-
Non-financial institutions and non-financial individual entrepreneurs	902	2,171	28,792	1,616	912	5,070	7,311	298	107
Construction and property development	12	84	1,097	33	5	205	159	4	9
Construction of civil works	45	188	2,568	96	66	246	220	10	10
Other purposes	845	1,899	25,127	1,487	841	4,619	6,932	284	88
Large companies	201	950	20,459	608	507	1,864	5,509	89	6
SMEs and individual entrepreneurs	644	949	4,668	879	334	2,755	1,423	195	82
Other households and NPISHs	1,424	3,133	13,928	1,897	502	8,240	2,850	331	754
Housing	1,106	2,425	11,788	1,501	402	6,792	2,331	272	633
Consumer	283	555	1,515	363	76	1,209	360	48	110
Other purposes	35	153	625	33	24	239	159	11	11
TOTAL	**2,648**	**6,179**	**101,958**	**3,627**	**1,835**	**15,079**	**12,657**	**707**	**904**

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of loss allowances.

December 2019 - Spain (Millions of euros)

	TOTAL (*)	Andalucia	Aragon	Asturias	Baleares	Canarias	Cantabria	Castilla La Mancha	Castilla y León	Cataluña
Credit institutions	22,717	1,175	319	-	174	-	1,112	7	-	393
Government agencies	46,080	1,707	718	454	517	426	25	430	947	2,493
Central Administration	29,594	-	-	-	-	-	-	-	-	-
Other	16,486	1,707	718	454	517	426	25	430	947	2,493
Other financial institutions and financial individual entrepreneurs	17,434	82	48	4	167	5	1	1	59	745
Non-financial institutions and non-financial individual entrepreneurs	75,266	5,946	1,330	970	1,954	2,090	422	1,176	1,224	13,266
Construction and property development	2,997	404	46	36	54	97	5	36	35	777
Construction of civil works	5,734	425	64	43	160	112	26	81	75	1,115
Other purposes	66,535	5,117	1,220	891	1,740	1,881	391	1,059	1,114	11,374
Large companies	42,137	1,669	557	588	1,191	742	189	334	343	5,883
SMEs and individual entrepreneurs	24,398	3,448	663	303	549	1,139	202	725	771	5,491
Other households and NPISHs	90,704	12,950	1,381	1,250	2,040	3,840	852	2,572	2,888	27,706
Housing	75,754	10,927	1,194	985	1,771	2,956	739	2,141	2,385	24,292
Consumer	11,953	1,707	174	211	242	794	83	377	394	2,333
Other purposes	2,997	316	13	54	27	90	30	54	109	1,081
TOTAL	**252,201**	**21,860**	**3,796**	**2,678**	**4,852**	**6,361**	**2,412**	**4,186**	**5,118**	**44,603**

December 2019 -Spain (Millions of euros)

	Extremadura	Galicia	Madrid	Murcia	Navarra	Comunidad Valenciana	País Vasco	La Rioja	Ceuta y Melilla
Credit institutions	-	528	17,634	-	-	363	1,012	-	-
Government agencies	191	833	3,855	246	645	995	1,863	79	62
Central Administration	-	-	-	-	-	-	-	-	-
Other	191	833	3,855	246	645	995	1,863	79	62
Other financial institutions and financial individual entrepreneurs	1	59	15,981	2	-	5	274	-	-
Non-financial institutions and non-financial individual entrepreneurs	799	2,121	29,846	1,377	1,009	4,335	7,010	276	115
Construction and property development	16	93	993	16	6	213	150	9	11
Construction of civil works	39	180	2,815	71	58	234	217	10	9
Other purposes	744	1,848	26,038	1,290	945	3,888	6,643	257	95
Large companies	246	963	21,391	513	629	1,473	5,322	96	8
SMEs and individual entrepreneurs	498	885	4,647	777	316	2,415	1,321	161	87
Other households and NPISHs	1,390	3,005	16,336	1,896	491	8,251	2,779	332	745
Housing	1,119	2,444	12,604	1,531	412	7,011	2,325	281	637
Consumer	237	458	3,130	326	63	997	292	39	96
Other purposes	34	103	602	39	16	243	162	12	12
TOTAL	**2,381**	**6,546**	**83,652**	**3,521**	**2,145**	**13,949**	**12,938**	**687**	**922**

(*)The definition of risk for the purpose of this statement includes the following items on the public balance sheet: Loans and advances to credit institutions, Loans and advances, Debt securities, Equity instruments, Other equity securities, Derivatives and hedging derivatives, Investments in subsidiaries, joint ventures and associates and guarantees given and Contingent risks. The amounts included in this table are net of loss allowances.

Appendix XIII Agency Network

PEÑA PEÑA, MANUEL
GESTIONES MARTIN BENITEZ, S.L.
LINARES LOPEZ, RAMÓN
TORRECILLAS BELMONTE, JOSE MARIA
LIMONCHI LOPEZ, HERIBERTO
VIDAL JAMARDO, LUIS RAMON
ROMAN BERMEJO, MARIA ISABEL
NOVAGESTION MARINA BAIXA, S.L.
FERNANDEZ ALMANSA, ANGEL ALEJANDRINO
CLIMENT MARTOS, MARIA ROSARIO
GARCIA FONDON, CONSTANTINO
GOMEZ EBRI, CARLOS
CAMPOS CARRERO, MARIA JOSEFA
DOBLAS GEMAR, ANTONIO
MUÑOZ BERZOSA, JOSE RAMON
FERNANDEZ ONTAÑON, DANIEL
ASESORIA CM, C.B.
GOPAR MARRERO, PABLO
DELGADO GARCIA, JOSE LUIS
ASESORIA VELSINIA, S.L.
FERNANDO BAENA, S.L.
TORRES MONTEJANO, FELIX
LOSADA LOPEZ, ANTONIO
SERVIGEST GESTION EMPRESARIAL, S.L.
ESTHA PATRIMONIOS, S.L.
GESTIONS I ASSEGURANCES PERSONALIZADES, S.L.
GESPIME ROMERO MIR, S.L.
GUTIERREZ DE GUEVARA, S.L.
ACREMUN, S.L.
ENRIQUE AMOR CORREDURIA DE SEGUROS, S.L.
FORUARGI, S.L.
MESANZA QUERAL, ALBERTO GUILLERMO
POGGIO, S.A.
PYME'S ASESORIA, S.L.
RUIZ DEL RIO, ROSA MARIA
SERRANO QUEVEDO, RAMON
ASESORIA LIZARDI, S.L.
FERNANDEZ-MARDOMINGO BARRIUSO, MIGUEL JOSE
ROGADO ROLDAN, ROSA
MARTINEZ PUJANTE, ALFONSO
CERTOVAL, S.L.
CASTELL AMENGUAL, MARIA
CAMPDEPADROS CORREDURIA D'ASSEGURANCES, S.L.
COSTA CALAF, MONTSERRAT
SIERRA TORRE, MIGUEL
MARTINEZ MOYA, DIEGO
CAPAFONS Y CIA, S.L.
CARBO ROYO, JOSE JORGE
PRADA PRADA, MARIA CARMEN
SABATE NOLLA, TERESA
MONTEAGUDO NAVARRO, MARIA
DOMINGUEZ JARA, RAFAEL JESUS
SALVIA FABREGAT, MARIA PILAR
CARDENO CHAPARRO, FRANCISCO MANUEL
MARTINEZ CASTRO, MANUEL FRANCISCO
SAMPER CAMPANALS, PILAR
PELLICER BARBERA, MARIANO
GARCIA OVALLE, OSCAR
CAÑAS AYUSO, FRANCISCO
MUÑOZ VIÑOLES, S.L.
GESTORIA HERMANOS FRESNEDA, S.L.
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CERQUEIRA CRUCIO, FERNANDO
REYES BLANCO, RAFAEL
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ESINCO CONSULTORIA, S.L.
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DE DIEGO MARTI, FRANCISCO JOSE
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ASESORIA BERCONTA, S.L.

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USKARTZE, S.L.

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VELASCO ROCA, IGNACIO

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FONTAN ZUBIZARRETA, RAFAEL

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MEDONE SERVEIS, S.L.

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PERUCHET GRUP CONSULTOR D'ENGINYERIA, S.C.P.

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SOCOGADEM, S.L.

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CROWE LEGAL Y TRIBUTARIO, S.L.P.

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GOMEZ FERNANDEZ, JOSE IGNACIO

MARTIN MAYOR, ANTONIO

CORSAN FINANCE, S.L.

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SISTHEMA GESTION EMPRESARIAL, S.L.

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MALMAGRO BLANCO, ANTONIO

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CARCOLE ARDEVOL, JOSE

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ORTIZ MARTIN, FRANCISCO EULOGIO

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PEREZ CORDOBA, VICTOR MIGUEL
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NOVOSELOVA, ELENA
ROMERO SIERRA, BENJAMIN
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GARVIN Y FISAC CONSULTORES, S.L.
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VILAR RIBA, S.A.
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DE ASTOBIZA AGUADO, IGNACIO
IBERBROKERS ASESORES LEGALES Y TRIBUTARIOS, S.L.
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REY PAZ, ROCIO
SALAMERO MORENO, JOAQUIN
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OTERO ALVAREZ, JULIA
MITJAVILA Y ASOCIADOS ESTUDIO JURIDICO FISCAL, S.L.
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MARTINEZ VECINO, MARIA CONCEPCION
MARTIN PEREZ ASSESSMENT, S.L.P.
ROMAN CAMPOS, MARIA ETELVINA
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AFYSE INIESTA ASESORES, S.L.
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CRESPO GOMEZ, LUCAS
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PAZ GRANDIO, FRANCISCO JOSE
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FLORES MOLERO, GREGORIO
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OLMO BARONA, ANDRES
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ANDISARU, S.L.
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SAPRO INVESTMENT, S.L.
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TOIMIL SOMESO, MARIA DOLORES
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ORTIZ GARCIA, JUAN ANTONIO
TUTUSAUS LASHERAS, MONTSERRAT
MARTIN CARLOSENA, RAFAEL
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ARESTI MUGICA, REGINA MARIA
CIUDAD BRONCANO, JUAN FRANCISCO
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SASUKE XXI, S.L.
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FERTAPDO, S.L.
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DIAZ PEREZ, CARLOS
GONZALEZ LANZA, ALEXIA MARIA
ARCONES GARCIA, ROCIO
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DONOSO BUENO, CARLOS
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CALVET REVERTE, MARIA PILAR
CALLES VAQUERO, IVAN
GARCIA PEREZ DE ARRILUCEA, RAMON
BOULLOSA MOURE, BENITO
GISTAU LATRE, LAURA
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EUGERCIO HERRA, FRANCISCO JAVIER
LOMBIDE HERNANDEZ, NAGORE
GUTIERREZ FERNANDEZ, MARIA
BENITO BARONA, ANDER
DBSER INVEPAT, S.L.
BARRAL CASADO, RICARDO
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MARTINEZ BERMUDEZ, LEOPOLDO
ROBLES ALONSO, SARA
ACOFI ASESORES Y CONSULTORES, S.L.
BOSCH ASSESSORIA TECNICA LABORAL, S.L.U.
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FRANCIAMAR GORLIZ, S.L.
PRADO RECOLETOS ASESORES, S.L.
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BELLO NAVARRO, MIQUEL
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PDCE CONSULTING DE EMPRESAS, S.L.P.
LAFUENTE SERVICIOS EXTERNOS, S.L.
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MARIN PEREZ, ANA MERCEDES
IBAÑEZ LERA, ALEJANDRO
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ASEFINSO, S.C.
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BERTOLOTTI, ALAIN
SOTO DE PRADO, ISABEL
TRYCICLO ADVISORS, S.L.
ENDOR INVERSIONES, S.L.
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APPROACH TO FINANCIAL SERVICES, S.L.
JEDA GROUP SABA, S.L.
Q-INVEST FAMILY OFFICE, S.L.
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GOMEZ JUEZ, ARTURO MARIA
GIT CANARIAS, S.L.
GOMEZ RODRIGUEZ, FRANCISCO MANUEL
VARELA PAZ, ANABEL
BLANCO OVIEDO, ALBERTO
MEDITERRANEA BLAVA, S.L.
ALABMAX FUER CONSULTING, S.L.
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DURAN LOPEZ, LAURA
ATANES GONZALEZ, SILVIA
FONTECHA MAISO, S.L.
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RODRIGUEZ RODRIGUEZ-VILA, ENRIQUE
GARCIA LOPEZ, PEDRO JOSE
FAUS GOMAR, ESTEBAN
VAZQUEZ GALIANO, MIGUEL

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TAT TECNICA ASESORA TRIBUTARIA, S.L.
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SAHUN JOVE, IMMACULADA
LOPEZ GARCIA, ANDRES
CAÑAS BLANCO, ANA
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DORA MAIPU, S.L.
PASTOR ARANDA, C.B.
GUTIERREZ ORTEGA, FERNANDO
WORKUP ASESORES, S.L.
STUDIUM CONSULTORES VALLADOLID, S.L.L.
ARGENTE Y MERIDA ASOCIADOS, S.L.
ARROYO GARCIA ASESORES, S.L.
SERVEIS ALDOMA MAS, S.L.
CUEVAS MARTINEZ ASESORES, S.C.
FERNANDEZ RODRIGUEZ, TRINIDAD
ASESORIA DEL VALLE, C.B.
BLOTUH, S.L.
JARAIZ SELECCION, S.L.
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GONZALEZ GOMEZ, JAVIER ANTONIO
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GARCIA RODRIGUEZ, FRANCISCO JOSE
SARMIENTO CONESA, MARIA ESTELA
GEFGIRONA, S.L.
INVERSIONES SUAREZ IBAÑEZ, S.L.
TOT GESTIO ROMIA LLOP, S.L.
MANZANARES RODRIGUEZ, JAVIER
INIGO LOPEZ, LUIS ALBERTO
ABADIAS ANORO, ALFREDO
OKAPI SES SALINES, S.L.U.
BV CORUÑA, S.L.
ASESCO MALLORCA ASESORES E INVERSORES, S.L.
ASESORIA DE EMPRESAS URBANO Y ASOCIADOS, S.L.
ARCADIO INVERSIONES Y ASESORAMIENTO, S.L.
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PEGUERO LANZOS, FERNANDO
NUÑO BALLESTEROS, ALFONSO

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PASCUAL HERRERO, MIGUEL
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OLLER CARRILLO, SIMON
FORCEN LOPEZ, MARIA ESTHER
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GESTORIA CORONA, S.L.P.
ABAC GESTION INTEGRAL DE EMPRESAS, S.L.
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FERNANDEZ MOYANO, ONOFRE
MARTOS LOPEZ, JESUS
CANALES FUENTE, JAVIER
GIL TEJADA, MARCOS BERNARDO
MIRO SALA, MARIA ANGELES
LOPEZ IRIARTE, JOSE MANUEL
CASELLAS GASSO, SALVADOR
DELGADO ESPINOLA, ANTONIO
ALLIED CAPITAL, S.L.
CONSEJEROS Y PROYECTOS DE GESTION, S.L.
CORCUERA ABOGADOS Y ASESORES DE PATRIMONIO S.L.
EASY MODE, S.C,
GESTIO ABP, S.L.

JAMANROCRIS, S.L.

MEDINA FINANZAS S.L.

MSJN FINANCIAL ADVISORS SLU,

VALDELASIERRA ASESORES SL,

TORRELLAS GRAMAJE, NOELIA

ARDAO ESPUCH, CRISTINA

DE ZAYAS CAMPOS, MARIA TERESA

PROALIA CONSULTING EMPRESARIAL, S.L.

FERNANDEZ AYALA, CARLOS

DEBCO ESTRUCTURA PROFESIONAL, S.L.P.

ALAMA SELMA, VICENTE IDELFONSO

TERRADILLOS PEREZ, LEIRE

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GALLEGO Y ASOCIADOS CONSULTORIA EMPRESARIAL SL PROFESIONAL,

PEINADO ANGUITA, PABLO

PLEGUEZUELO WITTE, ANTONIO JOSE

SOTERAS MORERA, DAVID

VAZQUEZ CARRASCO, NURIA

VAZQUEZ ALVAREZ, GRACIELA NOEMI

REINA BETTIGHOFER, JOSE CARLOS

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EMPRENDE SERVICIOS FINANCIEROS S.L.

MOYÁ & EMERY ASESORIA Y CONSULTING SL,

SERRANO MORAL, ANTONIO

ALDAVERO ROMERO INVERSIONES S.L.

STRAFY 4 ASSET MANAGEMENT SL,

ROMERO FORMOSO, FATIMA

XESCONTA ASESORÍA DE EMPRESAS SL,

HERMANOS SANCHEZ JIMENEZ ASESORES C.B.

JUAN LORENZO SL,

FERRADAS PEREZ, TOMAS JOAQUIN

MALGOSA MORERA, JOAQUIN

FISCATEL CONSULTORES Y ASESORES,SCP,

CESARI MORA, ANNA

SUAREZ PREGO, HECTOR

RAMOS PURAS CONSULTORES SL,

AGENTES TRIBUTARIOS Y FROS SL,

LOZANO MARTIN, MATIAS

CHILCO GESTION SL,

DIEZ AMORETTI S.L.

GARCIA PRIETO, JOSE LUIS

CREACIONES CARLINA S.L.

MORERA CELDRAN, JULIO MARCO

ASESORIA LABORAL JAVIER CASTRO S.L.

GUERRERO ARPI, MARTIN

DIZ MORON, JORGE

CASTEJON DE LA ENCINA, GONZALO

DIAZ GARCIA FUENTES, MIGUEL

ASESORES FINANCIEROS R.V. SABIO S.L.

FUENTE VILLARAN, ALVARO

CALVO FERNANDEZ, JULIAN

BEATRIZ ARROYO AVILA S.L.

GAROZ DURO, ANA

CACERES SANCHEZ, GONZALO

MEDIERO MUÑOYERRO, JESUS

SANTOS MAYORDOMO, RUBEN

FERNANDEZ RODRIGUEZ, ALEJANDRO

LANAU ALTEMIR, RAMON ANGEL

SANTOS HERRERA, MERCEDES

BARRERA VAZQUEZ, JAVIER

TETIAROA GESTION Y CONSULTING 2011, S.L.

ASFIPA, S.L.,

Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.
Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.
Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.

Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: a) Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b) Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c) Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current service cost	Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.
Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Default	An asset will be considered as defaulted whenever it is more than 90 days past due.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.
Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.

Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Domestic activity	Domestic balances are those of BBVA´s Group entities domiciled in Spain, which reflect BBVA´s domestic activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate (EIR)	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.
Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than “Capital” and “Equity component of compound financial instruments”.
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor’s share of the investee’s net assets. The investor’s profit or loss includes its share of the investee’s profit or loss and the investor’s other comprehensive income includes its share of the investee’s other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Expected Credit Loss (ECL)	Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect: 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort.

	The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not be recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Foreign activity	International balances are those of BBVA´s Group entities domiciled outside of Spain, which reflect our foreign activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Impaired financial assets	An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. *Evidence that a financial asset is credit-impaired includes observable data about the following events:* *a) significant financial difficulty of the issuer or the borrower,* *b) a breach of contract (e.g. a default or past due event),* *c) a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider,* *d) it becoming probable that the borrower will enter bankruptcy or other financial reorganization,*

	e) the disappearance of an active market for that financial asset because of financial difficulties, or *f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.*
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets of the arrangement and obligations for the liabilities. A joint venturer shall recognize the following for its participation in a joint operation: a) its assets, including any share of the assets of joint ownership; b) its liabilities, including any share of the liabilities incurred jointly; c) income from the sale of its share of production from the joint venture; d) its share of the proceeds from the sale of production from the joint venturer; and e) its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Lease liability	Lease that represents the lessee's obligation to make lease payments during the lease term.

Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non performing financial guarantees given	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for financial guarantees given. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a) it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b) the sale is considered highly probable.
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Non-trading financial assets mandatorily at fair value through Profit or loss	The financial assets registered under this heading are assigned to a business model whose objective is achieved by obtaining contractual cash flows and / or selling financial assets but which the contractual cash flows have not complied with the SPPI test conditions.
Option risk	Risks arising from options, including embedded options.

Other financial assets/liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: a) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity´s key management personnel. These are financial assets managed jointly with "Liabilities under insurance and reinsurance contracts" measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.
Other Reserves	This heading is broken down as follows: i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associate: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Property, plant and equipment/tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.

Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.
Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.
Renegotiated Operation	An operation whose financial conditions are modified when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the conditions are modified for reasons other than restructuring.
Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Right of use asset	Asset that represents the lessee’s right to use an underlying asset during the lease term.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.

Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: *a) Quantitative criterion*: based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. b) *Qualitative criterion:* most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.
Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a) representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions; c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) provision of essential technical information.
Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - *without significant increase in credit risk* (Stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - *significant increase in credit risk* (Stage 2) and the third one, the impaired operations *Impaired* (Stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to Stage 2 is no longer met, the exposure will be transferred to Stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as Stage 2. However, when the loan is not flagged as forbearance it will be transferred back to Stage 1.

Statements of cash flows	The indirect method has been used for the preparation of the statement of cash flows. This method starts from the entity's profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used: · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Statements of changes in equity	The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any. The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
statements of recognized income and expenses	The statement of recognized income and expenses reflect the income and expenses generated in each fiscal year, distinguishing between those recognized in the profit and loss accounts and the "Other recognized income and expenses"; which are recorded directly in the equity. The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts. The sum of the variations recorded in the "accumulated other comprehensive income" caption of the equity and the profit for the year represents the "Total income and expenses".
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes: a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.

Creating Opportunities

Management Report

BBVA 2020

Contents

This Management Report includes information on BBVA's performance in 2020, the definition of the strategy and the activity more related to it and to the stakeholders, in the sections of the chapter Non-financial information report; the financial performance in the Balance sheet, business activity and earnings; and all risk management information in its corresponding chapter.

About BBVA

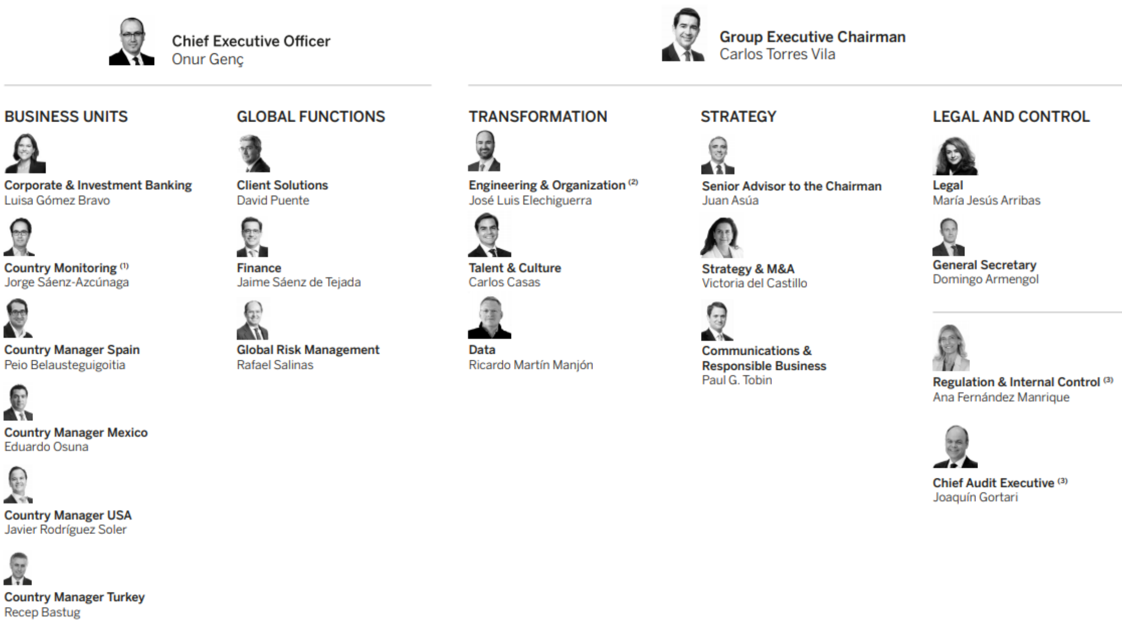
Banco Bilbao Vizcaya Argentaria, S.A. (the “Bank” or “BBVA”) is a private-law entity governed by the rules and regulations applicable to banks operating in Spain.

BBVA S.A is a **bank** founded in 1857 that the parent company of the BBVA Group, a global financial services group with a vision focused on the customer client a customer-centric global financial services group with a significant presence in the traditional banking business of retail banking, asset management and wholesale banking.

Its **purpose** is to bring the age of opportunity to everyone. This purpose is based on customers' real needs: providing the best solutions and helping them make the best financial decisions by offering an easy and convenient experience. The entity is based on strong values: customer comes first, we think big and we are one team.

The Bank has a solid position in Spain and, for its development activity, has representative offices in more than 15 countries.

Organizational Chart



(1) Reporting channel to CEO for Argentina, Colombia, Peru, Venezuela, Uruguay and Paraguay, as well as monitoring of all countries, including Spain, Mexico, USA and Turkey.

(2) The exercise of his duties is subject to his registration with the Bank of Spain’s Senior Managers’ Registry.

(3) Reporting to the Board of Directors trough the corresponding commissions.

Non-financial information report

Pursuant to Law 11/2018 of December 28, modifying the Commercial Code, the revised text of the Capital Companies Law approved by Royal Legislative Decree 1/2010 of July 2, and Law 22/2015 of July 20 on Accounts Auditing, regarding non-financial information and diversity (hereinafter, Law 11/2018), BBVA presents a non-financial information report that includes, but is not limited to: the information needed to understand the performance, results, and position of the Bank, and the impact of its activity on environmental, social, respect for human rights, and the fight against corruption and bribery matters, as well as employee matters.

In this context, BBVA prepares the **Non-financial information report** in the Bank's Management Report, which is attached to the Financial Statements for the 2020 fiscal year as covered in the article 49.6 of the Commercial code introduced by Law 11/2018.

Reporting of the non-financial key performance indicators (KPI) included in this consolidated non-financial information report is performed using the GRI (Global Reporting Initiative) guide as an international reporting framework in its exhaustive option.

In addition, for the preparation of the non-financial information contained in this Management Report, the Bank has considered the Communication from the Commission of July 5, 2017 on Guidelines on non-financial reporting (methodology for reporting non-financial information, 2017/C 215/01).

In relation to the COVID-19 pandemic, specific sections have been included throughout, which describe how the outbreak of the pandemic has affected the development of BBVA Group's activities. In addition, in compliance with the recommendations issued by the European Securities and Markets Authorities (ESMA) throughout 2020, specific disclosures have been included in relation to this issue throughout this report.

The information included in the non-financial information report is verified by KPMG Auditores, S.L., in its capacity as independent provider of verification services, in accordance with the new wording given by Law 11/2018 to article 49 of the Commercial Code.

Environment

Macro and industry environment and trends

The **Global economy** is being severely affected by the COVID-19 pandemic. Supply, demand and financial factors caused an unprecedented fall in GDP in the first half of 2020. Supported by strong fiscal and monetary policy measures, as well as greater control over the spread of the virus, global growth rebounded more than expected in the third quarter, before slowing down in the fourth, when the number of infections rose again in many regions, mainly in the United States and Europe. As for 2021, the unfavorable evolution of the pandemic is expected to adversely affect activity in the short term, while new fiscal and monetary stimuli, as well as the administering of coronavirus vaccines, are expected to support recovery from mid-year onwards.

Following the massive fiscal and monetary stimuli to support economic activity and reduce financial tensions, government debt has increased across the board and interest rates have been cut, and are now at historical low levels. Additional countercyclical measures may be required. Similarly, a significant reduction in current stimuli is not expected, at least until the recovery takes hold.

Tensions in the financial markets have moderated rapidly since the end of March 2020, following the decisive actions taken by the main central banks and the fiscal packages announced in many countries. In recent months, the markets have shown relative stability and, at certain times, risk-taking movements. Likewise, progress related to the development of COVID-19 vaccines and prospects for economic recovery should pave the way for financial volatility to persist at relatively low levels in general going forward.

BBVA Research estimates that global GDP contracted by around 2.6% in 2020 and will expand by around 5.3% in 2021 and 4.1% in 2022. Activity will recover gradually and heterogeneously among countries. Various epidemiological, financial and geopolitical factors are also contributing to the persistent exceptionally high uncertainty.

GLOBAL GDP GROWTH AND INFLATION (REAL PERCENTAGE GROWTH)

	2020		2021	
	GDP	Inflation	GDP	Inflation
World	(2.6)	3.4	5.3	3.3
Eurozone	(7.3)	0.3	4.1	0.8
Spain	(11.0)	(0.3)	5.5	0.7
The United States	(3.6)	1.3	3.6	2.6
Mexico	(9.1)	3.4	3.2	3.3
South America [(1)]	(6.8)	8.8	4.7	10.4
Turkey	1.0	14.6	5.0	10.5
China	2.2	2.5	7.5	1.7

Source: BBVA Research estimates.
[(1)] It includes Argentina, Brazil, Chile, Colombia and Peru.

With regard to the **banking system**, in an environment in which much of the economic activity has been at a stand still for several months, the services provided have played an essential role, basically for two reasons: firstly, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; secondly, the granting of new lending or the renewal of existing lending has reduced the impact of the economic slowdown on household and business income. The support provided by the banks over the months of lockdown and public guarantees have been essential in softening the impact of the crisis on companies' liquidity and solvency, meaning that banking has become its main source of funding for most companies.

In terms of **profitability**, European and Spanish banking have deteriorated, primarily because many entities recorded high provisions for impairment on financial assets in the first two quarters of 2020 as a result of the worsening macroeconomic environment following the pandemic outbreak. Pre-pandemic profitability levels remained far from the levels prior to the previous financial crisis. This is in addition to the accumulation of capital since the previous crisis and the very low interest rate environment that we have been experiencing for several years. Nevertheless, the banks are facing this situation from a healthy position and with solvency that has been constantly increasing since the 2008 crisis, with reinforced capital and liquidity buffers and, therefore, with a greater lending capacity.

In **Spain**, In terms of **growth**, according to BBVA Research estimates, Spanish GDP could contract 11.0% in 2020 and grow by 5.5% in 2021. With regard to 2020, performance in the third quarter was somewhat better than expected in terms of activity, but Spain's GDP was close to stagnation in the fourth quarter. BBVA Research predicts that accelerated economic activity in the second half of this year will lead to 7% GDP growth in 2022, assuming that both private consumption and investment (public and private) benefit from the mass vaccination campaign, from expansionary fiscal policy and from favorable financing conditions. Mass vaccinations will result in reduced health uncertainty, eased restrictions on the mobility of workers and families, and will allow businesses in the service sector to open. These factors will be key to boosting consumption and reducing savings accumulated during the crisis period. The funds associated with NGEU will have an increasing impact over time, especially on investment, which will also contribute to economic acceleration. Estimates of the impact that these funds will have on the economy continue to point to a significant effect in 2021 and the next two years (1.5 percentage points on average per year).

As regards the **banking system**, according to the latest Bank of Spain data available, the total volume of lending to the private sector recovered slightly in October 2020 (up +2.4% year-on-year) as a result of the growth of new business lending transactions since April, within the framework of the public guarantee programs launched by the government to combat COVID-19. For their part, asset quality indicators have continued to improve (the NPL ratio was 4.57% in October 2020). Profitability entered negative ground in the first nine months of 2020 due to the increase in provisions resulting from the coronavirus crisis and, more importantly, the extraordinary negative results recorded in the first half of the year associated with the deterioration of goodwill in some entities. In addition, the low interest rate environment has kept profitability under pressure. Spanish institutions maintain comfortable levels of capital adequacy and liquidity.

Regulatory environment

Banking after COVID-19

The regulatory environment of the financial industry during 2020 has been marked by the **COVID-19** health crisis and the changes that have occurred in the lives of companies, consumers, workers and, ultimately, in society as a whole. Throughout this financial year, the rapid reaction of supervisors and regulators has been particularly notable, as they did not wait for the situation to deteriorate before adopting strong response measures, allowing them to relax some existing regulatory requirements and implement regulatory changes and measures to adapt to the challenges posed by this pandemic and the challenges it could pose in the coming months, since, unlike during the previous crisis, banks were in a solid position in terms of solvency and liquidity this time around.

This section analyzes the regulatory milestones set due to COVID-19 (regulatory flexibility, payment deferrals, restriction of dividend distribution and use of capital buffers), as well as other measures taken for trends prior to its emergence, such as those aimed at improving the situation in the markets (with projects such as the Capital Markets Union and reference indices reforms), the challenge of financial sustainability with the fulfillment of Environmental, Social and Governance (ESG) criteria and the transformation toward an increasingly digital business model where regulation must aid innovation and change processes and systems so that banks can compete in the new ecosystem of financial service providers that are highly efficient, technologically advanced and subject to less-demanding regulation.

Regulatory response to COVID-19 (payment-deferrals, dividends, NPL buffers)

The economic consequences of the health crisis caused by the COVID-19 outbreak have been met by an **agile, forceful response** from national and international regulatory authorities. These measures have highlighted the fundamental role that banks play as finance providers in extraordinary situations such as the one experienced, which entails strong liquidity stress.

The set of measures taken by the global, European and Spanish regulatory authorities during 2020 to reduce pressure on banks in the midst of the global pandemic has enabled institutions to channel their efforts and resources more efficiently and swiftly in order to contribute to a rapid economic recovery.

At the **global** level, the Financial Stability Board (hereinafter FSB) encouraged competent authorities to use the flexibility of international standards. The Basel Committee on Banking Supervision (BCBS) announced a delay in implementing the Basel III package (until 2023) and the International Accounting Standards Board (IASB) issued a guide on the application of IFRS 9 in the context of the COVID-19 crisis.

These measures have been aimed at maintaining the **provision and extension of credit** in exceptional circumstances. However, this extension necessarily requires proper recognition of potential impairments. In this regard, both prudential and accounting authorities have made it clear that the flexibility that has been included in the rules should be used so as to avoid automatisms in the reclassification of exposures. This has been particularly relevant in cases where payments have been made on certain loans.

Among the measures announced by **European agencies**, the most significant have been those related to the possibility of using prudential buffers, for both capital and liquidity. In this regard, the European Commission, the European Banking Authority (hereinafter, EBA) and the ECB have had to adjust their initial work plans to allow financial institutions to devote more resources to stimulating the real economy.

The ECB stated that entities could operate under capital and liquidity buffers, and called on banks to apply restrictions on dividend distribution and share buybacks until September 30, 2021, as well as to exercise caution when paying variable remuneration. For its part, the EBA updated its work program for 2020 to reflect all the changes that the COVID-19 pandemic has had on its activities. The EBA therefore only engaged in new consultations that were considered critical, postponed the publication of the final technical standards based on their degree of completion and the time frame envisaged for their implementation, and suspended the data collections normally used for ad-hoc analyses. The EBA also provided operational relief to financial institutions by postponing the 2020 stress test and recommending that authorities make use of the regulatory flexibility. It has also published guidelines on the handling of public and private payment deferrals and other national measures. Additionally, the EBA has published guidelines regarding the treatment of public and private payment deferrals, which have been extended until March 31, 2021, as well as its reporting and other national measures for the banks to continue to grant loans at the same time as recognizing any solvency issue, ensuring by the latter, that problematic loans are adequately reflected in the banks' accounts.

The European Commission published in December 2020 its Action Plan about non-performing loans (NPLs) in which it highlights the need to act rapidly and not incurring the same situation lived during the last crisis to guarantee the protection of clients and especially vulnerable debtors. This action plan is based on four points: i) Development of secondary markets for the impaired assets; ii) network of bad banks (AMCs); iii) Frameworks for insolvency, restructuring and debt recovery; and iv) NPLs management via a crisis management framework and governmental support programs.

In terms of **regulations** affecting the **banking sector**, the main changes to the prudential framework of the Capital Requirements Regulation (known as "CRR Quick Fix") intended to mitigate the effects of the pandemic and ensure the flow of credit have been as follows: i) extension of the transitional agreement to mitigate the effect of IFRS 9 on capital; ii) modification of the prudential backstop of provisions for loans with public guarantees, bringing it in line with the beneficial treatment received by other guaranteed exposures; iii) anticipation of support factors for SMEs and infrastructure, which allow the risk weighting of these exposures to be reduced; (iv) early implementation of the EBA decision on software deduction; and (v) prudential filtering for sovereign bond exposures so as to reduce the effects of potential volatility in these instruments on entities capital.

As regards the regulation of the **bank resolution** framework, under the umbrella of the Single Resolution Board (hereinafter SRB), in response to the pandemic, the deadlines for banks to report the creation of the minimum required eligible liabilities (MREL) required by European standards have been extended. The body, however, has decided not to extend the deadline for banks to make their annual contribution to the future Single Resolution Fund and has encouraged the early adoption of the Resolution Directive and Regulation (known as BRRD2/SRMR2 respectively). The European Commission published a consultation paper on the roadmap for the crisis management framework and its intention to carry out an impact assessment on the potential modification of the crisis management framework and the deposit guarantee fund framework (BRRD/SRMR/DGSD) for a legislative initiative in 2021.

On a purely **national level**, within the temporary framework of state aid from the European Commission, the Spanish authorities approved a mortgage payment deferral and a credit facility with a €100,000m public guarantee. The Bank of Spain, in line with international and European authorities, also issued several statements recommending not to pay dividends, in addition to statements on the flexibility of the accounting regulation regarding provisions.

Lastly, operational measures have also been adopted, mainly related to reporting and information disclosure requirements, which aim to relieve entities from part of the operational burden resulting from regulatory and supervisory processes, thus allowing them to focus on their main activity, the granting of loans.

Financial markets: Capital Markets Union, securitization and reference indices.

1. Capital Markets Union

The European Commission published an ambitious new Action Plan to boost the EU's **Capital Markets Union** (hereinafter, CMU), proposing 16 specific measures to make real progress toward completing the CMU in the coming years. The EU's main priority in 2020 has been to ensure that Europe can recover from the unprecedented economic crisis caused by COVID-19 and, in this sense, it is considered that the CMU can act as a lever to boost private finance as an essential factor in this recovery, to boost the transition toward a sustainable economy, to put the capital markets at the service of people and to project the global competitiveness of the EU economy by strengthening the international role of the euro. The Action Plan has three key objectives: i) to ensure that the EU's economic recovery is green, digital, inclusive and solid by making finance more accessible to European businesses, particularly to SMEs; ii) to make the EU an even safer place for individuals to save and invest in the long term; and iii) to integrate national capital markets into a genuine single EU-wide capital market.

As part of this plan, the European Commission has proposed the **Capital Markets Recovery Package**, which contains specific adjustments to the Prospectus Regulation, MiFID II and securitization rules. The Commission has proposed creating an "EU Recovery Prospectus," a kind of shortened prospectus, for companies that already have a track record in the public market. It is also introducing some specific modifications to MiFID II requirements in order to reduce some of the administrative burdens that investors have faced in their business-to-business relations. At the same time, it also proposes to readjust requirements to ensure that there is a high level of transparency with respect to the customer, while simultaneously guaranteeing the highest standards of protection and acceptable compliance costs for European companies. Lastly, specific modifications to the securitization rules have been proposed to amend the Securitization Regulation and the Capital Requirements Regulation in order to enhance the securitization market as a balance sheet management tool for risk reduction and NPL management as a result of COVID-19. Its final version will not be available until the beginning of 2021.

2. Reference indices reform

Throughout 2020, the public and private sectors continued to work in coordination on the **reform of the financial market interest reference indices** and on the transition toward new alternative indices. The FSB has called on financial and non-financial sector entities in all jurisdictions to continue their efforts to make wider use of risk-free rates in order to reduce dependence on IBORs (such as LIBOR, EURIBOR and TIBOR), and in particular to eliminate the remaining dependence on the London Interbank Offering Rate (LIBOR), which could disappear by the end of 2021, by publishing a roadmap setting out a timetable of actions for financial and non-financial entities to ensure an orderly transition.

In **Europe**, the Commission proposed amending EU rules on financial reference indices in July. The purpose of the amendments is to create a framework that allows for the application, at the request of the European Commission, of a legal substitute rate when a systemically important reference index such as LIBOR or others ceases to be published or becomes unrepresentative. This will reduce legal uncertainty surrounding existing contracts that do not contain adequate replacement indices and will avoid risks to financial stability.

The **United Kingdom** has also presented a legislative proposal that seeks to reduce the risk of litigation linked to potential disputes in contracts linked to LIBOR that cannot be renegotiated before the LIBOR's date of disappearance or unrepresentativeness in order to change the rate or include suitable substitutes. Among other issues, the regulatory proposal allows the Financial Conduct Authority (FCA) to urge a change in the methodology of an index ("synthetic benchmark") and prohibit its use by supervised entities in the United Kingdom except for certain types of contracts, which have yet to be specified ("tough legacy").

Lastly, various policy proposals have been made in the **United States,** some of which are limited to New York State and some of which are nationwide, but, thus far, none have been as successful as hoped.

Greater coordination between the various legislators would be very conducive to ensuring an orderly transition.

3. Anti-Money Laundering (AML)

There is a strong global consensus on the need to improve policies on **anti-money laundering and anti-terrorist financing**. To this end, the European Commission initiated consultation on an action plan for a comprehensive EU policy on the Prevention of Money Laundering and Terrorist Financing (PMLTF). The plan aims to implement an improved, robust and efficient regulatory framework that is adapted to innovation and ensures harmonized supervision, in all member states. Legislative proposals are expected for 2021.

Sustainable finance: Toward integration in regulation and prudential supervision

Throughout 2020, progress has continued to be made so that the ESG criteria reach the **entities' policies** and their financial and risk departments specifically, so that these criteria fully integrate into their actions and corporate culture. The pandemic appears to have been an accelerator in this area as well.

At the global level, the FSB published its assessment of financial authorities' experience in including physical and transitional weather risks as part of their financial stability monitoring. The Task Force on Climate-related Financial Disclosures (hereinafter, TCFD), created by the FSB, has published a consultation paper with the objective of gathering feedback on climate-related forward-looking metrics that are useful for decision-making in the financial sector. The TCFD has also published important documents on sustainability: its third progress report in which it highlights the growth of disclosures in companies linked to the TCFD Recommendations; a guide on the analysis of climate-related scenarios and on the integration of climate-related risks in existing risk management processes; and a guide on the analysis of climate-related scenarios for non-financial companies.

The EU continues to integrate sustainability into the financial system and continues to make progress in developing **regulations** for this purpose. The European Commission therefore consulted on its renewed sustainable finance strategy, which is expected to be published in early 2021. It has also consulted on a possible initiative on sustainable corporate governance principles. For their part, the Commission, Council and Parliament agreed on the taxonomy of sustainable activities with a common classification system applicable from the end of 2021 for adaptation and mitigation objectives. The European supervisory authorities (ESAs) published a consultation paper with a set of disclosure standards on ESG information. The survey is part of EBA's work to develop a draft Technical Implementation Standard (TIS) on the disclosure of prudential information regarding ESG risks. It will also be used to monitor the short-term expectations specified in the EBA Action Plan on Sustainable Finance. The EBA has also published for consultation the document on management and monitoring of ESG risks, which covers a wide range of topics (definition of ESG risks and factors, quantitative and qualitative indicators). Lastly, the ECB published its final guidelines on its supervisory expectations regarding climate change and environmental risks at the end of the year.

Regulation in the field of digital transformation of the financial sector

The regulatory environment in the framework of **digital transformation** has also been significantly influenced by the COVID-19 health crisis, which has helped to establish the pre-existing trends in the economy's digitalization. The lessons learned during this crisis about the benefits of digitalization have fueled the authorities' work during this year, whereby they have updated their priorities and defined new action plans to maximize the benefits of digitalization for the economy. In the European Union, this has resulted in the publication of new strategies and initiatives, both throughout the economy as a whole and specifically for the financial sector.

In February, the **European Commission** published a strategy to shape the European Union's digital future. This digital strategy is based on two main pillars: strengthening the use of data, and developing and regulating artificial intelligence (hereinafter AI). As regards the first pillar, the **data strategy**, the European Commission announced a series of measures and new regulations, to be adopted between 2020 and 2021, aimed at facilitating the reuse of data, with a focus on public and business data. Among these measures, the Data Governance Regulations published in November will regulate the so-called "data spaces," aimed at facilitating the aggregation of data from certain sectors and the development of frameworks for data sharing. Furthermore, although the strategy is not especially focused on personal data, it contemplates that the right to data portability established in the General Data Protection Regulations could be improved in another new regulatory initiative (Data Act), to be published in 2021. These initiatives can certainly contribute to increasing the European Union's competitiveness, allowing European citizens and companies to extract more value from their data.

In the **White Paper on Artificial Intelligence** —the second pillar of the digital strategy— the European Commission proposed measures to encourage research and investment in AI, and raised the possibility of introducing new regulation for certain applications of this technology in sectors designated as high risk, such as health or transport. The European Commission is expected to publish its proposal to regulate AI in the first quarter of 2021. In Spain, on December 2, 2020, the Government published the National Strategy of Artificial Intelligence aligned with the European initiatives.

In their effort to ensure a digital, competitive European economy, the authorities have also worked on revising the **competition rules** during 2020, to ensure that they are appropriate to the challenges of the digital age. With this objective, on December 15, the European Commission published a new legal proposal which aims to establish new obligations for large digital platforms, as part of a new regulation of digital services. The modernization of competition policy has also been a priority in the United States in 2020, as shown by the report published by Congress in October discussing the state of competition in digital markets and proposing options for updating competition policy.

The **work plans** of the European authorities to promote the digitalization of the financial sector have also been renewed this year. In September, the European Commission published its new strategy for digital finance, which outlines the roadmap until 2024. In addition to pursuing a regulatory framework that encourages innovation, the strategy seeks to eliminate barriers to the digital single market by implementing, among other things, a new cross-border framework for digital identity. Furthermore, largely motivated by the emergence of new financial service providers (FinTechs and BigTechs), the strategy proposes a review of the financial sector's regulatory and supervisory framework to ensure compliance with the "same activity, same risk, same regulation" principle.

In line with the growing importance of data in the digital world, another key objective of this new strategy is to move toward a more **data-driven** financial sector. To this end, the European Commission, in collaboration with the European Supervisory Authorities, will study how to facilitate the use of AI in the financial sector and the possibility of extending the data-sharing principles of open banking regulations such as the Payment Services Directive (PSD2) to other financial services and products. We still have to wait until 2022 to find out the authorities' proposals on the latter point; i.e. once the new rules to promote data sharing in the digital economy have been developed (within the framework of the aforementioned data strategy).

Alongside this strategy for digital finance, the European Commission proposed a new Regulation on **Digital Operational Resilience** to harmonize requirements across the EU. This new Regulation establishes requirements for technological risk management and proposes the creation of a direct monitoring framework for critical third parties (e.g. cloud computing service providers).

The year 2020 has also been very significant for the **payments** sector. On July 2, 16 major banks in the Eurozone, including BBVA, announced the beginning of the implementation phase of the European Payments Initiative (EPI). The objective of this initiative—to create a comprehensive pan-European payment solution enabling instant payments—is shared by European authorities. This is demonstrated by the European Commission's new retail payments strategy, published in September, which, among other things, aims to promote pan-European payment solutions and immediate payments in the "new normal." The intention to revise the aforementioned PSD2 at the end of next year has also been announced as part of this strategy. At the global level, following the G20 mandate, the Committee on Payments and Market Infrastructures (CPMI) and the FSB published a roadmap in 2020 setting out actions to be implemented in the coming years to improve cross-border payments.

Another area that attracted a lot of attention from international bodies and European regulators during 2020 was that of **cryptoassets**. At the global level, the FSB published a report in October with high-level recommendations for the regulation and supervision of global stablecoin schemes. The Financial Action Task Force (FATF) also worked throughout 2020 to strengthen its standards to address the money laundering risks of this type of activity.

At the European level, the Commission published several legislative proposals on this matter in September, including the proposal for regulation to govern the cryptoasset markets (known as MiCA). This proposal includes rules to regulate the issuance of previously unregulated cryptoassets (including stablecoins) and related service providers, such as the custody or exchange of cryptoassets. For its part, the ECB published a report and a consultation paper in October on the possible issuance of a "digital euro," an official digital currency, at the retail level, which would complement cash. The Eurosystem has not made a decision on its issuance, but wants to be prepared to do so in the future, if necessary.

The year 2020 has also been a year of much regulatory action on the digital plane in all countries. In **Spain**, the most notable development has been the approval of legislation in November to create a regulatory sandbox for the financial sector. In **Turkey**, a new payment rule came into force in January, which introduced a new open banking framework, similar to the one introduced by the aforementioned PSD2 in Europe. Turkish authorities worked throughout 2020 to develop the exact rules for implementing this framework. Meanwhile, **Mexico's** financial authorities also continued to develop the body of regulations derived from the Fintech Act throughout the year.

Strategy and business model

BBVA's strategy and business model comprises the totality of the Group, including BBVA,S.A.

Introduction

In 2019, BBVA conducted a strategic review process to continue its transformation and adapt itself to the major trends that were reshaping the world and the financial services industry. In 2020, BBVA made progress in the development of its strategy, based on its **Purpose**, the six **Strategic Priorities**, and its **Values**, all of which are fundamental pillars of the Organization's overall strategy.

The COVID-19 crisis validates our strategic vision

During 2020 an unprecedented sanitary crisis has been suffered, with major economic and social implications. This unique situation **has accelerated some relevant trends some of which are expected to remain, as outlined below:**

- **More challenging macroeconomic environment** with a strong GDP contraction in 2020 whose recovery is still uncertain. This tougher context will impact directly on the banking sector with lower expected loan growths, lower interest rates for longer and higher Cost of Risk.
- **Acceleration of client digitization.** Social distancing has led to a massive use of e-commerce and other remote services (tele-health, e-learning, etc.). This acceleration has also been perceived in the banking sector with higher usage of online and remote assistance channels.
- **Higher concern for sustainability, both in the climate and social field**. Social component has gained momentum due to the social urgency derived from the economic crisis while climate action remains a key topic for all stakeholders.
- **Acceleration of innovation**. The pandemic has made evident the vulnerability of economies to external shocks. In order to look for a greater resilience, governments, public institutions and the private sector, see the recuperation plans as an opportunity to advance faster in terms of innovations (such as the investment in 5G, AI, data, etc.)

This rapid advance of previous trends **reinforces BBVA’s vision of the future and its strategy**:

Good progress in a challenging year

The emergence of the **COVID-19** virus in China and its global spread to a large number of countries resulted in the viral outbreak being classified as a global pandemic by the World Health Organization from March 11, 2020. The pandemic has and continues to adversely affect the **global economy** and the economic conditions and activity of the countries in which the Group operates, driving many of these countries into an economic recession.

After following the latest news about the virus at the beginning of 2020, the Bank's Corporate Continuity Committee decided on March 9 to create a global **war room**, a crisis management team with a global overview of what was happening at each moment, and with the operational capacity to make swift decisions, in order to meet two of the Bank's fundamental and priority objectives: first of all, **to preserve the health of all employees and customers,** and secondly **to ensure business and service continuity.** The continuous and efficient coordination with the countries’ war rooms, as well as continuous reporting to the Group's management and governance bodies, have facilitated the rapid and effective adoption of the measures required at any given time.

This swift decision-making, combined with digital and remote management capabilities, has allowed the BBVA Group to continue providing its services in all of the geographical areas in which it operates throughout the pandemic, and to provide its customers with the necessary support to meet their financing needs and alleviate their burden through various initiatives such as payment deferrals or making payments more flexible. All this has been accompanied by continuous monitoring and management of the main impacts of the crisis on the Bank's business and risks, such as the financial impacts on the income statement, capital or liquidity.

In this context, BBVA's strategy regarding the relationship model and digital capabilities has been reaffirmed and has proven to be an asset in this environment, allowing it to be closer to customers when they have needed it most.

2020 was an extraordinary year that required a rapid and efficient response. Despite this tough environment and thanks to the agility of the Organization, BBVA **has been able to take an important step in the promotion and evolution of the six strategic priorities**.

1. Improving our clients' financial health

BBVA aspires to be the **trusted financial partner** for its clients helping them with personal advice in their decision-making and management of their finances in order to help them achieve their vital and business goals.

In this sense, during 2020, BBVA continued enhancing its **differentiated value proposition** by developing financial health global solutions, launching initiatives to be present in its clients' day to day transactionality and evolving its digital offer to enterprise clients, taking advantage of its international presence.

For more information, see the chapters "The customer comes first" and "Contribution to society" included in this report.

2. Helping our clients transition towards a sustainable future

BBVA is aware of the remarkable role of banks in the **transition toward a more sustainable and inclusive future**, through its financing operations and advisory services. For this reason, BBVA is committed to align its activity to the Paris Agreement, and it wants to use its role to help its clients transition toward a more sustainable future, inspiring itself in the Sustainable Development Goals selected.

For BBVA those **Sustainable Development Goals (SDGs)** are priority in which the Group can have a greater positive impact by harnessing the multiplier effect of banking.

In this regard, BBVA is implementing this strategic priority through two ways:

- **Climate Action**: mobilizing the appropriate resources to manage the challenge of climate change tackling those SDGs involved, i.e Affordable and clean energy (SDG 7), Responsible consumption and production (SDG 12) and Climate action (SGD 13).
- **Inclusive Growth**: mobilizing the investments needed to build inclusive infrastructures and support inclusive economic development. In this case, the SDGs that BBVA wants to foster are: Decent work and economic growth (SDG 8) and Industry, innovation and infrastructure (SDG 9).

For more information, see the chapter “Sustainability at BBVA” included in this report.

3. Reaching more clients

BBVA looks to grow by being where the client is. It aims to accelerate the profitable growth, supporting itself on its own and third party channels with a special focus on digital and most profitable segments.

In this sense, during 2020, and despite the tough environment, **BBVA has been able to increase strongly its clients in all its footprint** (+3.6% with respect to 2019). This growth has been boosted by the digital channels. The number of customers acquired through these channels has increased in 56% with respect to 2019.

BBVA not only has carried out successful strategies to gain clients but also has **set the grounds for future growth** in the coming years. On the one hand, it has **strengthened its open market capabilities in its own channels** (e.g. biometric own verification technology improvement, E2E digital onboarding channel optimization, etc.). On the other hand, it has **reinforced the acquisition of customers with attractive partnerships with third parties.**

For more information, see the chapter “The customer comes first” that follows.

4. Driving operational excellence

BBVA wants to provide the best **customer experience, with simple and automated processes, and maintaining its focus in the solid management of risks and the optimum capital allocation.**

In this regard, BBVA is focusing on a simpler, more **scalable and productive model** leveraging on BBVA´s **digital capabilities** where customers could access products and services remotely. BBVA wants to perform this service with an efficient and productive operational model with simple and automated processes on account of new technology and data analytics.

This operational excellence has to be performed with a **robust risk management**, taking into account both financial and non-financial risks. In this regard, BBVA is working on enhancing its global platforms to improve its Retail and SMEs risk management. Additionally, the **optimum capital allocation** is still a key factor for BBVA.

For more information see the chapters “The customer comes first”, “Technology and innovation”, “The best and most engaged team”, “Ethical behavior” and “Contribution to society” and “Risk management” included in this report.

5. The best and most engaged team

The **team** continues to be a strategic priority for the Group. Our business is a people business *("we are people serving people")* and our **values** are at the core of our organization.

In 2020, the **employee engagement** (measured through Gallup's survey grand mean) has improved in BBVA Group from 4.11% to 4.25% and the **internal reputation** has been strengthened reflecting the efforts made through several initiatives.

BBVA is inspiring a high-performing team with a common purpose and shared values, fostering **diversity** plans and its **leadership** model. BBVA is reinventing its **professional development model** by building an ecosystem where people can create and capture opportunities and leading the transformation by developing core capabilities and **reskilling** the teams. BBVA is also creating the conditions for a **flexible and sustainable work environment**.

For more information, see the chapter "The best and most engaged team".

6. Data and Technology

Data and Technology are two accelerators to achieve our strategy.

Data is essential to deliver a better value proposition to our stakeholders. BBVA is building cutting-edge data capabilities, developing a global platform, training the teams in data analytics capabilities and building robust governance processes to improve data quality. Data also allows to create more business value as it helps to enhance other strategic priorities (e.g. in Financial Health, supporting to develop personal finance management tools).

With regards to **technology**, BBVA's focus continues to be on the reliability and resilience of the platform, which allows to be more productive and efficient and to deliver more quality and functionalities to customers globally, and on its security and privacy model (i.e. cybersecurity, business processes, fraud and data security).

For more information see the section "Customer security" within the chapter "Customer comes first" and the chapter "Technology and innovation".

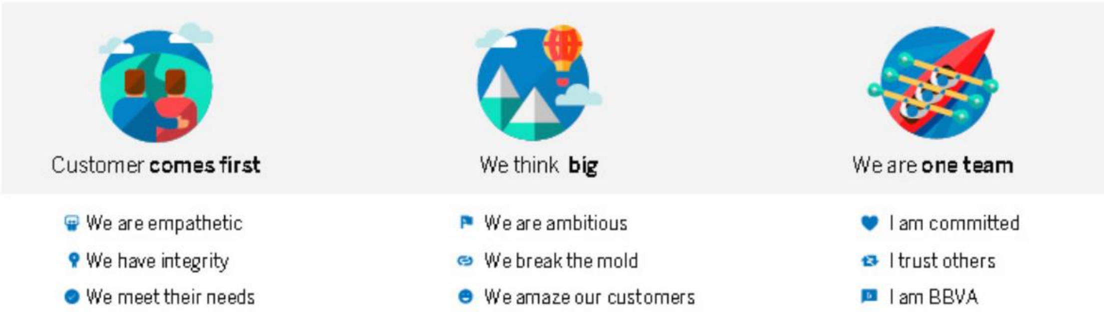
Values

BBVA's values and behaviors are the action guidelines which guide the Entity in its day-to-day when making decisions, and help it accomplish its purpose and strategic priorities. They are the hallmark of everyone working in the Bank and they define the DNA of the company. The values inspire the form of leadership and boost the commitment at BBVA:

- **Customer comes first**
  - **We are empathetic:** we take the customer's viewpoint into account from the outset, putting ourselves in their shoes to better understand their needs.
  - **We have integrity:** everything we do is legal, publishable and morally acceptable to society. We always put customer interests' first.
  - **We meet their needs:** We are swift, agile and responsive in resolving the problems and needs of our customers, overcoming any difficulties we encounter.

- **We think big**
  - **We are ambitious:** we set ourselves ambitious challenges to have a real impact on people's lives.
  - **We break the mold:** we question everything we do to discover new ways of doing things, innovating and testing new ideas which enables us to learn.
  - **We amaze our customers:** we seek excellence in everything we do in order to amaze our customers, creating unique experiences and solutions which exceed their expectations.

- **We are one team**
  - **I am committed:** I am committed to my role and my objectives and I feel empowered and fully responsible for delivering them, working with passion and enthusiasm.
  - **I trust others:** I trust others from the outset and work generously, collaborating and breaking down silos between areas and hierarchical barriers.
  - **I am BBVA:** I feel ownership of BBVA. The Bank's objectives are my own and I do everything in my power to achieve them and make our Purpose a reality.



The values are reflected in the main levers for the Bank's transformation and in the Talent & Culture processes: from the selection of new talent to the roles allocation procedures, people development, training and inducement for goals attainment. One of the main actions to promote the living of the Values at BBVA is the Values Day, a global event in the cultural transformation of BBVA that aims to approach the values of the Entity to all the Group employees, creating conversation spaces about them. In 2020, the Bank has held the third Values Day edition, which, due to the COVID-19 context, has been 100% digital. Despite the distance, the employees have remained more united than ever thanks to the Values, and that has been the motto this year: "United by our values".

In addition, at the beginning of 2020, one of the Group priorities was launched: a new leadership program called "We lead together", which is linked with the purpose and the values of BBVA, and which seeks to make all the employees leaders and that this leadership is exercised with integrity. This new model aims to boost three skills: entrepreneurship, empowerment and accountability, which are incorporated into the intrinsic skills catalogue, and become part of the professional development model. A leader at BBVA is, above all, somebody that lives the values of the Bank with integrity and honesty, who has an entrepreneurial spirit and who seeks new ways of doing things, who empowers the teams and assumes the responsibility of his decisions and its results.

Another priority for the Bank is the commitment of all employees. BBVA's goal is to improve the commitment because, the greater it is, the higher is the satisfaction of employees at their workplace and company, and better is the answer to the customer's needings. Annually, BBVA carries out the Employee Engagement Survey, managed by Gallup. In 2020, 94.2% of the employees have participated in the survey, 4.4 percentage points more than in 2019 (89.8%). The most relevant aspect is the significant improvement of the Grand Mean, the strategic KPI which measures the progress made in the strategic priority "The best and most engaged team", and which is obtained by the average of the twelve main questions of the survey. Thus, this last year a value of 4.25 out of 5 was reached, which represents an improvement compared to last year (4.11 points). In the same way, the BBVA employee engagement index, which is calculated by dividing the percentage of engaged employees by that of actively unengaged employees, improved in 2020 to 10.17 (6.63 in 2019).

Materiality

In 2020, BBVA updated its materiality analysis with the intention of prioritizing the most relevant issues for both its key stakeholders (customers, employees, shareholders and society) and its business. The materiality matrix is one of the sources that feeds the Group's strategic planning and determines the priority issues to report on.

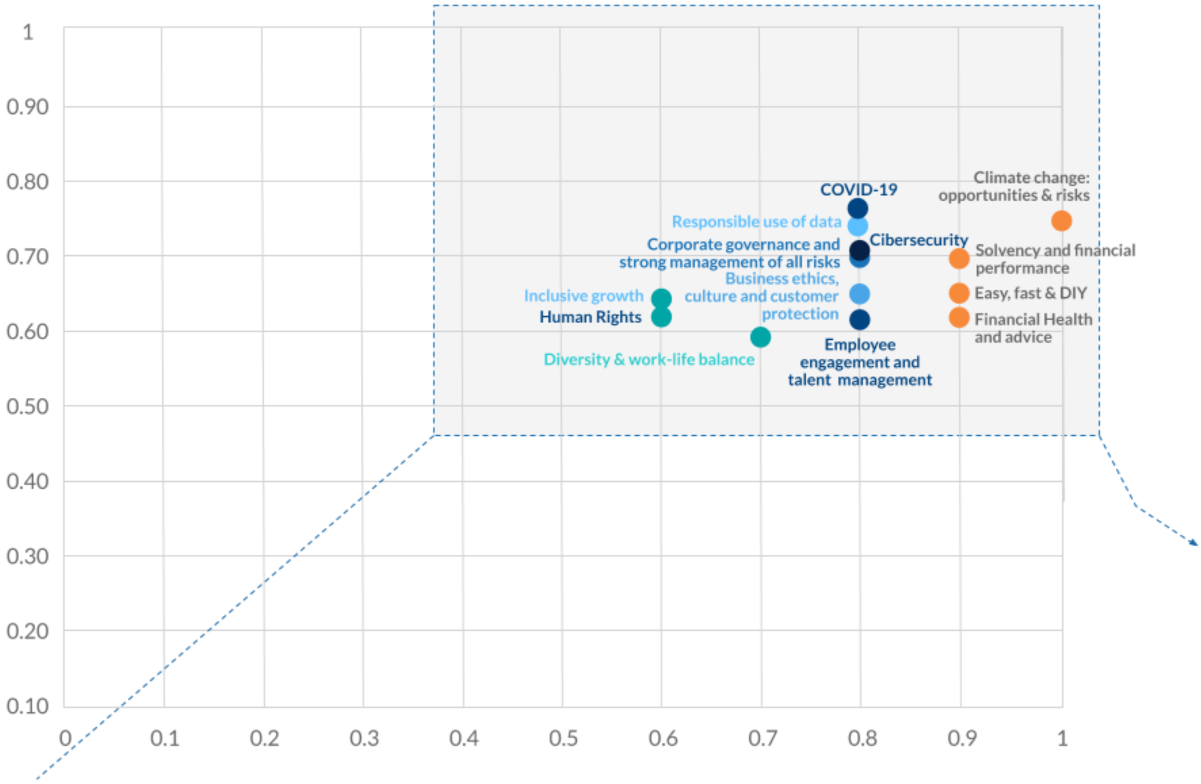
This analysis includes the perspective of the stakeholders of the main countries where the Group operates: Spain, Mexico, the United States, Turkey, Argentina, Colombia and Peru.

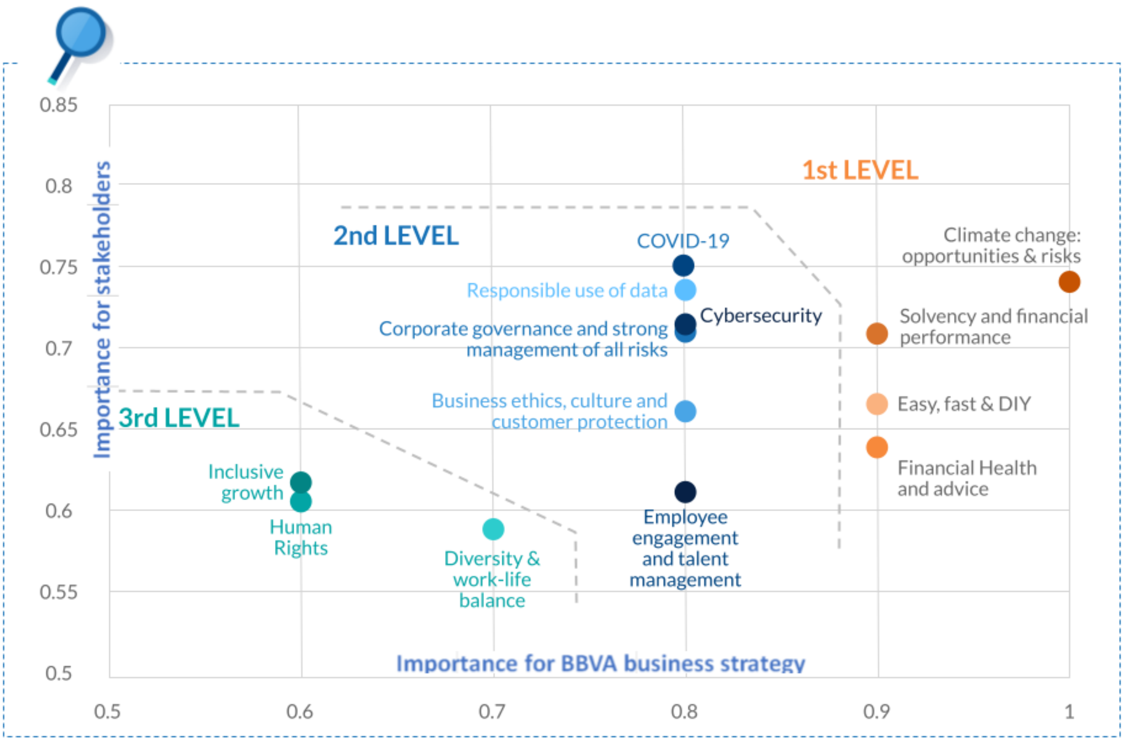
The materiality **analysis** phases have been as follows:

1. **Identification of the material issues in 2020**. Based on the material issues of 2019, the different tools for listening to the stakeholders managed by the Bank were reviewed, as well as the most recent trend studies and this list was updated. As the main novelty, the management of COVID-19 appears as a new issue.
2. **Prioritization of issues according to their importance for stakeholders**. BBVA carried out a series of interviews and ad-hoc surveys in the countries covered by the study in order to learn the priorities of various stakeholders. Datamaran was used as a data analysis tool for other stakeholders in all countries except in Turkey, where local Turkish sources were used. Together, the sources that made it possible to complete the analysis of the stakeholders, global trends and key issues in the sector are:

3. **Prioritization of issues according to their impact on BBVA's business strategy.** An assessment was made on how each issue impacts the six strategic priorities. The most relevant issues for BBVA are those that help to achieve its strategy as well as possible.

The result of this analysis is contained in the Group's **materiality matrix**.





Therefore, the most relevant issues have been:

- **Climate change: opportunities and risks:** Stakeholders have climate change among their main concerns and they hope that BBVA will contribute to an ordered transition towards a low-emission economy, which will make it possible to stop it. This requires an adequate management of risks and opportunities.
- **Solvency and financial results**: The stakeholders expect BBVA to be a robust and solvent bank, thus contributing to the stability of the system. They also expect BBVA to be a bank with good results over time. That is, they demand a sustainable business model in the current context characterized by the continuous development of disruptive technologies and the consolidation of Big Tech as competitors. A more competitive environment, with more opportunities and also with more risks.
- **Easy, fast and do it yourself (DIY):** The stakeholders expect BBVA to continue putting technology and digitalization at the service of customers and the business. Thus, it will be more agile and simpler for customers to operate with the Bank any time and from anywhere (mobile banking, fully digital contracting processes, etc.). In addition, new technologies will allow BBVA for greater operational efficiency, generating value for shareholders.
- **Financial health and personalized advice to customers**: The stakeholders expect the Bank to get to know its customers and, where appropriate, propose personalized solutions and recommendations to better manage their financial health and achieve their vital objectives, all of this proactively.

The information regarding the performance of the relevant matters by the Bank in 2020 is reflected in the different chapters of this report.

Customer comes first

Response to COVID-19

In order to provide service to its customers in response to the crisis generated by **COVID-19**, and given that financial services are legally considered an essential service in Spain, the branch network remained operational with a dynamic management of the network considering the evolution of the pandemic and activity. In addition, the use of digital channels and remote managers was encouraged. BBVA also launched **support initiatives** throughout 2020 focused on the most affected customers, whether they be companies, SMEs, the self-employed workers or individuals, and which include, among others: support for SMEs, the self-employed workers and companies through credit lines guaranteed by the Spanish *Instituto de Crédito Oficial* (ICO), grace periods on loans to individuals (up to 12 months in residential mortgages for primary residence and up to 6 months in consumer finance) and moratorium of 3 months for citizens on social rental housing under the Social Housing Fund;

Solutions for customers

In recent years, BBVA has focused on offering the **best customer experience**, distinguished by its simplicity, transparency and speed, and increasing the empowerment of customers and offering them a personalized advice.

In order to continue improving customer solutions, the Bank’s value proposition evolved throughout the year 2020 around seven axes on which global programs developed, related to both retail and corporate projects:

- Growth in customers through own and third-party channels.
- Growth in revenue with a focus on profitable segments.
- Value proposition, differentiation through customer advice.
- Operational efficiency.
- Data-focused capabilities and enablers.
- New business models.
- A Global Entity.

These solutions can be divided into two large groups: Those that allow the customer to access the services in a more **convenient and simple way** (Do It Yourself, DIY) and those that provide customers with **personalized advice**, offering them products or information specific to their current situation. These last two items are particularly important in the new strategy related to the commitment to **improve customers' financial health**.

Solutions for 2020 customers include the following:

- In **individual banking**, the “**GLOMO”** DIY mobile banking platform stands out. This solution is being continuously enhanced by features such as “*Valora auto*” for advice on the purchase and sale of second-hand cars in Spain, where it has developed various journeys and digital advisory tools to help improve the financial health of its customers, such as warnings and advice for certain events such as a duplicate receipt or investing possibilities.

  With the aim of enhancing security, financing, loyalty and offering value added features, BBVA has transformed its value proposal into cards, as it is the case with the launch of a new family of pioneering cards in Spain, “Aqua”, where the personal account number (PAN) and expiration date are not printed on the card, and the card verification value (CVV) is dynamic, preventing possible fraudulent use of these data.

  Furthermore, high digital capacities have been implemented and the sustainability panel has been introduced, which focuses on offering customer guidance on the concept of sustainability and on how to reduce their impact on the emission of greenhouse gases in their business activity.
- As part of its commitment to promoting the **use of technology** in order to improve its customer relationship, BBVA has developed “Blue”, the virtual assistant that uses various artificial intelligence tools to help users both to perform tasks within the BBVA app and to obtain detailed and personalized information about their accounts.

- In the **SME and retailer** segment, BBVA continues to make strong progress in delivering solutions that enables customers to interact with the Bank in the most convenient way for their needs. A significant example of these developments are the new **digital signature** capabilities, which prevents the customers from having to go to the branches.

  With regard to SMEs and self-employed workers, relationship and management models are being reinforced in order to be able to manage them according to their needs across the different channels. This meant that the Bank was awarded second place as ***"SME Global Bank of the Year"*** by the SME Finance Forum (International Finance Corporation - World Bank, IFC-WB). Progress has also been made in the remote customer management model with, for example, the creation of the transactional SMEs managerial figure.

- As part of its commitment to **sustainability guidance**, BBVA has also added a new feature to the OneView financial aggregator that allows companies to know the volume of emissions they emit into the atmosphere through their activity.

The development of **new business models** allows BBVA to reach new customers in third-party channels, where it is worth highlighting:

- The launch, together with an insurance company and a representative organization of the official vehicle dealers association, of the NIW platform in Spain, a website for buying and selling used cars that integrates with BBVA Automik's digital solution for car financing.
- Agreements with third parties which have enabled BBVA to reach more users, such as the agreement with a Chinese international online shop in Spain which enables Chinese tourists to pay at Spanish retailers using, the world's leading payment platform.

BBVA's **customer solutions** are leveraged on the improvement of design capabilities or the use of data for analysis. They also contribute positively to increasing digital sales and improving the main customer satisfaction indicators, such as the Net Promoter Score (NPS), shown in the following section, and the drop-out ratio.

BBVA therefore occupies the first positions in the NPS, which is reflected in the retention data, which shows a positive evolution in the levels of customer drop-outs (retail customers and SMEs), and a greater commitment from digital customers, whose drop-out rate is lower than that of non-digital customers.

Likewise, the data of the Bank’s total **active customers** is also showing a positive trend with an increase of 1.5% with respect to 2019.

Net Promoter Score

The internationally recognized Net Promoter Score (NPS) methodology, measures customers’ willingness to recommend a company and therefore, the level of satisfaction of BBVA’s customers with its different products, channels and services. This index is based on a survey that measures on a scale of zero to ten whether a bank’s customers are promoters (a score of nine or ten), passives (a score of seven or eight) or detractors (a score of zero to six) when asked if they would recommend their bank, a specific channel or a specific customer journey to a friend or family member. This information is vital for checking for alignment between customer needs and expectations and implemented initiatives, establishing plans that eliminate detected gaps and providing the best experiences.

The consolidation and application of this methodology over the last ten years provides a common language both internally and with customers that facilitates everyone’s involvement and the integration of the voice of customers in everything the Bank does, from the beginning. This has led to a steady increase in customers’ level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

As of December 31, 2020, BBVA has remained the leader in the **retail NPS** indicator in Spain, occupying the first position. Meanwhile, in the **commercial NPS** indicator BBVA is in the second position.

Transparent, Clear and Responsible Communication: a lever to improve financial health

Transparency, clearness and responsibility (hereinafter, **TCR**) are three principles which BBVA systematically integrates into the design and implementation of the main solutions, deliverables and experiences for customers in order to help them make the best decisions for themselves and thus take care of their financial health.

The objective pursued is, as well as helping customers make good life decisions, to maintain and increase their confidence in the Bank and increase their recommendation rates.

Three work lines are developed to turn these principles into reality:

- Implementing the TCR principles in new digital solutions through the participation of TCR experts in the conceptualization and design of these solutions, especially in massive impact digital solutions for retail customers.
- Incorporating the TCR principles into the creation and maintenance of key content for customers (product sheets, contracts, sales scripts. responses to claim letters, communication regarding COVID-19, etc.).
- Awareness-raising and training on TCR, through a virtual community, workshops and online activities. In 2020, a new course about financial health has been launched for all the employees of the Bank.

In 2020, greater efforts have also been concentrated on one of the principles of Clearness (accessibility) and mechanisms are being generated so that global solutions are accessible.

The project is coordinated by **a global team** working together with the TCR local owner.

Indicators

BBVA uses an indicator to measure its performance in TCR, the **Net TCR Score** (NTCRS), which is calculated following the same methodology of the NPS and allows measuring the degree to which customers perceive BBVA as a transparent and clear bank, compared to its peers.

As of December 31, 2020, BBVA maintained its leading position in Spain[1].

[1] Internal development considering the main peers of BBVA in Spain.

Customer security and protection

BBVA's Corporate Security area, in line with the strategic priorities of "Driving operational excellence" and "Data and technology", is responsible for guaranteeing an adequate information security management, establishing security policies, procedures and controls regarding the security of the Bank's global infrastructures, digital channels and payment methods with a holistic and threat intelligence-led approach.

BBVA places data at the center of its security strategy alongside three other pillars: business processes, human behavior and technology and it is approached on its double aspect as the digital representation of financial assets (cybercrime for financial gain) and as the bearer of personal identifiable information (focus on privacy). The approach that BBVA is following covers both all the new developments as well as legacy systems and protection follows a prioritization system where key data assets are identified and protection plans are put into place. This, together with the renewed focus on Identity and Access Management and on managing risks on the Bank´s third parties forms a comprehensive strategy around data security, privacy and protection.

Strategy

BBVA's security Strategy resides on 3 fundamental pillars: cybersecurity, data security and security in business processes and fraud. A program has been designed for each of these three pillars, with the aim to reduce the risks identified in the developed taxonomy. These programs, that consider security industry best practices established by internationally accepted security standards, are periodically reviewed to evaluate the progress and the effective impact on the Bank risks.

During 2020, within the framework of the implementation of the security strategy, **security measures** adopted with the aim to ensure an adequate protection of BBVA's information and assets that support business processes have been reinforced. The implementation of these measures, necessary to mitigate the security risks the Bank is exposed to, has been performed with a global perspective and an integral approach, considering not only the technological approach but also the people, processes and security governance approach.

Regarding the reinforcement of the security measures, the following could be highlighted: Measures established with the aim to ensure end-to-end protection of business processes, considering logical and physical security, privacy and fraud management: measures established to ensure compliance of the "security and privacy by design principles"; and to improve client access control and authentication services related to online services, from a security and user experience perspective, using the mobile device as the main element, in line with BBVA´s digital transformation strategy.

Some of the main **initiatives** developed during 2020 to improve BBVA´s security and client protection are the following:

- Aqua card launch, the first card without printed card number (PAN), with dynamic CVV, reinforcing security, since not having these data prevents possible fraudulent use of them.
- Implementation of Strong Customer Authentication in e-commerce, requiring two of the three possible authentication mechanisms. Implementation of the "Where is my card?" functionality, that allows the customer to have an overview of all e-commerce or platforms where they have registered their bank cards.
- Implementation of new behavior biometrics and malware protection for digital clients to reinforce analytical and fraud detection capabilities in mobile channels.
- Enhancement of the section with security advice and recommendations in BBVA`s application to make clients aware of the main risks they are exposed to, so that they can prevent or act against possible threats.

Additionally, BBVA has continued performing the training and awareness initiatives related to security and privacy, performing training actions and awareness campaigns for BBVA's employees, clients and society in general.

Among the main campaigns and awareness initiatives performed and recommendations included in BBVA´s application, online channels and social networks, the following could be highlighted: Secure password management, phishing and other technical attacks detection, detection of scams, security in online purchases and protection of personal information.

Other lines of action also include the adequate training of BBVA's Board members in the area of security and incident management, as well as the periodic performance of global and local simulation exercises in order to raise the level of training and awareness of the Board of Directors and certain key personnel and ensure an immediate and effective response in case of a security incident.

Governance

BBVA has established a security governance model, with the aim to guarantee the effective implementation of the defined security strategy.

One of the main bodies that constitute this governance model is the Information Security Steering Committee, responsible for the approval and monitoring of the information security strategy execution and the effective implementation of the different programs designed for each of the three pillars that compose this strategy. This Committee meets each two months in order to guarantee an adequate security management, analyze the possible new risks to which the Entity is exposed as a result of the digital transformation, and to adopt the necessary measures for its management.

In addition, each of the areas which compose the Corporate Security area has Committees and work groups responsible for the management of the different spheres related to information security (transactions security, security associated with technology, physic security, security in business processes, security related to staff, etc.) The most relevant issues are those that are afterwards submitted to the Information Security Steering Committee.

On the other hand, the governance model is composed by the Committees responsible for the information protection and fraud management, where both the Corporate Security area and the rest of the concerned areas of the Entity participate.

Lastly there is the Technology and Cybersecurity Commission, composed by the Chairman of BBVA and members of the Executive Committee, which is responsible for the oversight of the technological strategy and cybersecurity strategy and allows the Board of Directors to be informed of the main technological risks to which the Entity is exposed, as well as current cybersecurity and technology trends and any relevant security event that can affect the Bank.

Cybesecurity

In the actual context, it is vital to ensure effective protection for BBVA's assets and customers' data.

During 2020, the Bank has detected an increase in the number of attacks, accentuated by the presence of organized crime groups specialized in the banking sector and working in a multi-country environment.

Furthermore, COVID-19 pandemic has been used by cybercriminals to increase the scope of social engineering attacks through e-mail, SMS, instant messaging systems and social networks. It has also contributed to the emergence of new risks and challenges for companies, like the ones related to security in remote working and the increase on the attack surface.

The Global Computer Emergency Response Team (CERT) is BBVA’s first line of detection and response to cyberattacks aimed at global users and the Bank’s infrastructure, combining information on cyber threats from our Threat Intelligence unit. The Global CERT, which is based in Madrid, operates 24 hours 7 days under a scheme of managed security services, with operation lines dedicated to fraud and cybersecurity.

As cyberattacks evolve and become more sophisticated, the Bank has strengthened its prevention and monitoring efforts.

Therefore, **system monitoring** capabilities have been reinforced, with particular attention to the critical assets that support business processes in order to prevent threats from materializing and, if necessary, to immediately identify and respond to any security incident that may occur. Incident prevention, detection and response capabilities have also been strengthened through the use of integrated information sources, improved analytical capabilities and automated platforms.

Measures implemented have improved information security management from a predictive and proactive approach, based on the use of digital intelligence and advanced analytical capabilities. The main objective of these measures is to ensure an immediate and effective response to any security incident that can occur, the reduction of the possible negative impact and, if necessary, the report in a timely manner to the corresponding supervisory or regulatory authorities.

BBVA routinely reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. Specialized teams periodically perform security technical tests in order to detect and correct possible security vulnerabilities. These tests include technical tests of technological platforms as well as malicious users simulated attacks performed by the “red team”. The outcome of such exercises is a fundamental part of a feedback process designed to improve the Bank’s cybersecurity strategies.

Data Protection

The main initiatives performed in this area are related to the adoption of measures to ensure that all BBVA´s information assets are properly protected, limiting their use to the processes related and controlling access to them, considering the security guidelines established by the Entity. All the initiatives are performed guaranteeing compliance of the security and privacy regulatory requirements applicable, especially those related to personal data protection.

All activities related to the data protection program are reviewed by the Data Protection Committee, where all relevant stakeholders of the organization are represented.

For more information about personal data protection, see the section “Data protection” within the chapter “Ethical Behavior”.

Security in business processes and fraud

Cybersecurity efforts are frequently undertaken in close coordination with our fraud prevention efforts and there are considerable interactions and synergies between the relevant teams. As part of the efforts to monitor fraud evolution and to actively support the deployment of adequate anti-fraud policies and measures, a Corporate Fraud Committee has been created, that oversees the evolution of all external and internal fraud types. Its functions include: (i) actively monitoring fraud risks and mitigation plans; (ii) evaluating the impact thereof on the Bank’s business and customers; (iii) monitoring relevant fraud facts, events and trends; (iv) monitoring accrued fraud cases and losses; (v) carrying out internal and external benchmarking; and (vi) monitoring relevant fraud incidents in the financial industry.

BBVA has cybersecurity and fraud insurance, subject to certain loss limits, deductions and exclusions.

Business Continuity

To conclude, during 2020 the Business Continuity continued to be reinforced from a holistic perspective, paying special attention to the Bank’s resilience.

In this way, the evolution from a model mainly oriented to guarantee the continuous provision of products and services in situations with high impact and low probability to a model where the organization has the ability to absorb and adapt to situations with an operative impact due to disruptions of different nature (such as pandemics, cyber incidents, natural disasters or technological failures) is consolidated. This transition has implied an intense activity of the Business Resilience Office that, in conjunction with the BBVA Crisis Management Committees and Continuity Committees have had a relevant role in the management of the crisis caused by the COVID-19 pandemic.

The Business Resilience Office provides coherence to the whole BBVA’s Continuity Management System, and allows to keep the different management levels coordinated (both the operational, which affect Business Continuity critical processes, and the non-operational) and managed in an integrated and organized manner. BBVA has documented procedures for the management of crisis situations, which detail, among other issues, the crisis qualification and scaling procedures, the responsibilities assignment, the governance model and the general answer procedures to these kind of situations.

For more information about issues related to technology and technological innovations, see chapter “Technology and innovation”.

Customer care

Complaints and claims

BBVA has a claims management model based on two key aspects: the agile resolution of claims and, most importantly, the analysis and eradication of the causes' origin. This model is part of the BBVA's overall customer experience strategy, having a very significant impact on improving the different customer journeys and positively transforming the customer experience.

In 2020 the Bank's claims units worked to reduce attention times and improve clarity of the responses but above all in the proactively identification of potential new problems that could arise as consequence of the global pandemic of COVID-19 and thus, prevent them from becoming a cause of large claims. BBVA seeks to find a quick solution to problems with the aim of generating customer relief through a simple and agile experience and with a clear and personalized response.

In short, the management of complaints and claims at BBVA is an opportunity to strengthen customers' confidence in the Bank.

The **volume of claims for every 10,000 active** customers registered in 2020 decreased by 6.76% compared to the 2019 figure, basically as a result of the improvements implemented in the claims management process. The **average claim resolution time** is 9 days, which represents an increase of 1 day with respect to the previous year, mainly due to the health provisions that have been established as a result of the pandemic. Those provisions, such as lockdowns, had a significant impact on the working methods, and the Bank had to technically adapt itself to this new context.

Customer Care Service and Customer Ombudsman in Spain

In 2020, the **activities** of the Customer Care Service and Customer Ombudsman were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of Economy, regarding customer care and consumer ombudsman departments of financial institutions, and in compliance with the competencies and procedures outlined in BBVA's Regulation for Customer Protection in Spain, approved on July 23, 2004 by the Bank's Board of Directors, and subsequent modifications, the last one on October 2,f 2019 with regard to regulation of the activities and competencies, **complaints and claims** related to the Customer Care Service and Customer Ombudsman.

Based on the above regulations, the **Customer Care Service** is in charge of handling and resolving customers' complaints and claims regarding products and services marketed and contracted in Spanish territory by BBVA Group entities.

On the other hand, and in accordance with the aforementioned regulation, the **Customer Ombudsman** is made aware of and resolves, in the first instance, all complaints and claims submitted by the participants and beneficiaries of the pension plans. It also resolves those related to insurance and other financial products that BBVA Customer Care Service considers appropriate to escalate, based on the amount or particular complexity, as established under article 4 of the Customer Protection Regulation. And in the second instance, the Customer Ombudsman is made aware of and resolves the complaints and claims that the customers decide to submit for their consideration after their claim or complaint has been dismissed by the Customer Care Service.

Activity report on the Customer Care Service in Spain

The Customer Care Service works to detect recurring, systemic or potential problems in the Entity, in compliance with **European** claims **guidelines** established by the relevant authorities (ESMA and EBA). Its activity, therefore, goes beyond merely managing claims, but rather, it works to prevent them and in cooperation with other BBVA departments.

During 2020, as a consequence of the COVID-19 crisis, the Customer Service has worked from the beginning to implement the necessary measures for the continuity of the service and to limit its impact. The objective has been and is to ensure that the service is provided as normally as possible and complying with the legal deadlines in responding to claims.

Since the beginning of the crisis, the Customer Service has been actively participating in the different analysis groups of the new types of claims arising as a result of the COVID-19 measures.

Furthermore, in order to guarantee adequate knowledge of the managers, all the Customer Care Service team has received in 2020 training on bank transparency, investor protection, and risk operations (for the prevention of money laundering and terrorist financing).

Claims of customers admitted to BBVA's Customer Care Service in Spain amounted to 99,250 cases in 2020, 92,489 of which were resolved by the Customer Care Service itself and concluded in the same year, which represents 93% of the total. As of December 31, 2020 6,761 were pending analysis. On the other hand, 13,252 claims were not admitted for processing as they did not meet the requirements set out in OM ECO/734.

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (BBVA, S.A. PERCENTAGE)

Type	2020	2019
Resources	39	36
Assets products	27	25
Collection and other services	4	5
Financial counselling and quality service	5	5
Credit cards	17	17
Securities and equity portfolios	1	1
Other	7	11
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)

	2020	2019
In favor of the person submiting the complaint	44,066	37,384
Partially in favor of the person submitting the complaint	12,421	11,177
In favor of the BBVA Group	36,002	31,676
Total	**92,489**	**80,237**

Activity report of the Customer Ombudsman in Spain

One more year, the Customer Ombudsman, along with the BBVA Group, once more achieved the objective of unifying criteria and favoring customer protection and security, making progress in compliance with transparency and customer protection regulations. In order to efficiently translate their observations and criteria on the matters submitted for their consideration, the Ombudsman promoted several meetings with the Group's areas and units: Insurance, Pension Plan Management, Business, Legal Services, etc.

In 2020, 3,849 **claims** were filed at the Customer Ombudsman Office (compared to 2,522 in 2019). Of these, 91 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 340 were pending as of December 31, 2020.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (BBVA, S.A. NUMBER)

Type	2020	2019
Insurance and welfare products	3	-
Assets operations	1,810	794
Investment services	262	173
Liabilities operations	350	515
Other banking products (credit card, ATMs, etc.)	862	707
Collection and payment services	249	140
Other	311	193
Total	**3,849**	**2,522**

The **categorization** of the claims managed in the previous table follows the criteria established by the Complaints Department of the Bank of Spain, in its requests for information.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)

	2020	2019
Formal resolution	-	-
Estimate (in whole or in part)	1,788	1,362
Dismissed	1,790	1,023
Processing suspended	-	-
Total	**3,578**	**2,385**

48.7% of customers who brought claims before the Customer Ombudsman during the course of the year obtained some type of satisfaction, total or partial, by resolution of the Customer Ombudsman Office in 2020. Customers who are not satisfied with the Customer Ombudsman's response can go to the official **supervisory bodies** (the Bank of Spain, the CNMV and General Directorate of Insurance and Pension Funds). 239 claims were filed by customers to supervisory bodies in 2020.

The Bank continues making progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information throughout the year. In 2020, these recommendations and suggestions focused on raising the level of **transparency and clarity** of the information that the Bank provides for its customers, both in terms of commercial offers available to them for each product, and in compliance with the orders and instructions thereof, so that the following is guaranteed:

- An understanding by customers of the nature and risks of the financial products offered to them,
- the suitability of the product for the customer profile, and
- the impartiality and clarity of the information that the Entity targets at customers, including advertising information.

In addition, and with the advance in the digitalization of the products offered to customers together with the increasing complexity thereof, special sensitivity is required with certain groups that, due to their profile, age or personal situation, present a certain degree of vulnerability.

Technology and innovation

Response to COVID-19

The profound change brought about by the spread of COVID-19 has impacted two fundamental aspects for BBVA: how customers interact with the Bank and the way in which employees work.

With respect to **how customers interact with the Bank**, the COVID-19 crisis, the forced lockdowns established by governments, and the fear for social interaction, have considerably accelerated the tendency towards the use of remote channels by customers, which had already begun before the crisis.

If before the crisis the weight of remote channels processing was 50%, during the peak of the crisis it reached 67%.This increase in the use of remote channels could easily be absorbed thanks to the hybrid cloud strategy, which provides the Bank with a more elasticity than traditional systems, without any proportional impact in costs.

Regarding **how employees work,** within a ten days term in March, 2020, BBVA moved its employees from a presence-based work modality towards a remote one, except from those critic positions that could not be developed remotely and a part of the branches' employees that had to remain at their workplace in accordance with the indications of the regulators of the different countries.

On average, more than 95% of the headquarters employees and approximately 30% of the branches employees have been working remotely. This change entailed that remote connections were multiplied by five in less than two weeks and videoconferences were multiplied by eight. The transition was carried out successfully, guaranteeing that employees were 100% operational without any term of inactivity thanks to the working in the cloud possibilities.

In addition, the change has accelerated an increasing and structural tendency of remote working, making possible to reduce the necessary space in the offices.

Technological purpose

BBVA aspires to be the most trusted bank to give financial advice to all of its customers. To achieve this goal, technology plays a key role, making available to the business areas the necessary capacities to meet this challenge and offering customers reliable and secure solutions. Thus, technology allows to offer reliable and secure solutions to all customers, from the most digitized to the most traditional.

BBVA's transformation focuses on incorporating new technological capabilities and making them available to customers while operating in the most efficient and reliable way possible. BBVA's strategic priorities underpin this transformation process:

- "Operational excellence".
    - Technology also helps BBVA to achieve operational excellence through initiatives to streamline and automate processes.
    - Reliability and productivity, that is, to obtain the best technological performance and to do it reliably, guaranteeing the highest quality standards.
- "The best and most engaged team".
    - The cultural and skills transformation of the BBVA technology team, based on initiatives such as Ninja Academy or Tech University, is a key element in this process.
- "Data and technology".
    - Based on the new technological stack that allows BBVA to offer customers the most advanced technology and the most adjusted service to their needs in a timely manner.
    - A strong cybersecurity strategy to face the increase in cybercrime threats.

BBVA's technology area is also actively collaborating to drive the Bank's other strategic priorities: "Improving the clients' financial health", "Helping the clients transition towards a sustainable future" and "Reaching more clients", while helping to ensure the successful portfolio performance of other areas by providing the necessary skills and resources. In this regard, BBVA is creating digital factories that are key to enabling the incorporation of technology in the rest of the areas.

Operational excellence

The Engineering & Organization area helps to transform the way of working at BBVA, through projects of transformation of processes, operations and culture. Since 2017, initiatives that are reporting solid improvements are being carried out throughout the Group, including BBVA Spain to reduce the operating load in the business areas. The objective is to achieve the automation of end-to-end processes as from 2020. Additionally, the area led the agile transformation in the Bank, which has enabled it to be more productive while reducing the time to market in development of solutions.

Reliability and productivity

One of the main results of BBVA's digital transformation is to improve the reliability of the services provided to customers and to increase the productivity of both day-to-day operations and the ability to create new products. For this, the technology with which the Bank works is transformed in terms of:

- **Processing**
    - BBVA's strategy is based on the use of a hybrid cloud (with in-house and public cloud processing).
    - These parts are already available, being used globally, and have been optimized to ensure that they can continue to operate reliably during their lifetime and with decreasing unit costs.
- **Software development**: global and multilocal functionalities have been developed and the level of automation of the technological stack continues to increase.

  In addition, the creation of a network of strategic alliances that contributes to the progress of the transformation continues to be promoted from the Engineering & Organization area. In this sense, an ecosystem of strategic agreements with some of the reference companies in their respective fields has been established, ensuring the adoption of innovative technologies, the digitalization of the business, the speed of action and global deployment of solutions. In recent years, alliances have been established with industry leaders, who have helped to operate and optimize BBVA's current technology globally, and with start-up companies that, due to their potential, aimed at becoming market leaders in specific capacities.

The best and most engaged team

BBVA is building the skills of its team with the aim of leading the transformation within the financial industry and keeping up with the relentless pace of technological progress. Notable talent development initiatives include:

- *Ninja Academy*: a learning community that seeks to foster a culture of continuous learning and help technical profiles keep up with the latest technological trends within the market.
- *Tech University*: an internal university offering programs in different formats, levels and featuring specialized content that allow technical employees to jump *the* technological gap from legacy technologies to new ones. It includes several learning itineraries to cover BBVA's various strategic needs.

For more information regarding the Bank's cultural transformation and the employees skills, see chapter "The best and most engaged team" below.

Data and technology

New technological stack within the cloud paradigms

Due to the increasing use of digital channels by customers and, consequently, the exponential increase in the number of interactions with them, BBVA has evolved , and continues to evolve its information technology (IT) model towards a more homogeneous, global and scalable one, that drives cloud technology.

Use of the new platform has increased significantly throughout 2020 in all five countries where it is deployed. As a result, BBVA is now launching developments in new, more global and reusable technologies to increase productivity. This new technology stack shares the cloud attributes of flexibility and stability that are demanded by the digital world, while ensuring strict compliance with regulatory requirements.

The new technology platform makes cutting-edge technologies available globally for immediate use and incorporation into both global and local projects.

Cybersecurity

In the current context of increased threats associated with cybersecurity, BBVA focused on protecting both, the information systems of the business areas and data.

In this sense, traditional capabilities that focus on the protection of the perimeter and information systems, have been maintained and advanced threat intelligence and adaptive cybersecurity capabilities have been introduced to protect the human factor (employees, customers and other stakeholders), which are considered the weakest links in any cyberdefense system and implement security system with a holistic approach that covers the entire life cycle of business processes.

Furthermore, defense, resilience and recovery strategies to protect data have been put in place in three key areas: data representing financial assets, data relating to Bank processes and the lists containing the identities and personal information of customers and employees.

For more information on cybersecurity, see section "Security and customer protection" within the chapter “Customer comes first”.

The best and most engaged team

Response to COVID-19

The **COVID-19** pandemic is posing an unprecedented social and humanitarian challenge. With regard to people management, recommendations from health authorities have been followed, including taking an early stance on promoting remote working. For that purpose, platforms have been provided, carrying out a risk assessment of this type of work and developing existing applications to adapt them to the needs generated. The priority in BBVA's **return plan** is to protect the health of employees, customers and society in general. The return plan is being carried out following five principles in mind: 1) cautiousness; 2) gradual return; 3) work shift; 4) strict hygiene and safety measures; and 5) creation of early identification protocols. The crisis is being managed in a dynamic way; adapting the procedures to the current situation, based on the latest data available regarding the evolution of the pandemic, the business and the level of customer service, in addition to the guidelines set by local authorities.

This pandemic is accelerating many of the trends that the Bank had anticipated in the future of working life:

- Elements such as social responsibility, purpose, resilience and commitment become more relevant in this environment of uncertainty and remote work, which reinforces the importance of organizations becoming increasingly "more human".
- Ways of working based on attendance and hierarchies have become obsolete and, therefore, the transformation toward a more agile world which began a few years ago and toward leadership models based on employee empowerment and trust have become even more important in this context.
- Lastly, in a severely damaged economic environment, having the best talent is the key to companies' success, and even survival being highly important to be able to attract, retain and develop the best talent.

In order to guarantee adequate conditions in terms of labor health and safety, measures have been developed to respond to the pandemic generated by COVID-19. Likewise, specific departments have been created to control the actions carried out due to the pandemic. For more information, see the section “Labor health and safety”.

People management

The team remains a strategic priority (**“The best and most engaged team”**) and BBVA therefore continues promoting the commitment and performance of the employees to achieve its purpose, accompanying its transformation strategy with various different initiatives in matters related to staff, such as:

- The creation of a **professional development** model in which BBVA´s employees are the main players, and which is more transversal, transparent and effective, in such a way that each employee can play the role that best suits their profile in order to contribute the greatest value to the Organization in a committed manner and with a focus on their training and professional growth.
- The strengthening of the ***agile*** **organization** model, in which teams are directly responsible for what they do, working based on customer feedback, and are focused on delivering the solutions that best meet current and future customer needs.
- The reinforcement of new **knowledge and skills** that were not previously common in the financial sector, but which are key to the new phase in which the Group finds itself (data specialists, customer experience, sustainability, etc.).
- The strengthening of a corporate culture of collaboration and entrepreneurship, which revolves around a set of **values** and behaviors that are shared by all those who make up the Group and which generate certain identity traits that differentiate it from other entities.

All this makes BBVA a purpose-driven organization, that is, a company that defines its position in order to improve the world and that encourages its employees to feel proud in their workplace, guiding them in the practice of the Bank's values and behaviors in order to achieve its purpose.

As of December 31, 2020, the BBVA had 24,490 employees located in more than 15 countries, 50.8% of whom were women and 49.2% were men. The average age of the staff was 45.3 years. The average length of service in the Organization was 19.3 years, with a turnover of 0.5% during the year.

Professional development

The professional development model was consolidated and rolled out in 2018, a process that culminated with the global launch of a new people assessment system. All Bank employees were invited to participate in this system in a 360º review. The assessments resulting from this process are the basis for building the BBVA **talent map**, on which the BBVA employees differentiated management policies rests.

The above, together with the identification and assessment of the existing roles in the Bank, makes it possible to get to know the professional possibilities of the employees even better, as well as to establish individual development plans, which promote functional mobility and professional growth.

During 2020 BBVA has completed its professional development model, which empowers employees to own and drive their own career. Among the various initiatives launched, two innovative solutions, based on technology and data and inspired by the best digital players, are particularly notable: in October 2020, Open Mentoring was launched globally, a new mentoring format based on affinity algorithms between mentor and mentee, large scale and geared toward developing future capabilities; and Opportunity was launched during the last quarter of the year, representing a milestone in BBVA's value proposal to employees, as it begins to treat employees the same way it treats its customers, becoming their professional advisor, generating insights based on data and technology. These are pioneering solutions based on cutting-edge technologies (Big Data, Artificial Intelligence, Machine Learning, etc.) and developed internally, which is a competitive advantage.

Recruitment and development

In 2020, 156 professionals joined the Bank as part of a strategy to attract, recruit and incorporate profiles with the new skills required by BBVA as part of its transformation process.

The world, especially the sector in which BBVA operates, is becoming increasingly more global and is constantly changing.

The Bank's strategy is based on building a unique value proposition, through a common brand, in line with a global and digital company. In order to prepare the Organization and being able to compete in this environment, it is necessary to have key talent aligned with this strategy.

In the present context, where industries are undergoing major transformations, the financial industry must provide younger generations with everything necessary to build the talent that the market demands in professional terms. In the current context whereby industries are undergoing major transformations, the financial industry must provide younger generations with the necessary elements to build the talent that the market demands in professional terms. During 2020, the Entity has participated in several forums where it has shared its vision of how the banking sector has transformed and the types of new job opportunities it offers for its future.

RECRUITMENT OF EMPLOYEES BY GENDER (BBVA, S.A. NUMBER)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Total	**1,205**	**431**	**774**	**2,060**	**813**	**1,247**
Of which new hires are [1]:	156	97	59	456	297	159

[1] Including hires through consolidations.

Training

Training featured major strengths in 2020 that have enabled the Bank to develop training activities intensively, despite the circumstances resulting from the COVID-19 context.

The solid training model, BBVA Campus, the gamified learning experiences launched in previous years such as Ninja, Space Career or B-Token, and the culture of continuous learning, which is deeply embedded in BBVA, has enabled to accelerate the transformation of the BBVA professionals, incorporating the new capabilities required to continue promoting the Group strategic priorities.

For years, online training has been the priority training channel within the Group, which has come to represent a 78% of the whole activity during 2020.The non-realization of face-to-face training throughout the majority of 2020 has not meant any inconvenience, but rather quite the opposite, thanks to the assessment that employees have made of this training. The interest for training has significantly increased, resulting in a growth in training resources that have been completed by the employees of BBVA throughout 2020.

The culture of continuous learning, which is part of the BBVA professionals' DNA, and the strength of having a tool for universal access to all the courses offered by BBVA, has meant that the BBVA's training in 2020 has provided a major competitive advantage.

During the past few months, professionals have focused on both the training required for the business and on the new strategic capabilities needed to carry out the transformation that BBVA is undergoing. Subjects such as data, agile, tech, sustainability, design, digital sales & marketing or cybersecurity have registered 16,831 participations by employees who have been able to broaden their knowledge in these areas and enhance their skills. In 2020, BBVA launched a sustainability training compulsory for all the teams, and which includes basic contents about this subject. During 2020, BBVA also launched a course of financial health for all employees of the Bank.

BBVA Campus, as an open and decentralized model, has incorporated resources and innovative methodologies to its training programs, which have facilitated the practical application of what has been learned, allowing professionals to share their expertise with other colleagues.

It is also worth noting that BBVA promoted the certification of its professionals' knowledge in 2020. Thanks to internal certifications or official external certifications, professionals have been able to accredit specialized knowledge in the main business matters.

BASIC TRAINING DATA (BBVA, S.A.)

	2020	2019
Total investment in training (millions of euros)	14.3	18.9
Investment in training per employee (euros) [(1)]	572	758
Employees who received training (%)	92	96
Satisfaction with the training (rating out of 10)	9.4	8.8
Amounts received from FORCEM for training in Spain (millions of euros)	1.2	3.2

[(1)] Ratio calculated considering the BBVA´s workforce at the end of each year (24,490 in 2020 y 25,912 in 2019).

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2020)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [(1)]	938	704	234	20,868	15,541	5,327
Middle controls	1,957	1,207	750	42,604	26,486	16,118
Specialists	5,337	2,798	2,539	131,875	69,341	62,535
Sales force	12,605	5,436	7,169	587,027	246,212	340,815
Base positions	2,227	1,124	1,103	48,989	21,739	27,251
Total	**23,064**	**11,269**	**11,795**	**831,364**	**379,319**	**452,045**

[(1)] The management team includes the highest range of the Bank´s management.

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2019)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [(1)]	927	699	228	44,200	34,173	10,027
Middle controls	1,906	1,199	707	85,884	52,911	32,973
Specialists	5,272	2,748	2,524	282,636	156,001	126,635
Sales force	12,922	5,675	7,247	1,270,383	542,676	727,707
Base positions	2,659	1,355	1,304	54,910	23,359	31,551
Total	**23,686**	**11,676**	**12,010**	**1,738,014**	**809,120**	**928,893**

[(1)] The management team includes the highest range of the Bank´s management.

Diversity and inclusion

At BBVA, diversity and inclusion are firmly aligned with the purpose and are consistent with its values. BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its customers.

In terms of **gender diversity**, women represent 24.7% of senior management and 33.1% of management positions, 33.4% of technology and engineering positions and 53.9% of business and profit generation positions.

Several **initiatives** were launched in 2020 to support gender diversity:

- **Setting gender diversity targets at the area and country level**: a target has been established for each area in relation to the percentage of women to be promoted to higher responsibility categories in the next five years, with a quarterly follow-up. This goal will be supported by a specific diversity plan developed, which must ensure that these objectives are met.

- **Working even more actively to incorporate more women into talent recruitment processes:** in order to ensure equity and neutrality in the recruitment and professional growth processes, the capacity to identify the women in BBVA with the greatest potential has been improved through the new "Talent Map" tool and through greater proactiveness on the part of talent managers when it comes to offering these employees new professional challenges. As part of this effort, the "Rooney Rule" has been extended to more levels of the organization, the gender component has been introduced in succession plans and training and mentoring plans have been enhanced.
- **Continuing to work for a flexible working environment** in which men can assume their family responsibilities to the same extent as women, so that this does not represent a professional obstacle for women. The "Work Better, Enjoy Life" initiative launched at the end of 2019 with the aim of achieving a more flexible and productive target-based work environment with a reduced presence in the workplace, has continued to grow in 2020 with a major focus on diversity. Among other initiatives, campaigns have been carried out to encourage men to make full use of their paternity leave.

Furthermore, in order to ensure a **diverse and inclusive working environment**, BBVA is working on various initiatives to support the LGBTI (lesbian, gay, bisexual, transgender and intersex people) community through the ERG (Employee Resource Group) Be Yourself campaign, which is driven by the employees themselves. Among the initiatives launched this year are include the joining of REDI (*Red Empresarial por la Diversidad e Inclusión en España*, the Corporate Network for Diversity and LGBTI inclusion in Spain, the commitment to the United Nations "Standards of Conduct for Business on Tackling Discrimination against LGBTIQ+ people" and the adjustment of the Bank's diversity policies.

Efforts to promote diversity and equal opportunities between men and women were not only limited to BBVA collaborators but work was also done in order to improve the inequality between girls and young women through support for prestigious organizations in the societies in which BBVA operates.

In 2020, BBVA signed a global collaboration agreement with Inspiring Girls to promote equality by putting girls and young women in contact with female mentors in various areas. The objectives of the agreement also include helping Inspiring Girls to grow in the countries in which BBVA operates.

Other initiatives aimed at reducing the technological gender gap between men and women have also been supported, such as Technovation, Girlsgonna or Node Girls.

BBVA's efforts to promote diversity have earned it for the third consecutive year a place in the Bloomberg Gender-Equality Index, a ranking of the 100 global companies in terms of gender diversity. BBVA is also a signatory of the Diversity Charter at European level and of the United Nations Women's Empowerment Principles. Likewise, the UN selected one of BBVA's initiatives, "Work Better, Enjoy Life," to make a business case in this regard and include it on its website relating to best practices on diversity and inclusion within the Women's Empowerment Principles (WEP) program.

Regarding the question in the Employee Engagement Survey, managed by Gallup, which says "BBVA always values diversity", a score of 4.52 out of 5 was obtained in 2020, exceeding 2019 results (4.41).

Throughout 2020, three global events were held for BBVA employees related to diversity and inclusion: International Women's Day in March, International LGBTI Pride Day in June, and "Diversity Days" in the first week of December, whereby the progress made in this area by the various different geographical areas was shared and various online conferences and workshops were held so that employees could increase their knowledge of the subject. Some of these workshops were held by members of the ERGs (employee resource groups - groups of employees working for greater diversity).

This year, BBVA also published a manual, entitled "Normalizing differences", with the aim of providing all members of the Bank with basic knowledge of the LGBTI community. This manual defines concepts such as "heteronormativity", explains the differences between sex, identity, orientation and gender expression, and offers a series of recommendations on how to handle the diversity that exists within the trans community itself.

In **Spain**, BBVA presented to the Ministry of Equality in 2020 the 8th Maintenance Annual Report of the Seal of Distinction for Equality in the Company awarded by the Ministry of Equality to companies that are committed to equality between women and men. Negotiations also commenced with employee representatives on a new Equality Plan with the aim of bolstering BBVA's commitment to equality, diversity and the promotion of co-responsibility and adapting it to current applicable regulations. The Family-friendly Company certificate was also renewed, awarded to BBVA by the *Más Familia* Foundation for being a proactive company in terms of its policies on equality of treatment and reconciliation of work, family and personal life, and was included in the Variable D2019 report that lists the 30 companies in Spain with best practices on diversity and inclusion.

In addition, the Talent & Culture management team was trained in inclusive job offers, reaching an agreement for the implementation of the **Rooney Rule**; and a volunteer work agreement was signed with the Inspiring Girls Foundation so that, during the 2019-2020 school year, more than 80 women from BBVA were able to act as role models for school-age girls and demonstrate that the fact of being a woman is not a limitation for holding leadership positions in areas related to Science, Technology, Engineering and Mathematics (STEM subjects).

BBVA was also chosen as one of the 15 pioneering Spanish companies in LGBT diversity management by the FELGTB (*Federación Española de lesbianas, gays, trans y bisexuales* — Spanish Federation of Lesbians, Gays, Trans and Bisexuals).

Lastly, the Bank has protocols for the **prevention of** sexual **harassment**. Specifically, the Bank and signatory trade union representatives expressly state their rejection of any conduct of a sexual nature or with a sexual connotation that has the purpose or effect of violating a person's dignity, particularly when an intimidating, degrading or offensive environment is created, and they undertake to apply this agreement as a means of preventing, detecting, correcting and punishing this type of conduct within the company.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA, S.A.)

	2020			2019		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	23,971	11,714	12,257	24,921	12,256	12,665
The United States	161	100	61	166	104	62
France	68	44	24	71	45	26
United Kingdom	118	85	33	120	86	34
Italy	49	27	22	49	26	23
Germany	42	26	16	43	25	18
Belgium	22	13	9	23	14	9
Portugal	367	184	183	373	189	184
Hong Kong	80	46	34	85	46	39
China	28	8	20	26	8	18
Japan	3	2	1	3	2	1
Singapore	10	3	7	9	2	7
United Arab Emirates	2	1	1	2	1	1
Russia	1	1	-	3	2	1
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
South Korea	2	1	1	2	1	1
Taiwan	11	4	7	11	4	7
Cuba	1	1	-	1	1	-
Total	**24,940**	**12,262**	**12,678**	**25,912**	**12,814**	**13,098**

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA, S.A. YEARS AND PERCENTAGE)

	2020				2019			
	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Total	45.3	0.3	52.6	47.2	44.7	0.7	43.9	55.4

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. PERCENTAGE)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Management team (1)	4.3	75.3	24.7	4.3	76.4	23.6
Middle controls	8.9	62.9	37.1	8.3	62.7	37.3
Specialists	24.2	52.1	47.9	23.0	51.6	48.4
Sales force	52.8	43.4	56.6	52.8	44.2	55.8
Base positions	9.9	49.3	50.7	11.6	49.8	50.2
Total	**100.0**	**49.2**	**50.8**	**100.0**	**49.5**	**50.5**

(1) The management team includes the highest range of the Bank´s management.

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA , S.A. PERCENTAGE)

	2019			2018		
	Total	Male	Female	Total	Male	Female
Permanent employee. Full-time	97.2	50.3	49.7	96.2	50.7	49.3
Permanenet employee. Part-time	2.0	4.8	95.2	2.1	4.2	95.8
Temporary employee	0.8	28.1	71.9	1.7	34.4	65.6
Total	**100.0**	**49.2**	**50.8**	**100.0**	**49.5**	**50.5**

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND AGE STAGES (BBVA , S.A. PERCENTAGE)

	2020				2019			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Permanent employee. Full-time	97.2	0.2	51.8	48.0	96.2	0.4	54.5	45.0
Permanent employee. Part-time	2.0	-	79.2	20.8	2.1	-	81.9	18.1
Temporary employee	0.8	8.1	81.9	10.0	1.7	15.4	73.9	10.7
Total	**100.0**	**0.3**	**52.6**	**47.2**	**100.0**	**0.7**	**55.5**	**43.9**

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND TYPE OF CONTRACT (BBVA GROUP. PERCENTAGE)

	2020			2019		
	Permanent employee Full-time	Permanent employee Part-time	Temporary employee	Permanent employee Full-time	Permanent employee Part-time	Temporary employee
Management team [1]	99.6	0.4	-	99.5	0.5	-
Middle controls	98.7	1.2	0.1	98.6	1.4	-
Specialists	98.1	1.8	0.1	97.0	2.6	0.4
Sales force	96.9	2.3	0.8	96.1	2.2	1.8
Base positions	93.8	2.3	3.9	91.9	2.1	6.1
BBVA average	**97.2**	**2.0**	**0.8**	**96.2**	**2.1**	**1.7**

[1] The management team includes the highest range of the Bank´s management.

In 2020, the annual average of full-time permanent contract, part-time permanent contract and temporary contract was 97.2%, 2.0% and 0.8%, respectively.

DISCHARGE OF EMPLOYEES BY DISCHARGE TYPE AND GENDER (BBVA S.A. NUMBER)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Retirement and early retirement	744	463	281	594	410	184
Voluntary redundancies	58	28	30	108	45	63
Resignations	124	72	52	209	124	85
Dismissals	64	35	29	49	38	11
Others [1]	1,226	404	822	1,624	540	1,084
Total	**2,216**	**1,002**	**1,214**	**2,584**	**1,157**	**1,427**

[1] Others include permanent termination and death.

DISMISSALS BY PROFESSIONAL CATEGORY AND AGE STAGES (BBVA. S.A. NUMBER)

	2020				2019			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Management team [1]	13	-	2	11	14	-	1	13
Middle controls	9	-	6	3	1	-	-	1
Specialists	27	-	19	8	6	-	2	4
Sales force	12	-	5	7	23	-	15	8
Base positions	3	-	-	3	5	-	2	3
Total	**64**	**-**	**32**	**32**	**49**	**-**	**20**	**29**

[1] The management team includes the highest range of the Bank´s management.

Different capabilities

BBVA is committed to the **integration** of people with different capabilities in the workplace, with the conviction that employment is a fundamental pillar in the promotion of equal opportunities for all people. Accordingly, BBVA has alliances with the leading Spanish organizations in the disability sector with the aim of promoting accessibility, fostering labor integration and increasing knowledge and awareness of the needs and potential of disabled people.

Likewise, ERGs have been created for different capabilities. A campaign has also been conducted to raise awareness of the additional problems that people with hearing difficulties are experiencing due to the use of masks.

In **Spain**, BBVA continued its in-branch internship program for people with intellectual disabilities, in which 31 young people participated in 2020, and 3,636 have participated since 2015.

As of December 31, 2020, BBVA had 152 people with different capabilities on the Bank's workforce. Additionally, progress is being made in the accessibility of the branches, while the corporate headquarters of BBVA in Madrid are accessible.

Working environment

Work organization

As part of the transformation of work practices at the Bank, in 2019 the "Work Better. Enjoy Life" global plan was launched in 2019, which was established to reflect a culture based on high performance, productivity, team empowerment and balance between professional and personal life, i.e. work-life balance.

Throughout 2020, BBVA has continued to work on these principles, adapting to the "new normal" resulting from the lockdown imposed as a result of COVID-19 and the fact that the vast majority of BBVA staff had to work from home for a prolonged period of time.

In order to ensure compliance with policies on work-life balance and to keep colleagues properly informed and engaged during this unprecedented situation, the "BBVA at Home" website was launched.

This website, which has been created in both Spanish and English, has been one of the main channels of communication with and between BBVA employees.

Some of the most notable content on the site included:

- **Emotional well-being**: a section on the site that offers more than 20 self-help videos starring psychologists Silvia Álava and Marta Romo, experts in emotional management.
- **#*Yomeformoencasa***: BBVA's training initiative (meaning #ITrainAtHome) for its employees, with dozens of courses, webinars and personalized content for each country.
- **Virtual events** (more than 10 virtual events): a talk about "Fake News" with Mario Tascón; Dr. Jordi Vila clears up doubts regarding COVID-19; a talk about childhood sleep with Dr. Gonzalo Pin and four talks from BBVA Open Talks University with experts in education and entrepreneurship.
- **#ShareYourTalent*:*** an initiative where BBVA employees shared videos showcasing their most surprising talents.
- **One team stories**: inspirational stories in which BBVA employees shared how they have overcome lockdown and all the good things that have come out of this difficult period.
- **Travel without leaving home:** content developed jointly with countries so that others can explore their regions.
- **Art & Culture**: a page dedicated to discovering the best works in the BBVA collection, with full weekly updates.
- **Families**: a section proposing more than 120 activities for the whole family.

BBVA has also signed an agreement with leading trade union representatives in September 2019 on working time registration and the right to digital disconnection, being the first financial institution to sign a collective agreement under these terms. The agreement was reached within the framework of the legal obligation established for companies in Royal Decree-Law 8/2019, of March 8, on urgent measures for social protection and the fight against precariousness in the workplace, and with the aim of moving toward an organizational culture of work based on efficiency and results, as opposed to attendance and staying at work beyond established working hours.

In order to fulfill this agreement, an ad-hoc tool was created, "Register your working day," an application where every employee registers their working hours on a daily basis, by entering the time they start and finish work. In order to increase the knowledge of what it means to register the working day and how to use the tool, all employees have an online training course on this subject. For BBVA, the creation of this tool represents a means of promoting, strengthening and taking a further step toward cultural change and changes to work practices.

With regard to the right to **digital disconnection**, the agreement with trade union representation also recognizes this right to workers as a fundamental element in achieving better organization of working time in order to respect private and family life, to improve the balance between personal, family and working life and to contribute to the optimization of workers' **occupational health**. This right takes the form of specific measures, such as:

- Avoid communications between 7 pm and 8 am the next day, nor during weekends and holidays.
- From Monday to Thursday, avoiding meetings that end after 7 pm, or after 3 pm on Fridays and the day before a public holiday.

Freedom of association and representation

In accordance with the different regulations in force, the working conditions and the rights of the employees, such as freedom of association and union representation, are included in the rules, collective conventions and agreements signed, in their case, with the corresponding representations of the workers. Dialog and negotiation are part of how to address any dispute or conflict within the Bank, for which there are specific procedures for consultation with trade union representatives across different countries, including the issues concerning labor health and safety.

In Spain, the banking sector collective agreement is applied to the entire workforce (except for members of senior management and top-level positions), complemented by the company collective agreements which build upon and improve the provisions of sector agreement, and which are entered into on behalf of workers. Employee representatives are elected every four years by personal, free, direct and secret ballot, and are informed of the relevant changes that may occur in the organization of work in the Entity, under the terms provided in accordance with the legislation in force.

Health and labor safety

BBVA considers the promotion of health and safety as one of its basic principles and fundamental goals, which is addressed through the continuous improvement of working conditions.

In this regard, the Bank's work risk **prevention** model is legally regulated and employees have the right to consult on and participate in these areas, which they exercise and develop through trade union representation on the different existing committees, where consultations are presented and matters relating to health and safety in the workplace are dealt with, monitoring any and all activity related to prevention.

The Bank has a preventive policy applicable to 100% of its staff, which is carried out primarily by the Occupational Risk Prevention Service. This service has two lines of action: a) the **technical-preventive** line, which involves, among other activities, the carrying out of evaluations of occupational risks, which are periodically updated, the preparation of action plans to eliminate/minimize the risks detected, the monitoring of the implementation of action plans, and implementation of emergency and evacuation plans, training in health and safety, and coordination of preventive activities; and b) **occupational medicine**, which involves carrying out staff medical examinations , providing protection for particularly sensitive employees and equipping workplaces with appropriate ergonomic equipment, as well as carrying out preventive activities and campaigns to maintain and improve workers' health and contributing to the development of a culture of prevention and the promotion of healthy habits.

OCCUPATIONAL HEALTH MAIN DATA (BBVA SPAIN. NUMBER)

	2020	2019
Number of technical preventive actions	10,740	2,706
Number of preventive actions to improve working conditions	11,054	3,306
Employees represented in health and safety committees (%)	100	100
Number of withdrawn	8,424	7,635
Total number of abseentism hours [(1)]	2,556,743	2,209,512
Number of accidents with medical withdrawn	50	188
Abseentism rate (%)	3.88	2,9

[(1)] Total withdrawn hours by medical leave or accident during the year.

[(2)] *In itinere* accidents are not included.

Nevertheless, this year, the actions undertaken to face the pandemic caused by the COVID-19 must be emphasized, including the role of the Prevention Service.

Since the beginning, measures concerning the work organization and commuting were established, as well as guidelines and protocols for the employees of BBVA, following the instructions of the corresponding authorities, such as, for example, in Spain, the Ministry of Health, the European Center for Disease Prevention and Control (ECDC) and the World Health Organization (WHO).

Likewise, work centers were adapted:

- Signage about hygienic procedures, methacrylate screens, facial screens, disinfection kits for branches' employees, and Individual Protection Equipments and face masks for employees at certain work centers such as the CPD (by its acronym in Spanish, Centro de Protección de Datos – Data Protection Center).
- Supply of masks and hand-sanitizing gels, as well as gloves in customer service branches.
- Social distancing between workplaces and separation tapes in branches to ensure the 2 meters security distance.
- Specific cleaning procedures of work places.

In the same vein, the vulnerability of employees regarding pathologies has been assessed, carrying out an exhaustive study of vulnerable people within the Organization, recommending them remote working and establishing the “Special Coronavirus” permit for those employees whose position could not be developed remotely.

The information, procedures, protocols and guidelines were available to all employees in a specific COVID-19 site within the Labor Health portal, which was also shared with the rest of the countries where BBVA Group is present.

In a second phase, when the virus detection tests were available, population studies were carried out, as well as a testing strategy, analyzing cases and contacts among the employees of BBVA, which is leveraged in three main principles:

- Preserving employees and their families, as well as customers' health.
- Carrying out studies and testing employees in case of symptoms compatible with COVID-19, carrying them out both in case of positive cases and close contacts, going beyond the instructions of the sanitary authorities.
- Data-based studies: The tests results have been essential in the implementation of return plans and the management of possible resurgences of the disease, facilitating the decision making based on data.

Thanks to these initiatives, work centers are safer, thus taking care of the health of employees. In all cases, the health status of the affected employees has been monitored, both those who were in their homes, as well as those hospitalized, with the families of these employees being monitored.

No cases of occupational disease were registered in Spain in the last year. The number of worked-related accidents was 97, of which 50entailed medical leave and 47 did not, indicating a very low degree, under the sector. Thus, the Bank's severity index is 0.07 (0.04 men and 0.09 women) in 2020, while the frequency index is 1.22 (0.70 men and 1.72 women).

Volunteer work

In the Corporate Social Responsibility Policy, BBVA expresses its will to reinforce its corporate culture of social and environmental commitment, facilitating the conditions for its employees to carry out volunteer work actions that generate social impact.

Corporate volunteer work activities empower the development of employees, channeling their spirit of solidarity, allowing them to make a contribution of their time and knowledge in order to help the people who need it most. This results in an improvement of self-esteem, increasing the sense of pride in belonging to the company, and, consequently, in the attraction and retention of talent. Volunteer work generates a positive impact in society, and as recognized by the 2030 Agenda, they are an efficient tool to achieve the SDG.

COVID-19 has accentuated the vulnerability situations and the inequality among people, making the volunteers’ work more important than ever. In order to grant both the Bank’s volunteers and beneficiaries’ security, on-site activities have been reduced, and have been substituted, when possible, by remote volunteering activities.

More than 1,673 employees participated in about 45 volunteer work activities organized by the Bank, focusing on the following lines of action: financial education, training in new technologies, training for employment, the environment and sustainability, and community investment.

Remuneration

BBVA has a remuneration policy designed within the framework of the specific regulations applicable to credit institutions, and geared toward the recurring generation of value for the Bank, within the Group framework, seeking also the alignment of the interests of its employees and shareholders, with prudent risk management. This policy is adapted at all times to what is established under applicable legal standards, and incorporates the standards and principles of national and international best practices.

This policy is part of the elements designed by the Board of Directors as part of the BBVA corporate governance system to ensure proper management of the BBVA, and meets the following requirements:

- It is compatible and promotes prudent and effective risk management, not offering incentives to assume risks that exceed the level allowed by the Bank,
- it is compatible with BBVA's business strategy, objectives, values and long-term interests, and includes measures intended to avoid conflicts of interest,
- it clearly distinguishes the criteria for the establishment of fixed remuneration and variable remuneration;
- it promotes equal treatment for all staff, not discriminating due to gender or other personal reasons; and
- it pursues that remuneration is not based exclusively or primarily on quantitative criteria and takes into account adequate qualitative criteria that reflect compliance with the applicable standards.

The remuneration model applicable in general to the entire staff of the Bank, within the Group framework, contains two different elements:

- A fixed remuneration, which takes into account the level of responsibility, the functions performed, and the career path of each employee, as well as the principles of internal equity and the value of the function in the market, being a relevant part of the total compensation. The grant and the amount of the fixed remuneration are based on objective predetermined and non-discretionary criteria.
- Variable remuneration constituted by those payments or benefits additional to the fixed remuneration, whether monetary or not, that are based on variable parameters. This remuneration must be linked, in general, to the achievement of previously specified objectives, and will take current and future risks into account.

AVERAGE REMUNERATION [1] BY PROFESSIONAL CATEGORY [2], AGE STAGES AND GENDER (BBVA, S.A. EUROS)

	2020						2019					
	< 25 years		25-45 years		> 45 years		< 25 years		25-45 years		> 45 years	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management team [3][4]	-	-	117,028	98,911	122,571	112,633	-	-	118,186	99,647	122,214	114,253
Middle controls [3]	-	-	72,350	65,424	76,116	70,283	-	-	73,356	67,079	78,417	71,286
Specialists	40,042	36,393	44,723	42,117	52,032	48,548	39,916	37,910	44,969	42,411	52,370	49,085
Base positions	25,661	25,503	34,470	34,743	46,579	43,573	24,062	24,031	33,982	34,606	46,817	43,829

(1) Considering fixed remuneration.
(2) The professional categories reflected in this table differ from those included in the rest of the chapter. The category Sales force is included in each of the remaining categories presented in this table.

(3) There is no information both in the Management team and the Middle controls in the segment under 25 years due to insufficient sample.

(4) This group does not include the Top Management.

AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY AND GENDER[1](EUROS)

	2020		2019	
	Male	Female	Male	Female
Management team [2]	117,091	105,851	116,821	105,974
Middle controls	67,403	62,692	67,722	62,723
Specialists	47,133	43,899	47,149	43,942
Base positions	42,547	38,919	42,168	38,493

(1) The professional categories reflected in this table differ from those included in the rest of the chapter. The category Sales force is included in each of the remaining categories presented in this table.
(2) It excludes the Top Management.

The differences observed in the average remunerations of certain professional categories arise from factors such as the length of service and they are not representative of the wage gap. This is due to the fact that only four professional categories are being used, and in each of them very diverse positions with very different remunerations are included. Therefore, the average remuneration of each category is affected by issues such as the different distribution between men and women in the most valued positions, or the higher proportion of women in countries where the average remuneration is lower.

The remuneration of the members of the Board is set out in Note 49 of the Annual Report corresponding to the Bank's Financial Statements, on an individual basis and by remuneration category. As of 2020, for senior management members, the average total remuneration was €1,562 thousand for men and €1,156 thousand for women.

Wage gap

Group’s Remuneration Policy promotes equal opportunities for men and women, and does not set or encourage wage differentiation. The remuneration model is designed to promote responsibility and career development, while ensuring internal fairness and external competitiveness.

The equal pay ratio is calculated as the difference in the average total remuneration between women and men of the same professional category, expressed as a percentage of the average remuneration of men, as reflected in the table above (Remuneration by professional category and gender) on average remuneration by professional categories and gender). This ratio does not take into account the concept of a position of equal value in the Group.

BBVA's remuneration policy defines certain positions, on which compensation pivots. Each of these positions has a single theoretical price determined based on different factors, such as the level of responsibility, complexity of the function, impact on results, etc. In the same way, each position has a defined unique value linked to the achievement of the objectives.

The concept of a position of equal value is reflected in the calculation of the wage gap that compares the total remuneration received by men and women who occupy positions of equal value in the Group.

For each of the aforementioned positions, the median of the total remuneration received by all the men and women who occupy said positions is calculated. The wage gap for the position is calculated as the percentage resulting from dividing the difference between the median salaries of men minus the median salaries of women by the median salaries of men. The Group's salary gap is calculated as the weighted average of the gaps obtained in each of the positions.

The total remuneration considered includes the fixed remuneration and the target bonus linked to objectives. Items such as allowances, social benefits, etc. are not included, the amount of which is very unrepresentative within the total remuneration of employees, and whose award criteria and amounts are clearly defined, not discriminating between men and women.

As of December 31, 2020 and 2019 the wage gap by homogeneous professional categories is 4.2% figure that remains stable with respect to the previous year[2].

In order to balance professional opportunities between men and women, BBVA is continuing to launch various initiatives to continue making progress toward gender equality such as: make women's talent visible, eliminate biases in key processes and match the playing field (see more detail in the “Diversity and Inclusion” section). These initiatives are contributing to the increase of women occupying positions of greater responsibility.

Additional information about remuneration

Total annual compensation ratio

The **total annual compensation ratio** is calculated for the employees of BBVA, S.A. located in Spain, as the ratio between the total annual compensation (fixed remuneration plus accrued variable remuneration and contributions to pensions) of the highest paid person and the median total annual compensation (fixed compensation plus accrued variable compensation plus pension contributions) of all employees taking full-time annualized compensation, excluding the best-paid person.

In 2020, the total annual compensation ratio was 80.9, reducing from 137.6 ratio as of December 31, 2019, as a result of the resignation of the best-paid person to the variable compensation corresponding to the 2020 financial year.

Percentage increase in total annual compensation ratio

The **percentage increase in total annual compensation ratio** is calculated as the ratio between the increase in total annual compensation (fixed compensation plus accrued variable compensation and contributions to pensions) of the best paid person and the percentage increase in the median total annual compensation (fixed compensation plus accrued variable compensation and pension contributions) of all employees taking full-time annualized compensation, excluding the best paid person.

In BBVA, S.A. in Spain, for the financial year 2020, the total annual compensation of the highest paid person experienced a fall 10.3 times greater than the fall in the median total annual compensation of the rest of employees, due to the resignation of the best paid person to the variable remuneration corresponding to this financial year. For 2019, this ratio does not apply due to a change in the position occupied by the best paid person.

Ratio of standard entry level wage by gender compared to local minimum wage

The **wage ratio of the standard initial category** is established by level and the nature of the function to be performed, and does not distinguish by gender. BBVA's entry wage is 1.4 times higher than the local legal minimum wage (1.5 times in 2019) both for men and women.

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[2] The median is used for this calculation, since this statistical indicator is less affected by the presence of biases in the distribution of extreme values and better represents the real situation of the Group.

Pensions and other benefits

BBVA has social welfare systems, differentiated according to the geographical areas and coverage it offers to different groups of employees, not establishing differences due to gender or personal of any other kind, In general, the social welfare system is a defined contribution system for the retirement provision. The Bank's Pension Policy is compatible with the Company's business strategy, objectives and long-term interests.

Contributions to the social welfare systems of the employees of the Bank will be carried out within the framework of the labor regulations, and of the individual or collective agreements of application in each entity, sector or geography. Calculation criteria on which benefits are based (commitments for retirement, death and disability) reflect fixed annual amounts, with no temporary fluctuations derived from variable components or individual results being present.

With regard to other benefits, the Bank, has a package of employee benefits within its specific remuneration scheme, not establishing differences due to gender or personal of any other kind.

In 2020, the Bank in Spain made a payment of €27.2m in savings contributions to pension plans and life and accident insurance premiums, of which €15.2m corresponded to contributions to men and €12.0m to those of women. This payment accounts for more than 95% of Spain's pension expenditure, excluding unique systems. On average, the contribution received by each employee is €1,076 for the year (€1,224 for men and €932 for women).

Ethical behavior

Compliance system

The Bank's **compliance system** is one of the bases on which BBVA consolidates its institutional commitment to conduct all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict standards of ethical behavior. To achieve this, the cornerstones of the BBVA compliance system are the Code of Conduct, which is available on the BBVA corporate website (www.bbva.com), the internal control model and the Compliance function.

The **Code of Conduct** establishes the behavioral guidelines that, according to the principles of the Bank, ensure that conduct adheres to the internal values of the Bank. To this end, it establishes the duty of respect for applicable laws and regulations for all its members in an integral and transparent manner, with the prudence and professionalism that correspond to the social impact of the financial activity and to the trust that shareholders and customers have placed in BBVA.

BBVA's **internal control model**, built in accordance with the guidelines and recommendations of regulators and supervisors and the best international practices, structured on three lines of defense, is intended to identify, prevent and correct the situations of risk inherent to the performances of its activity in the areas and locations in which BBVA operates. For more information on the three-line-of defense model, see Note 1.7 to the accompanying Financial Statements.

In accordance with the provisions of the BBVA Code of Conduct, Compliance is a global unit integrated within the **second line of defense** that is entrusted by the Board of Directors with the function of promoting and supervising, with independence and objectivity, measures to ensure that BBVA acts with integrity, particularly in areas such as the prevention of money laundering, conduct with customers, conduct in the securities market, the prevention of corruption and other aspects of corporate conduct.

The Compliance function has a Statute, approved by the Board of Directors, and subject to a prior analysis by the Risks and Compliance Committee which details the main elements established by BBVA for managing the aforementioned issues as well as the basic elements that comprise the Compliance System and Function. The Compliance Statute has evolved in 2020 to a better alignment with regulatory and supervisory developments and expectations related to the function.

Mission and scope of action

The tasks of the Compliance function include:

- promoting a culture of integrity and compliance within BBVA, as well as the knowledge by its members of the external and internal rules and regulations applicable to the above matters, through the development of internal regulation, advisory, dissemination, training and awareness programs, fostering the proactive management of compliance and conduct risk; and
- defining and promoting the implementation and total ascription of the Bank to the risk management frameworks and measures related to these issues.

In order to perform its functions adequately, Compliance maintains a configuration and systems of internal organization in accordance with the principles of internal governance established under the European guidelines for this matter and in its configuration, and development of the activity is attached to the principles established by the Bank for International Settlements (BIS), as well as the reference regulations applicable to Compliance and Conduct Issues.

In order to reinforce these aspects and, specifically, the independence of the control areas, BBVA has the Regulation & Internal Control area, which reports to the Board of Directors through the Risks and Compliance Committee and in which the Compliance unit is integrated. Its activity is periodically supervised by the Risks and Compliance Committee.

Organization, internal government and management model

The Compliance function is handled globally at BBVA, and is composed of a corporate unit, with a transversal scope for the entire Group that is directed by a global manager and by local units which, sharing the mission entrusted to them, perform their duties in the countries where BBVA carries out its activities that are directed by local managers of the function.

The function carried out by the various Compliance officers relies on a set of departments specialized in different activities, which, in turn, have their own designated officers. Thus, among others, the function is addressed by individuals responsible for each discipline related to Compliance and Conduct Issues, for the definition and articulation of the strategy and the management model of the function, or for execution and continuous improvement of the area´s internal operational processes.

The main functions of the Compliance units include:

- Carrying out a compliance and conduct risk assessment inherent to the Group's activity.

- Promoting or developing internal regulations on its matters, as well as the establishment of systems, technological tools and adequate resources.
- Advising the Organization on Compliance and Conduct matters to manage the risk derived from them.
- The monitoring and verification of compliance with internal regulations that allow the measurement of the management of Compliance and Conduct risk and its adequate contrast.
- Management of whistleblowing channels in the different jurisdictions.
- Periodically report information related to Compliance and Conduct issues at the different levels of the Organization.
- Representing the function before regulatory bodies and supervisors in matters of compliance.

The structure of the Compliance units across different countries has continued to evolve throughout 2020 to obtain a better alignment with these foundations.

The scope and complexity of the activities, as well as the international presence of BBVA, give rise to a wide variety of regulatory requirements and expectations of the supervisory bodies that must be met in relation to risk management associated with Compliance and Conduct Issues. This makes it necessary to have internal mechanisms that establish transversal management programs for this risk in a homogeneous and integral manner.

For this purpose, Compliance has a **global model** for estimating and managing said risk, which, with an integral and preventive approach, has evolved over time to reinforce the elements and pillars on which it is based and to anticipate the developments and initiatives that may arise in this area.

This model starts from periodic cycles of identification and assessment of compliance risk, upon which its management strategy is based. This results in the review and updating of the multi-year strategy and its corresponding annual action lines, both of which are aimed at strengthening the applicable mitigation and control measures, as well as improving the model itself. These lines are incorporated into the annual Compliance plan, the content of which is reported to the Risks and Compliance Committee.

The basic **pillars** of the model the following elements:

- A suitable organizational structure with a clear assignment of roles and responsibilities throughout the Bank.
- A set of policies and procedures that clearly define positions and requirements to be applied.
- Mitigation processes and controls applied to enforce these policies and procedures.
- A technology infrastructure focused on monitoring and geared toward ensuring the previous objective.
- Communication and training systems and programs implemented to raise employee awareness of the applicable requirements.
- Indicators that allow for the supervision of global model implementation.
- Independent periodic review of effective model implementation.

Throughout 2020, work continued on strengthening the documentation and management of this model by reviewing and updating the global typologies of Compliance and Conduct risks both at a general level and across the various different geographical areas. The framework for conduct and compliance indicators also continues to be strengthened in order to improve the early detection of this type of risk.

The effectiveness of the model and compliance risk management is continuously subject to various different and extensive annual verification processes, including the testing activity carried out by the Compliance units, BBVA's internal audit activities, the reviews carried out by prestigious auditing firms and the regular or specific inspection processes conducted by the supervisory bodies in each of the geographies.

On the other hand, in recent years, one of the most relevant axes of application of the compliance model focuses on digital transformation of BBVA. For this reason, in 2020, the Compliance unit continued to maintain governance, supervision and advisory mechanisms for the activities of the areas that promote and develop business initiatives and digital projects in the Group.

Anti-money laundering and financing of terrorism

Anti-money laundering and the financing of terrorism (hereinafter AML) is an indispensable requirement in preserving corporate integrity and one of its main assets: the trust of the people and institutions with which it works on a daily basis (mainly customers, employees, shareholders and suppliers) in the different jurisdictions where it operates. BBVA´s commitment to improving the various social environments in which it operates is also a constant in the objectives it peruses.

In addition, the Bank is exposed to the **risk of breaching** the AML regulation and the restrictions imposed by national or international organizations to operate with certain jurisdictions and individuals or legal entities, which could entail sanctions and significant economic fines.

As a result of the above, BBVA applies the compliance model described above for AML **risk management**. This model takes into account the regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies, such as the Financial Action Task Force (FATF).

This management model is constantly evolving. Thus, the risk analysis that are carried out annually allow BBVA to tighten controls and to establish, where appropriate, additional mitigating measures to enhance it. In 2020, the regulated entities of the Bank carried out this AML risk assessment exercise under the supervision of the corporate AML area.

The BBVA Code of Conduct, in sections 4.1 and 4.2, establishes the basic guidelines for action in this area. In line with these guidelines, BBVA has established a series of corporate procedures that are applied in each geographical area, including the Corporate Procedure of Action for the Establishment of Business Relations with Politically Exposed Persons (PEPs), the Corporate Procedure of Action for the Prevention of Money Laundering and the Financing of Terrorist Activities in the Provision of Cross-Border Correspondent Services, or the Standard that establishes the Operational Restrictions with Countries, Jurisdictions and Entities designated by National or International Organizations. All applicable standards are available for consultation by employees.

BBVA has a **monitoring tool** in Spain, and it continues with its strategy to apply new technologies to its AML processes (machine learning, artificial intelligence, etc.), in order to reinforce both the capabilities of the Group's various comprising entities to detect suspicious activity, as well as the efficiency of said processes.

In terms of **training** related to AML, BBVA offers an annual training plan for employees. This plan, defined according to the needs identified, establishes training actions such as face-to-face or e-learning courses, videos, brochures, etc. for both new hires and employees. Likewise, the content of each training action is adapted to the target group, including general concepts derived from the regulation of applicable AML standards, both internal and external, as well as specific issues that affect the functions performed by the target group of the training.

The AML risk management model is subject to a continuous **independent review**. This review is complemented by internal and external audits carried out by local supervisory bodies, both in Spain as well as in other jurisdictions. In accordance with Spanish regulations, an external expert performs an annual review of Bank. In 2020, this external expert concluded that BBVA does indeed have an AML model to monitor the risk of being used as a vehicle for money laundering or terrorist financing and that said model meets the regulatory requirements in this regard. In turn, the internal control body, which BBVA maintains at the holding level, meets periodically and oversees the implementation and effectiveness of the AML risk management model within the Bank.

It is important to mention BBVA´s **collaboration** work with the different government agencies and international organizations in this field: Attendance at the meetings of the Executive Committee Financial Crime Strategy Group of the AML & Financial Crime Committee and the Financial Sanctions Expert Group of the European Banking Federation, member of the task forces on KYC/RBA (Know Your Customer/Risk-based Approach) and Information Sharing of the European Banking Federation, member of the AML Working Group of the IIF, participation in initiatives and forums aimed at increasing and improving the exchange of information for AML purposes, such as the Europol Financial Intelligence Public Private Partnership (EFIPPP), as well as contributions to public consultations issued by national and international bodies (European Commission, GAFI-FATF, European Supervisory Authorities, among others) and the IIF Machine Learning Governance Survey.

Conduct with customers

BBVA's Code of Conduct places its customers at the center of its activities, with the aim of establishing lasting relationships based on mutual confidence t and the contribution of value. Thus, BBVA aspires to be the trusted partner of its customers in management and control of their finances on a day-to-day basis, based on personalized advice. The objective is to improve the financial health of its customers, as a factor of differentiation of the Bank.

To achieve this objective, BBVA has product governance policies and procedures that establish the principles to be observed when evaluating the characteristics and risks of products and services, as well as when defining their distribution conditions and their monitoring, so that based on the knowledge of the customer, their interests are taken into account at all times and they are offered products and services in accordance with their financial needs and compliance with applicable regulations on customer protection is ensured. BBVA has also implemented processes geared toward the prevention, or, when this has not been possible, the management of potential conflicts of interest that may arise in the marketing of its products.

In 2020, the new regulatory requirements on customer protection resulting from the health crisis caused by COVID-19, and aimed, in particular, at protecting customers in a vulnerable situation as a result of the crisis, have become one of the main focuses of the Compliance units. During the course of the pandemic, the Compliance Function monitored these regulatory developments and their proper implementation. In this regard, it identified 104 new regulations, corresponding to 12 countries and at a supranational level to the EU, which incorporated new requirements related, for example, to loan extensions or moratoriums, the granting of loans with public guarantees, facilities associated with banking transactions and payment channels, exemption from fees, or redemption of pension funds and funds or other savings products.

At the same time, progress continued throughout 2020 on a global customer compliance model, which aims to improve the homogeneity of the framework of conduct standards which must be respected in customer relationships, in line with the principles of the Code of Conduct. The deployment of the model contributes to a better customer experience at BBVA, and continues to be in line with increasingly standardized regulations on customer protection at a global level and best practice standards in commercial relations with customers. Throughout the year, BBVA focused on reviewing the frameworks for mitigating and controlling risks relating to conduct with customers, singularly addressing the issues of transparency in information for customers, as well as strengthening indicators related to such risks, paying special attention to customer complaints and preventing and identifying poor sales practices.

Other measures geared toward customer protection during 2020 included:

- Continuous analysis of the characteristics, risks and costs of BBVA's new products, services and activities from a customer perspective through a number of different Operational Risk Admission and Product Governance Committees,
- Continuous collaboration with wholesale and retail product and business development units, focusing on digital banking initiatives, with the aim of including the customers´ point of view and investor protection in its projects from the outset.
- Enhancement of the training processes required by the MiFID II regulations and the Law regulating real estate loan contracts in Spain.
- Training on identifying, managing and logging situations of potential conflict of interest during the provision of services to customers.
- Promoting communication activities for commercial networks, both through direct communications on products or services, as well as through specific training actions.
- Follow-up of new customer protection requirements arising from the new regulation with regard to ESG factors.
- Adaptation of the Advertising Communication Policy to the Bank of Spain Circular on advertising.

Conduct on securities markets

The BBVA Code of Conduct includes the basic principles for action aimed at preserving the integrity of the markets, setting the standards to be followed aimed at preventing market abuse, and guaranteeing transparency and free competition in the professional activity carried out on the market by the BBVA collective.

These basic principles are specifically developed in the Policy on Conduct in the Field of Securities Markets ("the Policy"), which applies to all the individuals who form a part of BBVA. Specifically, this policy establishes the minimum standards that are to be respected with the activity carried out in the securities markets in terms of privileged information, market manipulation and conflicts of interest. The Policy is supplemented in each jurisdiction by a rule or **Internal Code of Conduct** (ICC) aimed at the target group with the greatest exposure in the markets. The ICC develops the contents established in the Policy, adjusting them, where appropriate, to local legal requirements.

Both BBVA's Policy and ICC are widespread throughout the Bank. In order to manage this regulation, BBVA has the GESRIC tool, which is in continuous development. The degree of adhesion to the new ICC approached 100% of the individuals in question.

With respect to the **market abuse prevention**, the reinforcement of the programme continued, implementing and extending the tools for detecting operations suspected of market abuse continued, in order to improve the analysis capabilities. As part of this reinforcement, the communications control framework of the market areas was reinforced through the implementation of new communications analysis tools which provide support in the analysis of suspicious transactions.

These measures enable the further improvement of the process of detecting suspicious transactions, leading to the communication of possible market abuse practices to the corresponding authority.

The training program on market abuse was also reinforced in 2020 through the launch of a global course on insider information and market manipulation, which will complement the various training activities held by the Bank on market conduct.

Likewise, training for employees operating in derivatives with customers affected by the US Dodd-Frank Act under the license of Swap Dealer). This training will be mandatory from January 31, 2021, and will be provided by the competent supervisory authority (“National Futures Association”).

In relation to the Unites States regulation known as the "Volcker Rule," BBVA has adapted its compliance program to the new simplified version of the rule ("Volcker 2.0"), which continues to maintain the highest international standards. In 2020, annual training on the Volcker Rule.

Likewise, the Policy for Discretionary Treasury Stock Trading has also been updated with the aim of adapting it to the new control model of the Group and reinforcing the transparency of this activity. Following this update, the guidelines followed by BBVA for its discretionary treasury stock trading have been published on the Bank's investor and shareholder website. A communication containing relevant information concerning this operation is also published quarterly to strengthen the market transparency of this activity.

Personal data protection

BBVA has a set of Personal Data Protection Principles that establish the guidelines for compliance in the matter of personal data. They are applicable in the areas of compliance control, training, incident management and personal data processing (transparency, data quality, etc.). These guidelines mean that BBVA has, in accordance with its legislation, data privacy policies or notices explaining how the Bank collects, process and protect the personal data of their customers, suppliers and employees, as well as of any other persons who provide their personal data.

BBVA, S.A. makes the policy it follows regarding personal data protection available to its customers through its website, at www.bbvapoliticadeprotecciondedatospersonales.com. This includes information on:

- Who is responsible for processing personal data;
- The legitimate basis (or bases) that allows BBVA to process the personal data collected;
- The purposes for which said personal data is to be used;
- The data retention period;
- Whether the data will be transferred;
- The mechanisms in place so that the user can escalate data privacy issues, such as how to contact the Data Protection Officer;
- How to exercise rights of access, rectification, deletion, opposition, limitation of processing, transferability and the right not to be the subject of automated individual decisions.

The BBVA Code of Conduct establishes that data protection breaches may lead to the application of disciplinary sanctions in accordance with labor legislation.

The Data Protection Office (hereinafter DPO) has continued to strengthen its monitoring and control processes throughout 2020. This is mainly achieved through reinforcing protocols and testing processes and activities that have an impact on personal data protection, as well as following up on and resolving the recommendations arising from internal audits conducted to assess all activity in this field.

At the same time, the current exceptional situation created by the COVID-19 pandemic has posed a great challenge in terms of personal data protection. The adaptation of the protocols implemented within the BBVA Group to combat infections and safeguard the health of employees and customers has required a greater focus on the accelerated and urgent adaptation of data protection requirements to this new reality.

Furthermore, in order to improve the integration of the scope and duties of the DPO in the Group's Control Model, in the last quarter of 2020, BBVA made the decision to incorporate these duties into the Compliance unit while maintaining all the competencies of the DPO, in accordance with data protection legislation.

Other conduct standards

One of the main mechanisms for managing the Compliance and Conduct risk in the Group is the Whistleblowing Channel, where the members of BBVA as well as other third parties not belonging to BBVA can communicate confidentially and, if they wish, by anonymous signature those behaviors that are separated from the Code or that violate the applicable legislation, including complaints related to human rights. The Compliance Function aims to ensure that complaints are handled diligently and promptly, guaranteeing the confidentiality of the investigation processes and the absence of retaliation or any other adverse consequence of good faith communications. The Code of Conduct, is available 24 hours a day, 365 days a year.

BBVA has 14 **whistleblower channels** accessible to employees in all its main countries, which can be accessed through email and most of them also by telephone. BBVA has a corporate whistleblowing channel to which all employees in the jurisdictions where the Group is present have direct access. In 2020, 1,417 complaints were received in the Group, whose main aspects reported relate to the categories of conduct with colleagues (49.8%), and conduct with the company (34.1%). Approximately 42% of reports processed during the year ended with disciplinary action being taken.

Among the work carried out in 2020 by the Compliance area, ongoing advice on the application of the Code of Conduct is particularly noteworthy. Specifically, the Group formally received 547 individual consultations, written and telephone queries, such as the resolution of possible conflicts of interest, the management of personal assets, or the development of other professional activities. Over the year 2020, BBVA continued with the work of communication and dissemination of the new Code of Conduct, as well as the training on its contents, which has been carried out by a total of 115,334 employees.

Another key element in the management of Conduct risk is the BBVA's **General Anti-Corruption Policy** (approved by the BBVA S.A. Board of Directors in September 2018), which develops the principles and guidelines contained, primarily, in Section 4.3 of the 2015 Code of Conduct and conforms to the spirit of national and international standards on the subject, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO). In May 2020 this Policy was reviewed and its update approved by the BBVA S.A. Board of Directors and communicated again to all employees and member of the Group´s main governing bodies. The general guidelines of the General Anti-Corruption Policy are available to both business partners and other third parties on the BBVA's shareholder and Investors website.

Additionally, BBVA has an internal regulatory body that complements the General Anti-Corruption Policy in the matter that regulates.

Among the most prominent **policies** are the following:

- General Policy on Conflicts of Interest,
- General Policy on Anti-Corruption,
- Policy on the Prevention and Management of conflicts of interest at BBVA (customer area),
- General Procurement Principles,
- Policy on Events and the Acceptance of gifts related to major sporting events,
- Corporate Travel Policy, and
- Corporate Event Management Policy.

Likewise, regarding to **other internal developments**, the following stand out:

- Management model for corporate and travel expenses for personnel,
- Management model for Expenses and Investment,
- Code of Ethics for the Recruitment of Personnel,
- Code of Ethics for Suppliers,
- Rules relating to the Acquisition of Goods and Services,
- Rules relating to Gifts for employees from persons/entities outside the Bank,
- Rules for delivery of gifts and organization of promotional events,
- Rules for authorizing the hiring of consultancy services,
- Rules on dealing with individuals of public importance in matters of finance and guarantees,
- Rules for delegating credit risk,
- Corporate rules for managing donations and contributions to non-profit organizations,
- Corporate rules for managing commercial sponsorships,
- Requirements for establishing and maintaining business relations with politically exposed persons (PEP),
- Manual for management of donations in the Responsible Business department,
- Procedural manual (treatment and registration of communications in the whistleblower channel),
- Corporate rules for managing the outsourcing life cycle,
- Disciplinary regime (internal procedural rules).

The BBVA anti-corruption framework is not only composed of the aforementioned regulatory body, but also, in compliance with the crime prevention model, has a program that includes the following elements: i) a risk map, iii) a specific government model iii)a set of mitigation measures aimed at reducing these risks, iv) action procedures face emergent risk situations, v) training and communication programs and plans, vi) indicators aimed at understanding the situation of risks and their mitigation and control framework, vii) a whistleblower channel and viii) a disciplinary regime,.

Also, it should be noted that BBVA takes into account the corruption risk present in the main jurisdictions in which it operates, based on the valuation published by the most relevant international organizations in this area.

In relation to general training program, during 2020, training to the Top Management and employees of BBVA on the General Anti-Corruption Policy was globally boosted, through different initiatives mainly based on practice case studies, highlighting the launch of a corporate online course.

What's more, the framework for preventing conflicts of interest was reinforced in July 2020 complementing the existing internal regulation through the issuance of a new general policy, which reinforces the principles and main measures that all BBVA members, must assume and follow in order to identify, prevent and manage conflicts of interest. The policy has been established in the context of the principles under which the BBVA operates, which include integrity, prudent risk management, transparency, the achievement of long-term sustainable business and compliance with applicable legislation. It also addresses several different aspects, such as specific measures that help prevent the emergence of conflicts, general guidelines for action should they emerge, or governance and monitoring mechanisms at various different levels of the organization.

Regarding antitrust, BBVA's **competition policy** was approved in July 2019, which, if extended to the entire Group, represents a step forward in the development of conduct standards in this regard. The policy elaborates on Principle 3.14

of the BBVA Code of Conduct on free competition and covers the most sensitive risk areas identified by national and international bodies, horizontal agreements with competitors, vertical agreements with non-competing companies, as well as possible abusive practices. Various training activities were conducted in this regard during 2020.

Crime prevention model

Since the introduction in Spain of the criminal liability regime of legal persons, BBVA has been developing a criminal risk management model, based on the general internal control model, with the aim of specifying measures directly aimed at preventing the commission of crimes through a government structure suitable for this purpose. The **criminal prevention model** is structured around three elements: a prevention system, a governance structure and a periodic review of its application.

The prevention system is aimed at (i) identifying the activities carried out in BBVA that represent a risk of incurring criminal liability of the legal entity, (ii) identifying the elements of control, prevention and mitigation of said risks and (iii) developing a specific risk management program for each type of crime likely to attract responsibility for BBVA. In this sense, for each of the identified criminal risks a specialized control area ("assurance providers") is designated which, as part of the criminal risk management program and for each of the identified criminal types, draws up a map of risks and a series of mitigation measures and action plans.

The purpose of the governance structure is the supervision and control of the model, the identification of the responsible units and the periodic information to the BBVA governing bodies of the results of the monitoring of the system and of the incidents or possible relevant non-compliances.

This model, periodically subject to independent review processes, is configured as a dynamic process in continuous evolution, so that the experience in its application, the modifications in the activity and in the structure of the Entity and, in particular in its model of control, as well as the legal, economic, social and technological developments that occur, are taken into account in a way that contributes to their adaptation and improvement..

In this context, from 2017 onward, BBVA has been awarded the AENOR certificate, which accredits that its criminal compliance management system complies with the UNE 19601:2017 standard.

Commitment to human rights

BBVA is committed to compliance with all applicable laws and to respect for internationally recognized human rights. This commitment applies to all of the relationships that BBVA establishes with its customers, suppliers, employees and with the communities in which it conducts its business and activities.

Since 2007, BBVA has had a commitment to human rights, which was updated in 2020, that seeks to ensure respect for the dignity of all people and their inherent rights.

The commitment is part of the Group's Corporate Social Responsibility Policy and is aligned with BBVA's Code of Conduct. This commitment takes the UN Guiding Principles on Business and Human Rights as a reference. Its purpose is to guide the Group in its strategic vision and its operative, as well as in the relationship with its stakeholders.

BBVA's commitment to human rights is also reflected in other milestones, such as the publication in 2005 of the first defense sector standard or the publication of sector standards in the energy, mining, agriculture and infrastructure sectors in 2018, and its subsequent update in 2019, which has been substituted by the Environmental and Social Framework in 2020.

BBVA was also the first Spanish entity to adhere to the Equator Principles in 2004 and the United Nations Principles for Responsible Investment (PRI) in 2008, and has been a signatory to the United Nations Global Compact (UNGC) since 2002, all of which are international alliances in favor of human rights.

Under this perspective, BBVA decided to identify the social and labor risks that derive from its activity in order to manage their potential impacts through processes designed specifically for this purpose (for example, due diligence processes in project finance under the Equator Principles) or through existing processes that encompass the human rights perspective (such as the supplier evaluation process).

At the same time, the methodology for evaluating the risk to BBVA's reputation discussed in the "Reputational Risk" section within the chapter “Risk management”, is an essential companion to this management, since assessing reputational risk highlights that issues related to human rights have the potential to affect the Bank's reputation.

In order to comply with the UN Guiding Principles on Business and Human Rights, and under the responsibility to prevent, mitigate and repair potential **human rights impacts**, a due diligence process was carried out in 2017. The procedure used to identify and assess these risks or impacts was based on the framework of the above Principles and helped to enhance risk detection and assessment from a human rights perspective. This due diligence process is scheduled to take place again in 2021.

As a result of the process, the potential impacts of the operations on human rights were identified and mechanisms were designed within the Entity to prevent and mitigate said impacts, making the adequate channels and procedures available to the affected party in order to ensure that, in case of any violation, the appropriate mechanisms remain in place to ensure all necessary repairs. During this process, certain key issues were identified that could potentially serve as levers to improve the management system within the Bank. These issues are grouped into four areas that serve as the basis and foundation of the Bank’s **2018-2020 Human Rights Action Plan**, which is public and is updated every year.

Policy and structure

The updating of the commitment to human rights was recommended during the due diligence process conducted in 2017, and it was renewed in 2018. For this update, the Guiding Principles of Business and Human Rights guidelines, backed on June 16, 2011 by the United Nations Human Rights Council, and the results of the global due diligence process itself, were taken as a reference.

This commitment is articulated around the stakeholders with which BBVA is related: employees, customers, suppliers and society; and it includes the three pillars on which the aforementioned Guiding Principles are based, which are:

- States’ duty to protect,
- The responsibility of companies to respect human rights,
- And the joint duty to implement mechanisms that ensure the repair of possible human rights abuses.

All the individuals employed in the Bank are responsible for making this commitment a reality on a day-to-day basis. Each area and employee has the duty to be familiar with all matters that pertain to them that may imply a violation of human rights, and to implement the due diligence measures to avoid this. However, BBVA has a structured governance model following the internal control model, composed of three lines of defense:

- The first line of defense consists of the Group's units directly responsible for managing these risks.
- The second line of defense is composed by the specialist unit of each risk, with the support of the Responsible business department, which is, as well, responsible for designing and coordinating the implementation of this commitment and its development.
- The third line of defense is the Internal Audit area.

Training and cultural transformation

With regard to the due diligence process, it is advisable to integrate the human rights perspective into:

- The internal and external communication plan,
- The plan on diversity and work-life balance, and
- A general and specialized training plan for employees.

Respect for the equality of people and their diversity is reflected in the **corporate culture** and management style, it is a guiding principle for interactions with **employees**, especially in the recruitment, development and remuneration processes, which ensure non-discrimination on the basis of gender, race or religion, and, as such, is included in the BBVA Code of Conduct.

Thus, this Code, among other matters, covers how to handle discrimination, harassment or intimidation in labor relations, objectivity in recruitment, hiring and promotion that avoids discrimination or conflicts of interest, among other issues, as well as health and safety in the workplace, whereby employees must communicate any situation they become aware of that poses a risk to their health or safety at work.

Furthermore, BBVA's commitment to human rights assumes the commitment to apply, for example, the content of the fundamental conventions of the International Labor Organization **(ILO)**, such as those relating to the elimination of all forms of forced labor; the effective abolition of child labor (minimum age and worst forms of child labor); and the elimination of discrimination in employment and occupation, among other commitments.

In 2020, this section was enhanced through the launch of a global training site on sustainability that includes specific content on human rights training.

Process improvement

As a result of the aforementioned process, the importance of enhancing the supplier evaluation process, as well as the functioning and scope of the repair mechanisms, became evident.

From a **supplier** perspective, BBVA has a Code of Ethics for Suppliers that, in 2018, enhanced compliance with the commitment to human rights by integrating the human rights prism into the supplier evaluation process.

In 2020, the General Procurement Principles (which replace the previous Responsible Procurement Policy) were published, demonstrating the commitment to responsible business by raising awareness of sustainability and social responsibility among personnel, suppliers and other stakeholders involved in BBVA's procurement process, as a key element in ensuring compliance with applicable legal requirements in the areas of human, labor and environmental rights.

BBVA works to establish **repair mechanisms** within the role of corporate lender, employer or as a company that contracts services with others. As such, BBVA is open to managing any issue raised by any of its stakeholders regarding its lending activity and in relation to performance in the field of human rights through two channels: The Bank's official listening channels, aimed at customers, and external channels. An example of an external channel is the national contact points of the Organization for Economic Cooperation and Development (hereinafter OECD), the objective of which is to admit and resolve claims related to losses of the OECD Guidelines for Multinational Enterprises.

With regard to employees, suppliers and society in general, the BBVA Code of Conduct expressly mentions the commitment to human rights and provides a **whistleblower channel** to report possible breaches of the code itself.

Business and strategy alignment

The analysis performed recommended the inclusion of human rights criteria in the Bank's strategic projects, such as the due diligence process in the acquisition of companies or the social and environmental framework.

Furthermore, as signatories to the **Equator Principles**, BBVA complies with the requirement to conduct a due diligence analysis of potential human rights impacts in project finance operations. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

Also within the framework of the Equator Principles, BBVA actively promotes the inclusion of Free Prior and Informed Consent (FPIC), not only in emerging countries, but also in projects in countries where a robust legislative system is presupposed, which guarantees the protection of the environment and the social rights of its inhabitants.

BBVA is also a signatory of the **United Nations Global Compact Principles**, maintaining ongoing **dialog** and exchange of experiences with other signatory entities (companies, SMEs, third sector entities, educational institutions and professional associations). Along the same lines, BBVA encourages dialog with NGOs concerning its fiscal responsibility, and participates in various meetings with investors and stakeholders in which it follows up on issues related to human rights.

BBVA participates in various different work groups related to human rights and is in constant dialog with its stakeholders. At a sectoral level, BBVA has formed part of the Thun Group since 2012. The Thun Group is a group of global banks that works to understand how to better apply the United Nations Guiding Principles on Business and Human Rights in the practices and policies of financial institutions, and across various banking businesses.

The **Principles of Responsible Banking** were signed in 2019 following their launch in 2018, to which BBVA has adhered as one of the promoters and founders of the initiative. Under the auspice of the United Nations, these Principles are put forth with the aim of providing a sustainable financing framework and supporting the sector in a manner that shows its contribution to society. In this regard, the implementation guidelines expressly mention the suitability of integrating the Guiding Principles of Business and Human Rights into the implementation of the six principles, which are: i) Alignment, ii) Impact and goal setting, iii) Customers, iv) Stakeholders, v) Governance and culture, and vi) Transparency and accountability. Lastly, in addition to these initiatives, and taking into account the importance of the Spanish mortgage market, BBVA generated a social housing policy in 2012.

Spanish Social Housing Policy

In line with the above, and taking into account the importance of the Spanish mortgage market, BBVA has a Social Housing Policy that goes beyond what is legally established and emphasizes the commitment to human rights and the SDGs, mainly in terms of SDG 1 "No Poverty" and SDG 10 "Reduced Inequalities."

At present, more than 750.000 families live in BBVA-financed housing in Spain.

BBVA's Social Housing Policy aims to offer solutions tailored to customers who have mortgages and are struggling to meet their repayments. BBVA pursues every re-financing option available in accordance with the customers' ability to pay, in order to allow them to keep their homes and agreeing to make payment in kind in case their financial situation prevents them from paying.

In addition, any situation can be referred for review by the Committee for the Protection of Mortgage Debtors, which analyzes cases in which the customers or their families face the risk of exclusion without legal protection, while providing individual solutions in accordance with each family's specific circumstances.

In February 2012, BBVA decided to voluntarily adhere to the Code of Best Practices approved by the Spanish government, the objective of which is to seek the viable restructuring of the mortgage debt of holders of loan or credit contracts secured by a real estate mortgage on their main residence who are experiencing extraordinary difficulties in meeting their repayments, because they are at the "exclusion threshold." In 2019, on the occasion of the entry into force of Law 5/2019, which regulates real estate loan contracts, BBVA ratified its adherence to the Code of Best Practices under the terms of this new law, which broadens the potential beneficiaries of these measures.

In 2018, BBVA transferred its real estate business to Cerberus Capital Management, adapting its Social Housing Policy to this new situation while remaining steadfast on its objective. Since the financial crisis began in 2008 and through to December 2020, of those contributed to the Social Housing Fund, the BBVA Group made almost 7,000 homes available in Spain for social renting, the social rentals granted to customers in what had been their home and homes ceded to the Government of Catalonia and Cáritas Barcelona.

Currently, BBVA has signed collaboration agreements with public entities for more than 1,000 social housing properties.

BBVA has also established internal mechanisms that allow it to implement a real social housing policy that pays special attention to particularly vulnerable families who are BBVA mortgage customers and are at risk of social exclusion:

- Re-financing agreements in force: More than 85,000refinancing agreements in force as of December 31, 2020, which have helped families since the crisis first began.
- Payments in kind: More than 29,600 payments in kind have been carried out since the crisis began through to December 2020.
- Mortgage Debtor Protection Committee: More than 2,200 situations analyzed to respond to mortgage debtors or their families.

Since the socio-economic crisis caused by COVID-19 began, BBVA has been aware of the importance of supporting citizens in facing its consequences. On March 17, 2020, Royal Decree Law 8/2020 was published with urgent and extraordinary measures to address the socio-economic impact of COVID-19. This outlines the conditions for requesting a payment deferral on home mortgage loan payments. Customers with a mortgage at BBVA who met the conditions of vulnerability due to COVID-19 were able to take advantage of this payment deferral. BBVA, together with other financial institutions, has also voluntarily established a payment deferral of up to twelve months.

With regard to social housing tenants, the financial institutions that are members of the Social Housing Fund, including BBVA, took the initiative on March 23 to grant a deferment of up to three months in social rentals to those tenants who were in a vulnerable situation due to COVID-19, in anticipation of the regulations on support for tenants approved by the government in Royal Decree Law 11/2020 published on April 1.

Both the legal measures indicated and all their subsequent modifications affecting mortgage debtors or social housing tenants were adapted and implemented as quickly as possible, with the aim of helping to mitigate the economic impact of the pandemic on the most vulnerable groups.

Sustainability at BBVA

BBVA, a bank committed to sustainability

BBVA is a bank guided by one purpose: "Bringing the age of opportunity to everyone." A purpose that seeks to have a positive impact on the lives of individuals, businesses and society as a whole. BBVA's firm and long-term commitment to sustainability is perhaps one of the clearest ways of achieving this purpose, and as it has already been mentioned, “helping our clients transition towards a sustainable future is one of the six Bank’s strategic priorities, which is implemented through two ways: climate action and inclusive growth.

This commitment to sustainability has a long background. BBVA joined the UN Global Compact in 2002 and to the Equator Principles in 2004.

Its drive for sustainable finance began in 2007, when it took part in the first issue of a green bond placed by the European Investment Bank (hereinafter, EIB), and when in 2008 its employee pension plan manager was the first to adhere to the Principles for Responsible Investing in the market. Since then, the Bank has been promoting sustainable solutions, ensuring their direct impact and integrating environmental and social risk into the management process.

In 2018, BBVA unveiled its **2025 Pledge** to help achieve the Sustainable Development Goals (SDGs) and overcome the challenges arising from the Paris Agreement on Climate Change. This commitment is based on three lines of action:

1. **To finance**. Originating new funding to combat climate change and support the SDGs by channeling €100,000m into green activities, sustainable infrastructure, agribusiness, entrepreneurship and financial inclusion between 2018 and 2025.
2. **To manage**. Minimizing the environmental and social risks associated with the Bank's activity and their potential direct and indirect negative impacts, as well as progressively aligning its business with the Paris Agreement. The Bank has set itself the target of ensuring that 100% of the energy supplied to the Bank is renewable by 2030.
3. **To Engage**. Engaging all stakeholders to collectively promote the financial sector's contribution to sustainable development.

In 2019, the Bank carried out a process of strategic reflection to continue deepening its transformation and adapt to the major trends that are changing the world and the financial industry. As a result, faced with two of the main trends identified, such as the **fight against climate change and the growing relevance of social inclusion**, BBVA incorporated sustainability as one of its six strategic priorities: helping our clients in the transition towards a sustainable future.

During 2020, it has continued to advance in the development of this priority, **integrating sustainability transversally in management** and internal processes and also in the relationship with clients and other stakeholders, highlighting milestones such as the approval of the General Sustainability Policy, the creation of the Global Sustainability Office (hereinafter the GSO) or the publication of the Group's first TCFD report.

Governance model

BBVA’s corporate governance

BBVA’s **corporate governance bodies** have devised and promoted a strategy which includes sustainability and climate change as one of its priorities, approving its basic elements and regularly monitoring its implementation across the Group. This task is carried out by the Board of Directors, BBVA’s highest representation, administration, management and surveillance body, with the assistance of its specialized committees.

The Executive Committee and the Risk and Compliance Committee specifically play the most active role in assisting the Board on sustainability and climate change issues, as detailed below.

BBVA’s Board of Directors has long considered the progress and main impacts of sustainable development and the fight against climate change as important matters, and these have become even more important issues to monitor in recent years.

The Board of Directors approved the Group’s Corporate Social Responsibility policy in 2020, subsequently amending it to adapt to any new developments over the years. This policy reflects the Group’s commitment to draw up and implement a climate change and sustainable development strategy for the achievement of the SDGs, in line with the Paris Climate Agreement, among other considerations.

To this end, the Board fostered the Group’s commitment to sustainability with the “2025 Pledge” described in this chapter. Its progress and development have been regularly monitored by the Board of Directors, at least on an annual basis, and by its Executive Committee, at least on a biannual basis.

In 2019, BBVA's Board of Directors led the strategic reflection process carried out within the Group, which identified the need to make sustainability one of the pillars of its strategy for the coming years.

This strategic reflection performed in 2019 had a special implication of the corporate governance bodies, in particular the Board and the Executive Committee who directly participated in the drafting and approval of the Group's new strategic plan (discussed in several meetings throughout the year). A process to monitor the plan's implementation and execution was defined with measures including holding specific meetings focused on strategy or the establishment of KPIs to implement the strategic plan.

An essential element of this strategic approach determined by the Board is the integration of sustainability and the fight against climate change into the Group's business and functions and which will be managed by establishing objectives to facilitate their implementation, oversight and monitoring of progress.

In addition, in 2020, the Board, with the prior analysis of the Executive Committee, approved the Group's Sustainability Policy, which defines and sets out the general principles and the main management and control objectives and guidelines to be followed by the Group on sustainable development.

Likewise, the GSO, responsible unit for promoting and coordinating sustainability initiatives within the Group, given that it is the responsibility of all Group areas to incorporate sustainability on a cross-cutting basis, was created in 2020, and is relying on the support of the most senior executive managers of the various Bank's areas at a global and local level.

The Board of Directors will oversee the policy's implementation directly or through the Executive Committee, on the basis of periodic or ad-hoc reports received by the GSO, the Head of Corporate & Investment Banking (who is responsible for this policy at the senior management level), the Bank's areas that will incorporate sustainability into their day-to-day businesses and operations and, where appropriate, the Heads of BBVA's control functions.

At least once a year, or in the event of any event requiring changes to this Policy, the Global Sustainability Office will revise and submit to the Bank's corporate governance bodies any updates and modifications deemed necessary or appropriate at any time.

The above approach allows the corporate governance bodies to define the basic lines of action for the Group as regards the management of opportunities and risks arising from sustainability in their businesses. It also allows the execution to be overseen by the executive areas in all spheres of the entity's operations.

In addition to the above and in order to achieve the best performance of its duties in this matter, the Board considered it necessary to strengthen its own knowledge and experience in sustainability, by onboarding people with extensive knowledge and experience and by a continuous training program to include sustainability-related subjects (such as sustainable finance or main trends that are being developed in the market on this matter).

Transversal integration of sustainability into the executive sphere

BBVA incorporates sustainability as part of its daily activities and everything it does, encompassing not only relations with customers but also internal processes.

In this sense, the definition and execution of the sustainability strategy has a transversal nature, being the responsibility of all areas of the Bank to incorporate it progressively into their strategic agenda and their work dynamics.

Taking into account the two main focal points of action in relation to sustainability, the Bank has set itself some specific targets (hereinafter the "Sustainability targets"), which at the time of this report are as follows:

1. **To promote the development of sustainable solutions**: Identifying opportunities, developing sustainable products and offering advice to individual customers and companies.
2. **To integrate sustainability risk into its processes**: Making climate change risks, whether physical or transitory, part of the Bank's management processes.
3. **To build a single agenda with stakeholders**: Fostering transparency in commitments and performance, reducing the direct impact and promoting active involvement with all stakeholders to drive sustainability within the financial sector.
4. **To develop new competencies in the sphere of sustainability**: Leveraging the Bank's capabilities in the field of data and technology to drive the development of the sustainability strategy across the Organization, and promoting as well the training on this subject among all employees.

These goals are materialized in different lines of work entrusted to various different areas, and a supervisor has been appointed for each area.

In this context, the GSO has held regular meetings with these managers to review the various different lines of work, with the aim of accelerating their implementation and ensuring proper alignment between the Banks's various different units.

Finally, a network of experts has been established, comprising sustainability specialists from different areas of the Bank (Client Solutions, Corporate & Investment Banking, Global Risk Management, Communication & Responsible Business) and coordinated by the GSO. These experts are responsible for building knowledge in the field of sustainability at the Bank. This knowledge is then used to provide customer guidance, support areas in developing new value propositions in the sphere of sustainability, make climate risks part of risk management, and draw up a public agenda and set of sustainability standards.

Implementing the strategy

As described in the chapter "Strategy and business model", helping the clients transition toward a sustainable future is one of the strategic priorities of BBVA.

To achieve this, BBVA has prioritized those SDGs in which the Group can generate a greater positive impact by harnessing the multiplier effect of banking, implementing this strategy through the two lines of action: climate action and inclusive growth.

Climate action

Ensure access to affordable, reliable, sustainable and modern energy for all

For more information regarding BBVA's performance in its contribution to SDG 7, see section "Helping our clients transition toward a sustainable future" "Management of environmental direct impacts" within this chapter.

Ensure sustainable consumption and production

For more information regarding BBVA's performance in its contribution to SDG 12, see section "Management of environmental impacts" within this chapter, and chapter "Contribution to society".

Take urgent action to combat climate change and impacts

For more information regarding BBVA's performance in its contribution to SDG 13, see sections "Helping our clients transition towards a sustainable future" and "Environmental impacts and risks" within this chapter.

Inclusive growth

Promote inclusive and sustainable growth, employment and decent work for all

For more information regarding BBVA's performance in its contribution to SDG 8, see the chapters, "The best and most engaged team" and "Contribution to society", and the section "Helping our clients transition towards a sustainable future" within this chapter.

Build resilient infrastructure, promote sustainable industrialization and foster innovation

For more information regarding BBVA's performance in its contribution to SDG 9, see section "Helping our clients transition towards a sustainable future", and chapter "Contribution to society".

Considering the aforementioned focal points, and in order to further develop this strategic priority, four major goals are set, which are materialized into different workstreams:

Objectives	Workstreams
01 To encourage sustainable business growth	Currently, this objective consist of **5 workstreams:** • Sustainable solutions for retail customers • Sustainable solutions for SME customers • Sustainable solutions for corporate and institutional customers • *Communications and marketing* • Social
02 To integrate sustainability risk in the processes	Currently, this objective consist of **2 workstreams:** • Risk management • Sustainability indicators
03 To establish a unique sustainability agenda with stakeholders	Currently, this objective consist of 3 workstreams: • Reporting and transparency • Direct impact • Public engagement
04 To develop the necessary sustainability capabilities	Currently, this objective consist of **2 workstreams:** • Data and technology • Talent

Helping our clients transition toward a sustainable future

Specifically, the solutions promoted by BBVA, including those developed by BBVA,S.A., focused on identifying opportunities arising from climate change and developing sustainable products, as well as creating value propositions and offering advice to individual and corporate customers that can be highlighted are:

Sustainable solutions for corporate and institutional customers as well as businesses

The issuance of green and social bonds is part of the climate change and sustainable development strategy of BBVA, with which the Bank was to align its activities with the SDG and the Paris Agreement. In the **sustainable bond** market, BBVA issued in May 2020 the first COVID-19 social bond by a European financial institution for the amount of €1,000m and issued the first AT1 green bond in the sector, also for the amount of €1,000m, in June 2020. For its part, the Bank published the first **follow-up report** on its green bonds issued in 2018 and 2019. The renewable energy, efficient building, sustainable transport and water and waste management projects, which helped reduce its carbon footprint by nearly 724,006 tons of CO_2 and generate 2,300 GW/hour of renewable electricity, and have contributed to manage sustainably more than 290,000 tons of waste and treat nearly 7 million m^3 of residual water.

Throughout 2020, BBVA has spearheaded 43 **green, social and sustainable bond** issuances for customers in the United States, Latin America and Europe, with a volume of more than €21,760m and a disintermediated volume of €4,180m. This activity has solidified BBVA's position as the most active Spanish institution in the disintermediation of this type of asset for the fifth consecutive year. The participation in the inaugural operations carried out in Europe in the automotive, energy and telecommunications sectors stands out; and in the United States in the energy sector. During 2020, BBVA has actively worked in the advice and placement of social COVID-19 bonds (whose funds are aimed at mitigating the negative effects of the pandemic). Thus, BBVA has led to the disintermediation of the ICO social bond and the €52m health social bond of the Community of Madrid. On the other hand, and also in Spain, BBVA has supported the €700m inaugural issuance of the green bond of the Community of Madrid, which has been the first green bond issuance of a public administration in Spain.

Lastly, BBVA continues to support the development of the green bond market in other regions, such as Mexico or Argentina. In Mexico it has led two sustainable issuances of the *Fondo Especial de Financiamientos Agropecuarios* (FEFA,Special Fund for Agricultural Financing): a green bond that it placed in June and a social gender bond that it placed in October, which is a major milestone as it has been the first bond with a focus on gender equality to be issued in the country. BBVA has also led the inaugural bond of a real estate investment trust issued in Mexico. The resources from this bond will be used for financial inclusion and to provide access to financing for women in the agricultural sector. In Argentina, BBVA has led the first green bond of an entity mainly dedicated to the distribution of materials for construction and the exploration and production of oil and gas, amounting to USD 50m, which has been aimed at wind energy projects.

In the sphere of **sustainable corporate lending,** the Bank participated in 68 fundings linked to environmental and social indicators (KPI-linked) and linked to the customer's ESG rating (ESG-linked), amounting €4,893m, including pioneering operations in the pharmaceutical and steel sector. Furthermore, BBVA has been also a pioneer in closing the first sustainable financing with the backing of the ICO. As such, BBVA has consolidated its position as the leading institution as a sustainable coordinator/structuralist in syndicated and bilateral operations for the fourth consecutive year. Outside Spain, BBVA has spearheaded several landmark operations, including the first sustainable financing in Colombia, and one of the main syndicated loans in Germany and two in Italy. Avenues were also opened in Argentina through closing the first social operation in the country. BBVA continues to work with its customers to develop new and demanding formats to link its long-term commitment to sustainability and to the objectives set by the European taxonomy and the Paris Agreement respectively.

Furthermore, BBVA remained active in the **financing of sustainable projects** throughout 2020, participating in 20 operations which has involved BBVA mobilizing more than €1,184m of sustainable financing in three main areas:

- **Financing of renewable projects**, in which BBVA has consolidated its position as one of the world's leading banks, having closed a total operations, including the financing to one of the first offshore wind farms in the world, and that shows the support of BBVA to new sustainable technologies, and the funding of the biggest wind energy project contracted under a Power Purchase Agreement (hereinafter PPA) in Spain.
- **Social projects**: BBVA has continued its activity in the health sector. It has also been particularly active in financing telecommunications projects, given the key role they play from a societal perspective as facilitators in accessing new technologies, digitalization and their contribution to economic development. BBVA has participated as a leading bank in the financing of 8 operations in this sector, focused on the field of health and the deployment of optical fiber networks.
- **Sustainable infrastructure projects**, where BBVA is a pioneer both in operations related to sustainable transport and in buildings that reduce the environmental impact.

Additionally, BBVA has mobilized €4,895m of **corporate financing to customers that take part in green classified sectors**, in accordance with the Green Bond Principles (renewable energies, waste management, sustainable transport and energetic efficiency), or in social sectors, in accordance with the Social Bond Principles (health, education, social assistance and social housing).

Likewise, BBVA took part in 27 operations, which means a €762m mobilization in **fixed-purpose loans certified** by an accredited independent third party, where the purpose of the funding has positive environmental and social impacts.

Likewise, under its **sustainable transactional banking** framework, BBVA has signed 41 operations amounting €961m. Furthermore, new products (such as confirming lines and deposits) have been launched under this framework, which includes a new approach to certifying products as linked to sustainability. The market for financial products linked to sustainability is relatively new and it is growing rapidly, thereby allowing companies and sectors searching for ways to start or expand their sustainable trajectory to gain access to sustainable financing. Products linked to sustainability are intended to facilitate and support economic activity and growth in both environmental and social spheres. This new approach allows BBVA to actively support its customers in the transformation toward more sustainable business models.

Sustainable solutions for retail customers

BBVA wants to support its retail customers in adopting more sustainable habits that help them to reduce their emissions. It wants to do so proactively, by investing in data-based tools and solutions that help customers to control their consumption and emissions. To this end, it is working on making a wide range of products available to customers, both for investment and financing, to help them in this transition, adapting to the situation in each of the regions in which it operates.

In **Spain**, following the expansion of the catalog of sustainable solutions available in 2019, financing lines for businesses are already being offered for purchasing hybrid and electric vehicles, installing renewable energies and improving energy efficiency in buildings.

As such, a specific funding line was launched for SMEs for the renewal of their vehicle fleet with electric or hybrid plug-in models. Furthermore, with regard to housing, a line of loans to property developers was launched, specifically aimed at developments with high energy certifications, which includes the innovative possibility that retail customers who purchase these homes will be able to benefit from an interest rate subsidy on their mortgage.

At the individual level, the aim is also to promote low emission mobility through granting loans for electric cars and providing insurance relating to this type of vehicle.

Likewise, a green offering has been launched for mortgages for homes with energy rating A. On the investment side, BBVA has a range of sustainable funds, such as the conservative multi-asset fund BBVA Futuro Sostenible ISR (BBVA SRI Sustainable Future), BBVA Bonos sostenibles ISR (BBVA sustainable SRI Bonds) and the international equity fund BBVA Bolsa Desarrollo Sostenible (BBVA Sustainable Development Fund). The Bank launched its first individual pension plan managed with SRI criteria, the BBVA *Plan Sostenible Moderado* ISR (BBVA ISR Moderate Sustainable Plan) in 2019.

In other geographical areas, BBVA’s offering in **Turkey** includes green mortgages, marketed within the framework of an agreement with the IFC, and lines of credit for electric and hybrid vehicles on the financing side. It also offers its customers the possibility of investing in a pension plan formed by shares of listed companies "BIST Sustainability Index" as a result of their awareness of global warming and social inclusion.

In **Peru,** BBVA is also committed to increase its mortgage offering for homes with good energy ratings. It currently offers *"Mi vivienda verde"* ("My green home"), a state-subsidized mortgage loan granted for purchasing a home certified as a green project that includes sustainability criteria in its design and construction. A line of sustainable financing for electric and hybrid cars was launched in 2020.

In **Mexico**, advances in equipment leasing linked to sustainability are notable, whereby an agreement was also signed with the IFC to promote this product in 2019. It also offers individuals products for financing low-emission cars and insurance for such vehicles.

In 2020, BBVA Mexico has joined the C Solar program, an initiative coordinated by the Secretariat of Energy, with the aim of fostering the energy transition of SMEs in the country through NAFIN-secured financing to generate photovoltaic solar energy. Agreements have also been reached with the main distributors of solar panels to finance the installation of this type of energy in private homes, and BBVA is participating in the Cofinavit mortgage program with the aim of granting mortgages to homes that include energy efficiency improvements.

In the **United States**, financing lines for purchasing hybrid and electric vehicles are being offered to individuals and work is underway to launch a green offering for homes with sustainable certifications before the end of the year.

Along the same lines a line of financing has been launched aimed at SMEs, the purpose of which is to improve energy efficiency in buildings or the acquisition of properties with good energy ratings. In the last quarter of 2020, a line of financing aimed at this segment for purchasing electric and hybrid vehicles has been launched.

In **Argentina**, in addition to offering consumer loans aimed at improving energy efficiency in homes, BBVA focused on promoting electric mobility by offering different products for financing cars, bicycles and electric scooters.

Lastly, **Colombia** has provided a boost to sustainability by launching both a line of financing for electric and hybrid cars and a certified sustainable home mortgage with differentiated rates and conditions in the last quarter of 2020. Insurance for this type of car and home is also included in its product portfolio.

As far as the circular economy is concerned, BBVA is committed to ensure that all of its cards are made from recycled material. The first of these has been launched in Spain, using 76% recycled plastic for the young-customer segment, while work is underway to extend this to the rest of the cards in Spain and rest of areas geographical areas.

ESG Advisory

Furthermore, to complete the sustainable portfolio, the **ESG Advisory** service was created in 2020 to assist global customers in their transition toward a sustainable future. This involves data-driven assessments and guidance to assist customers in undertaking commitments, each from a different starting point, to align with the Paris Agreement and make progress in terms of the United Nations' 2030 Sustainable Agenda. BBVA offers value-added information on regulation, best practices and the challenges and opportunities faced in their sectors on their journey toward sustainability. It also provides an overview of the whole range of sustainable products and services that can be offered from CIB, both in terms of debt and equity. Efforts are being focused on specific sectors such as oil & gas, utilities, automotive and infrastructure along with cross-cutting issues such as energy efficiency.

Financial inclusion and entrepreneurship

BBVA believes that greater financial inclusion has a positive impact on the well-being and sustained economic growth of countries. The fight against financial exclusion is therefore consistent with its ethical and social commitment, as well as with its medium- and long-term business objectives. At the close of 2020, BBVA has mobilized €2,148m within the financial inclusion and entrepreneurship sector.

Sustainable financing: mobilization metric

Banks play a crucial role in the fight against climate change and in achieving the SDGs, thanks to their unique ability to mobilize capital through investment, loans, issuances and advisory services. The concept of mobilization is a more inclusive approach than pure financing, in that it includes sustainable value propositions beyond traditional bank financing activity.

BBVA relies on the activities envisioned in the Green Bond Principles and the Social Bond Principles (voluntary guidelines that set the emissions transparency requirements and promote integrity in the development of the green and social loans market) and the Sustainability-Linked Bond Principles of the International Capital Markets Association as a benchmark for meeting its objectives under its 2025 Pledge, under which three types of sustainable financing are defined:

- **Green financing for transitioning toward a low-carbon economy:**
    - Certified specific-purpose green loans: Loans where the financed activity or purpose have a positive environmental impact and that have been certified by an accredited independent third party.

  - Loans linked to green indicators: Where the price of the loan is linked to the customer achieving an improvement in certain predetermined environmental performance indicators.
  - Corporate financing for customers that undertake a *percentage* of their activities in green sectors according to the Green Bond Principles: renewable energy, waste and water management, clean transportation, and energy efficiency.
  - Green financing of projects related to any of the aforementioned categories.
  - Brokered green bonds: Bonds issued by companies that use the proceeds to finance projects with a positive environmental impact and in which the Bank acts as book runner.
  - Green financing for retail customers related to any of the categories of the Green Bond Principles: renewable energy, waste and water management, clean transportation and energy efficiency.
  - Green insurance: Insurance policies for electric and hybrid vehicles.

- **Social infrastructure and sustainable agribusiness:**
  - Certified specific-purpose social loans: Loans where the financed activity or purpose have a positive environmental impact and that have been certified by an accredited independent third party.
  - Loans linked to social indicators: Where the price of the loan is linked to the customer achieving an improvement in certain pre-established social performance indicators.
  - Corporate financing for customers who undertake a percentage of their activities in sectors classed as social sectors according to the Social Bond Principles: health, education, community support and social housing.
  - Financing of infrastructure projects with a special social impact.
  - Brokered social bonds: Bonds issued by companies that use the proceeds to finance projects with a positive social impact and in which the Bank acts as book runner.
  - Social financing for retail customers whose activities fall within any of the categories set out in the Social Bond Principles: health, education, community support and social housing.

- **Financial inclusion and entrepreneurship:** Loans to low-income communities, vulnerable micro-entrepreneurs and female entrepreneurs, in addition to financing for new digital models and impact investments.

- **Other sustainable mobilization:**
  - Loans linked to the ESG rating: Loans where the price of the loan is linked to the customer's overall sustainability performance, taking the rating awarded by an independent sustainability analysis agency as a reference point.
  - Loans linked to sustainable indicators, in which the price is linked to the customer achieving an improvement in certain pre-established environmental and social performance indicators.
  - Loans where the price is linked both to the customer’s overall sustainability performance, taking the rating awarded by an independent sustainability analysis agency as a reference point, and to the improvement in certain pre-established environmental and social indicators.
  - Sustainable structured deposits, where the proceeds are used to maintain BBVA's sustainable portfolio of bonds, shares and loans of companies that meet certain eligibility criteria (belonging to certain sustainability indices or overall sustainability performance).
  - Brokered sustainable bonds: Bonds issued by companies that use the proceeds to finance projects with a positive environmental and social impact and in which the Bank acts as book runner.
  - Socially responsible investment captured through vehicles with these features and characteristics marketed by BBVA.

Since the launch of **2025 Pledge**, whereby BBVA Group plans to mobilize €100,000m between 2018 and 2025 (with 70% earmarked for green financing), the Group has effectively mobilized a total of €50,155m in sustainable activities up to 2020, €20,306 of which correspond to 2020 mobilization**,** and which include the activities performed by BBVA, S.A.

Environmental impacts and risk management

The financial sector and climate change

The fight against climate change is one of the biggest disruptive events of all time, with extraordinary economic consequences to which all actors in our environment (governments, regulators, businesses, consumers and society in general) must adapt.

Climate change and the transition toward a low-carbon economy have significant implications on the value chains of most production sectors, and may require significant investments in many industries. However, technological progress in the fields of energy efficiency, renewable energies, efficient mobility and the circular economy will continue to generate new opportunities for all.

On the other hand, customers, markets and society as a whole not only expect large companies to create value, but to also make a positive contribution to society. In particular, that the economic development to which they contribute with their activity is inclusive.

BBVA is aware of the key role that banking plays in this transition toward a more sustainable world through its financial activity, has adhered to the Principles for Responsible Banking promoted by the UN, the Katowice Commitment and the Collective Commitment to Climate Action and is keen to play a central role, as demanded by society, and to help its customers in their transition toward this sustainable future.

As a financial institution, BBVA has an **impact** on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly (and most importantly) through its credit activity and the projects it finances.

There are two type of risks that impact the business:

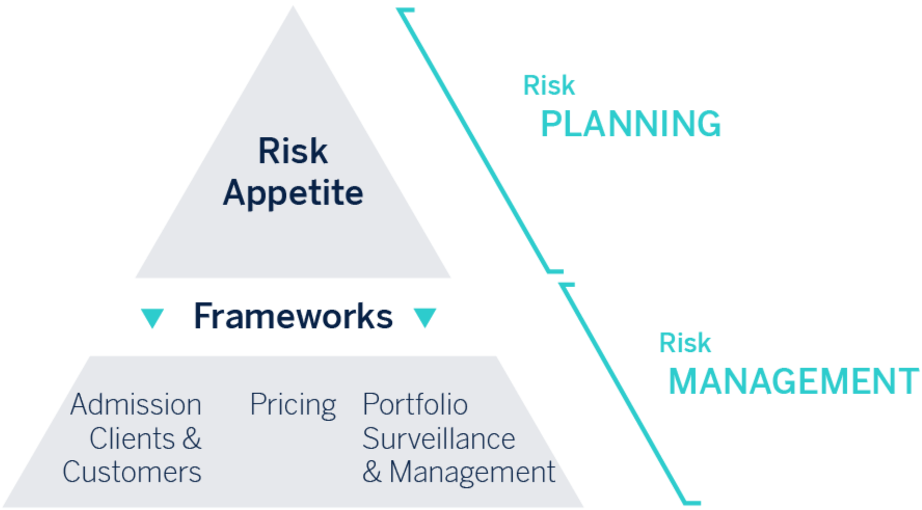
- **Transition risk**: which are those risks pertaining to the transition to a low-carbon economy, and which arise from changes in legislation, the market, consumers, etc., to mitigate and address the requirements of climate change.
- **Physical risk:** which arise from climate change and can originate from increased frequency and severity of extreme weather events or long-term weather changes, and which may imply physical damage to companies' assets, disruptions in supply chains or increase in the expenses needed to face such risks.

Integrating climate change into risk planning

Climate-change related risks (transition and physical risks) are considered an additional factor impacting those risk categories already identified and defined in the BBVA Group. These are managed through the risk management frameworks of the Group (credit, market, liquidity and operational, and other non-financial risks).

As a result, the integration of climate-change related risks into the risk management framework of the BBVA Group is based on their incorporation into the governance and processes currently in place, taking into account regulation and supervisory trends.[3]

Risk management in the BBVA Group is based on two large blocks described below: risk planning and day-to-day risk management.



Risk Assessment

This section provides, firstly, a self-assessment of how the different climate-change related risk factors impact on the main types of risk currently existing (credit, market, liquidity...), secondly, an analysis of the sectors that are most sensitive to this risk (under the so-called "internal risk taxonomy") and, finally, the methodology used to assess the climate vulnerability of the different geographies where the BBVA Group operates. These last two aspects are integrated into the management through processes such as admission frameworks or the establishment of risk limits.

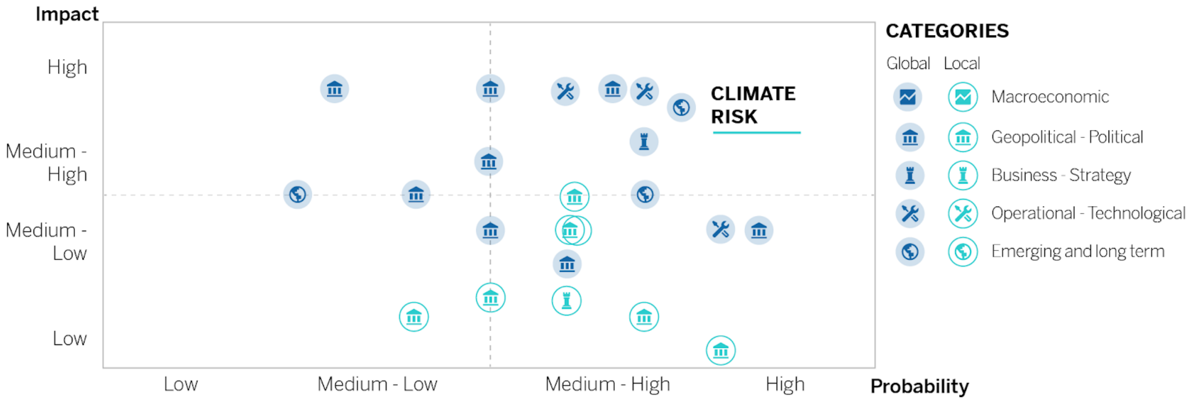
As part of its General Risk Management and Control Model, the Group develops periodic risk identification and assessment processes to, among other things, identify material risks that could have a negative impact on its risk profile and to manage

[3] Particularly noteworthy is the European Central Bank's public consultation on its guidance on climate and environmental risks published in May 2020. It explains how it expects credit institutions to safely and prudently manage climate-related and environmental risks and disclose such risks transparently under the current prudential framework.

those risks actively and proactively. These processes cover all types of risks faced by the Group in its daily activity, including those risks that are more difficult to quantify.

Through the Risk Assessment process, which is updated at least once a year, a **global assessment** by type of risk and business area is carried out to identify both the strengths and main vulnerabilities of the BBVA Group, with a forward-looking view. The matrix of events of the assessment carried out in 2020 is included below (see Chart 04). Risk Assessment exercises are used to set the risk appetite. The events are ordered according to their severity, which is estimated on the basis of the likelihood allocated to each event and their estimated impact on the BBVA Group. The 2020 Risk Assessment has deepened the analysis, incorporating a first qualitative assessment of the climate change factor materiality for those risks where it could be relevant.

The following risk events have been identified throughout the 2020 financial year:



The analysis carried out distinguishes between the impacts that physical and transition risks have at different time horizons (short, medium and long term) on the main types of risks (financial and nonfinancial). The main risks are focused, first on credit portfolios, especially the wholesale portfolio and, secondly, the retail mortgage and auto portfolios. The most relevant risks, in a first phase, are transition risks, affecting fossil fuels from a triple point of view: regulation, technological change and market factors. Market portfolios are hardly affected given the low volume in relative terms of the trading portfolio, its daily management and the high diversification of the portfolios .In terms of liquidity risk, the high quality of the liquidity buffer leads to an immaterial risk of a decline in the volume of liquid assets resulting from central bank restrictions on the eligibility of certain securities due to environmental reasons; the risk of loss of value of available collateral as a result of potential negative impacts on the market price of securities is also considered immaterial. The risk of physical climate events is considered low in terms of outflows of client resources or instability of wholesale resources (companies).

***Risk assessment* climate change 2020**

	Tranisition risks			Physical risks		
	ST	MT	LT	ST	MT	LT
Wholesale credit	Moderate-low risk	Moderate-high risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-low risk
Retail credit	Moderate-low risk	Moderate-low risk	Moderate-high risk	Low risk	Moderate-low risk	Moderate-high risk
Liquidity and funding	Low risk	Not applicable	Not applicable	Low risk	Low risk	Low risk
Markets	Low risk	Low risk	Low risk	Low risk	Low risk	Low risk
Operational	Not applicable	Not applicable	Not applicable	Low risk	Low risk	Moderate-low risk
Insurance	Not applicable	Not applicable	Not applicable	Low risk	Low risk	Low risk

Note. Temporary horizons definition
ST: Short term; up to 4 years (planning horizon).
MP: Medium term from 4 to 10 years.
LP: Long term; more than 10 years

- Low risk
- Moderate-low risk
- Moderate-high risk
- High risk
- Not applicable

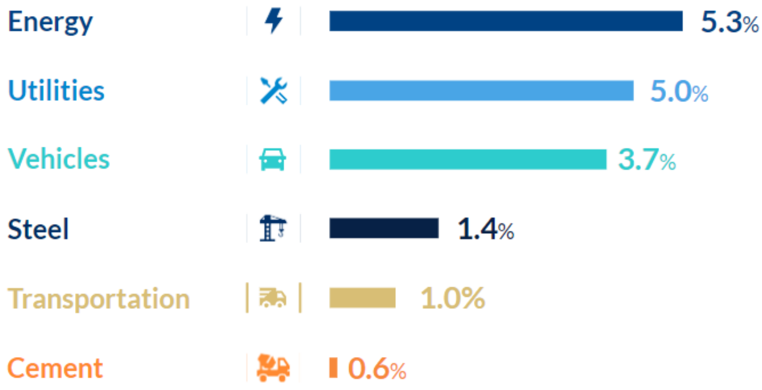
BBVA, within the scope of preparing and defining its industry frameworks governing the credit admission process, has developed an **internal Taxonomy of transition risk** in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the client level to assess their vulnerability and to integrate this aspect into risk and client support decisions.

The estimation of the transition risk-sensitivity level is based on the qualitative analysis of the amount of exposure to regulatory, technological and market changes caused by decarbonization that may have a financial impact on the companies of the industry and on the estimation of the time horizon impact of these effects. Thus, industries are categorized according to their level of sensitivity to transition risk: high, moderate or low sensitivity.

The industries identified as most sensitive to transition risk are energy or fossil fuel generation sectors (energy, utilities, coal mining), emission-intensive basic industries (steel, cement) and activities that are final users of energy through their products or services (vehicles manufacturers, air and sea transportation).

As a result of this exercise, with data at 31 December 2020, 17.1% of the exposure measured by EAD of the wholesale portfolio (equivalent to 9.1% of the Group's portfolio) has been identified as corresponding to sectors defined as "transition risk sensitive", with an intermediate, high or very high level of exposure to this risk. This calculation was made on a portfolio of €223,620m (of the Group's total EAD of €422,494m), corresponding to the EAD of the wholesale lending portfolio.

The percentage of exposure measured by EAD of the sectors sensitive to the transition risk of the wholesale portfolio are as follows:



Internal development. It includes the percentage of exposure (exposure at default) of activities internally defined as “transition risk sensitive” over the EAD of the wholesale portfolio at December 31, 2020 (Paraguay, Uruguay Venezuela and Chile not included). The “transition risk sensitive” portfolio includes activities that generate energy or fossil fuels (energy, utilities - excluding renewable generation and water and waste treatment -, coal mining), basic industries with emission-intensive processes (steel, cement) and final activities users of the energy through their products or services (vehicles manufacturers, air and sea transportation), with an intermediate, high or very high level of sensitivity to this risk.

In addition, **climate and environmental risk impact has been incorporated into country risk analysis** since 2019, as an additional input for establishing risk policies affecting exposures to private or sovereign administrations of all the countries with which the bank has some type of risk (+100 countries) .

To this end, a Climate Vulnerability Index (hereinafter, the CVI) has been created for more than 190 countries, which captures the physical risk and, to a lesser extent, the transition risk of each country, based on international indicators (e.g., Global Adaptation Index of the University of Notre Dame, ND-GAIN, and the Energy Transition Index, ETI, produced by the World Economic Forum). Subsidiarily, vulnerability indices issued by other international organizations and by the three rating agencies are also taken into account.

The methodology establishes 5 climate vulnerability levels, which are a comparative classification, as all countries have a certain level of vulnerability given the global nature of this phenomenon. The CVI has been integrated into risk management by including a specific section in country risk reports, so it is a factor that is taken into account when establishing risk limits (particularly in the most vulnerable countries). It is also taken into account in setting country ratings and outlooks.

In 2020 a methodology has also been launched to determine climate vulnerability at the sub-national level (regions, provinces, cities). To this end, indicators developed by internationally renowned institutions such as the Andean Development Corporation (CAF), the EU or BBVA Research. Work has also been done to incorporate transition risk to a greater extent in the CVI.

Risk appetite Framework (RAF)

The **Risk Appetite Framework** of the BBVA Group, approved by the corporate governance bodies, determines the risk levels that BBVA is willing to assume to achieve its targets, considering the business’ organic evolution. The Framework has a general statement that sets out the general principles of the risk strategy and the target risk profile. The current statement includes the commitment to sustainable development as one of the elements defining BBVA’s business model. This statement is complemented and detailed with an appetite quantification through metrics and thresholds that provide clear and concise guidance on the defined maximum risk profile. For the climate change risk, a new category has been included in 2021, called “High Transition Risk”, which measures the EAD in relation to capital of activities internally defined as “transition risk sensitive” with a “high” or “very high” intensity, in accordance with BBVA’s taxonomy. With respect to this metric, the Board of Directors has approved thresholds at a Group and business area level, which set the maximum appetite to climate change risk.

Scenario analysis

Scenario analysis enables the assessment of the risk factors' impact on the metrics defined in the Risk Appetite Framework. In this regard, and within climate change and environmental risk management, alternative scenarios are being defined, based on those laid out by the Network of Central Banks and Supervisors for Greening the Financial System (NGFS). The objective is to try to capture the uncertainty around the different types of transition (ordered, disordered) towards a low carbon economy and/or the effects derived from the physical risk of potential climate events in certain geographies. BBVA uses the Sustainable Development Scenario (SDS) and the Stated Policies Scenario (SPS) of the International Energy Agency, to analyze how regulatory, technological or demand changes in those sectors particularly sensitive to transition risk, may affect the Bank's portfolio. This analysis allows BBVA to include in the industry frameworks information on the possible behavior of the sector, and to determine which clients may be better prepared in environmental terms to face the coming years.

Integrating climate change into risk decision-making

Once climate risk is incorporated into the Risk Appetite Framework and the business strategy, it also must be included in the day-to-day risk management, which is a part of the risk decision making that supports the Bank's clients.

For that purpose, the integration of this risk into existing management frameworks and processes is required, including the adaptation of policies, procedures, tools, risk limits and risk controls in a consistent manner. In a first phase, adaptation is focused on the integration of this risk in the industry frameworks, a basic tool in the definition of our risk appetite in wholesale credit portfolios, and in the Mortgage and Auto Operating Frameworks in retail credit.

Wholesale banking

The need to decarbonize the economy, as a consequence of climate change, requires a reallocation of resources between more emission intensive activities and those less affected. This dynamic between sectors can be further accelerated in those industries where transition risk brings the time horizon impact closer, or where regulatory measures or technological developments set the implementation schedule.

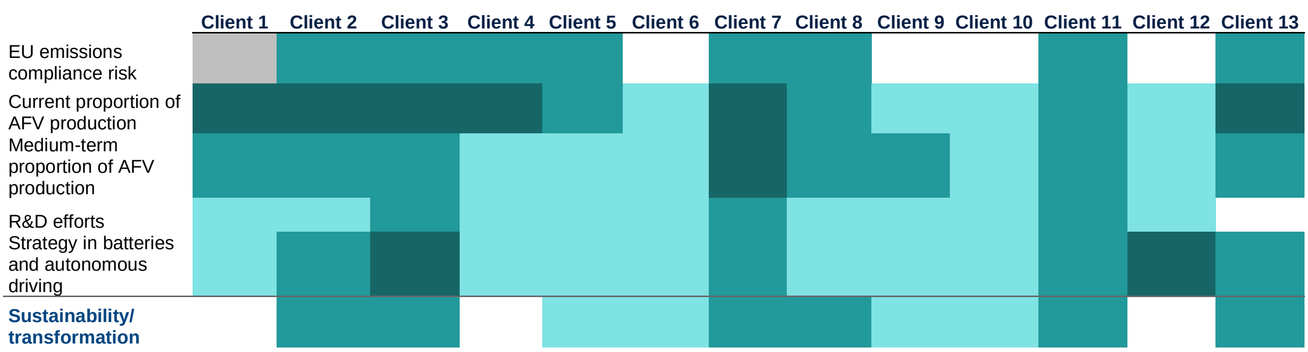
In wholesale banking, the prevailing analysis dimension is the sectoral, detailing sub-sectors or specific activities, combined with the geographic consideration, especially in regulated sectors.

The combination of these two factors results in the i**ntegration of climate factors into credit risk management processes through the wholesale credit industry frameworks** of those sectors most strongly impacted.

In 2020, sustainability factors have been incorporated as one of the dimensions of the analysis in the Operating Frameworks of Vehicles, Energy, Utilities, Steel and Cement. All these sectors are included in the taxonomy as transition risk-sensitive. In these frameworks, the impact of decarbonization on the sectors is analyzed based on long-term scenarios aligned with the objectives of the Paris Agreement. To this end, the sectoral impact of factors such as energy demand, investment or technological transformation (change of the generation mix in Energy / Utilities, or electrification in the case of vehicles) is analyzed. The industry frameworks take into account the transition strategies developed by the Bank's main client in each sector. Based on the analysis, individual risk policies have been reviewed with some of the main groups of these industries.

The following chart shows an anonymized example of sustainability strategies analysis of the main clients in BBVA's auto manufacturer portfolio.

Automotive industry framework: sustainability strategies analysis of companies in the sector



Legend: Lighter green represents a better assessment of each sustainability factor

Together with the integration into the Industry Frameworks, the systematic integration of sustainability factors into the client analysis processes for credit origination purposes has begun in 2020, thus allowing their incorporation in credit decision making.

Retail banking

Climate change risk affects retail portfolios through two dimensions. Firstly, for its role as a financing facilitator to address the investments required for climate change mitigation and adaptation, generating business opportunities in the financial sector. Second, through the financial risks that climate change and its mitigation pose to their balance sheet.

In retail banking the predominant focus of analysis is the type of risk and the affected portfolio, together with the geographical dimension.

- **Transition risk:** mainly affects the **auto portfolio** due to the CO_2 emissions of the vehicles, the mortgage portfolio due to the CO_2 emissions of real estate/households that are pledged as collateral, and the SME portfolio depending on the concentration in activities more exposed to CO_2 emissions.
- The key to treating, measuring and managing **physical risk** is the **location of the properties**. The location of the collateral in areas with the greatest environmental impact related to natural disasters such as hurricanes or floods among many, make up the block known as “location matters”.

Transition risk treatment in the retail portfolio

Within the financing activity, the main target is to i**dentify and support customers who contribute to the decarbonization process.** In BBVA’s retail portfolio, the most exposed portfolios to transition risk and therefore to CO_2 emissions are vehicles and mortgages, which account for more than 59% of the total retail portfolio, which in terms of exposure corresponds to around €118,529m according to data as of 31 December 2020.

As in the wholesale area, in the case of retail, risk appetite is developed through the annual development of Operating Frameworks, which explain and integrate the risk criteria under which the retail portfolios must be originated and managed in the BBVA Group. In 2020, climate change and environmental risk has been incorporated into the Operating Frameworks for the vehicles and mortgage portfolios.

- **Vehicles portfolio:** Incorporating the “fuel type” indicator as an analysis dimension allows a monthly monitoring of the origination, in the Group’s main vehicles portfolios.
- **Mortgages portfolio:** In this portfolio, a detailed analysis with regard to the energy efficiency of housing financed by BBVA is being carried out, with a focus on Spain in 2020, due to its relevance.

  The main purpose of the analysis is to verify the existing relationship between the energy efficiency of housing (buildings) financed by BBVA, and the clients’ behavior in terms of default (PD/probability of default). Thus, the aim is to identify whether, ceteris paribus, housing with greater energy efficiency has a lower probability of default than housing with less energy efficiency.

  In addition, the analysis includes a study of the relationship between the collateral value and the coverage variation in relation to the energy efficiency of housing, and consequently, how this affects the LGD (loss given default) / Severity of the mortgage loan. In addition, BBVA actively participates in the working group of the Energy Efficiency Financial Institution Group (EEFIG). This group consists of more than 40 institutions at a European level and one of its targets is to deepen risk assessment through the quantitative relationship between the energy efficiency ratings of properties and the associated probability of default and the valuation of the underlying assets. All this with the aim of issuing the relevant recommendations at European level that guarantee homogeneity in the analysis between participating countries and the former institutions.

At the management level, work is underway to refine the admission model with sustainability factors as a fundamental step to support green products. A commercial plan has been defined for the creation of green products for the main geographies and segments of both individual customers and SMEs, with the defined operational and advertising channels.

Physical risk treatment in the retail portfolio

Regarding physical risk, the risks derived from the location of properties in the zones of hurricanes, floods or eruptions is one of the risks that must be assessed and incorporated in credit processes, in particular during collateral valuation in transactions with collaterals.

The Bank’s portfolio with the greatest exposure to this type of risk is the mortgage portfolio, which accounts for 53% of the total retail portfolio, Throughout 2021, work will be done to identify the location of the buildings financed by BBVA, in order to create a heat map, identifying the areas most exposed to adverse weather events (e.g. houses on coasts impacted by flooding). The analysis of the need to adjust the collateral value, and therefore the severity of the mortgage loans, in such areas, will allow us to give an adequate and prudent treatment in terms of credit risk management.

PACTA Methodology used to evaluate loan portfolios and their alignment with the Paris Agreement

As part of the climate change strategy, BBVA has committed to aligning its loan portfolio with scenarios compatible with the global warming objectives established in the Paris Agreement. This commitment materialized in the signing, with other European banks, of the Katowice commitment. In conjunction with these banks, and with the support of the think tank 2 Degree Investing Initiative (2DII), a methodology called PACTA (Paris Agreement Capital Transition Assessment) has been adapted to the banking sector.

The methodology focuses on the most polluting sectors and, within them, on the phase of the production chain whose reduction may have the greatest impact on the global reduction of emissions. The sectors under analysis are oil and gas, coal mining, electricity generation, automobiles, maritime transport, cement and iron and steel.

The methodology analyzes the assets of the different clients and the characteristics of these assets in terms of their climatic performance. Through a process of aggregation of these assets by companies, the methodology is able to link these assets with financial products and establish a relationship between the financial instrument and the degree of alignment in a climate change scenario.

Indirect environmental and social impacts management

BBVA addresses environmental and social risks from the perspective of impact prevention and mitigation. To do this, it uses tools such as the Environmental and Social Framework or the Equator Principles that have an environmental and social focus, and which are described below. Managing the impacts that customers generate on the environment is part of the 2025 Pledge. To manage them, BBVA has implemented a series of initiatives and tools.

Environmental and Social Framework

In 2020, the **Environmental and Social Framework for the due diligence in the field of mining, agribusiness, energy, infrastructure and defense** was approved, which integrates and entails the review of the previous Sector Norms (approved in 2018) and the Rules of Conduct in Defense (in force since 2012).

In line with the previous regulation, this Framework provides a decision-making guideline with regard to transactions and customers that operate in these five sectors (mining, agribusiness, energy, infrastructure and defense); as they are considered to have a bigger social and environmental impact.

In order to ensure the effective implementation of this Framework, BBVA receives advice from an independent external expert. This Framework is public and available for consultation in the shareholders and investors web of BBVA. With the aid of this independent external advice, BBVA carries out a reinforced due diligence to its customers and transactions, in order to mitigate the risks associated with these sectors and contribute to the compliance with the General Sustainability and Social Corporate Responsibility Policies.

For the Framework review, new market trends in this area, the expectations of stakeholders and the strengthening of the implementation procedures have been taken into account.

One of the more important changes within the 2020 review is the restriction to the applying of exceptions in the field of mining and energy for countries with high energetic dependence only to already existing or under construction projects and customers.

Additionally, the reduction from 35% to 25% of the threshold applied to the exclusion of customers with high coal exposure, which applies both to the extractive activity and the energy generation.

Likewise, the prohibition concerning tar sands has been extended to any activity using this kind of fuel which does not have a diversification strategy and where this activity represents more than 10% of total production. Finally, new prohibited activities have been added in projects such as deep sea mining, Artic oil and gas transportation (which complements the existing one on Artic oil and gas exploration and production), as well as large dams that are not built under the World Commission on Dams (WDC).

Equator Principles

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA's commitment is to manage the financing of these projects to reduce and avoid negative impacts and enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of principle-based profitability. This implies meeting stakeholder expectations and the social demand for adaptation to climate change and respect for human rights.

In line with this commitment, since 2004 BBVA has adhered to the Equator Principles (EP), which include a series of standards for managing environmental and social risk in project financing. The EPs were developed on the basis of the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Guidelines on Environment, Health and Safety. These principles have set the benchmark for responsible finance.

The analysis of the projects consists of subjecting each operation to an environmental and social due diligence process. The first step is the allocation of a category (A, B or C), which reflects the project's level of risk. Reviewing the documentation provided by the customer and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category. Financing agreements include the customer's environmental and social obligations. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of operations, and is subject to regular checks by the Internal Audit area.

BBVA has strengthened due diligence procedures associated with financing projects whose development affects indigenous communities. Where this is the case, free, prior and informed consent is required from these communities, regardless of the geographic location of the project.

In 2020 the fourth version of the Principles has come into force. This update, after an extensive public consultation period, incorporates new and more demanding requirements in the review of projects in relation to human rights and climate change. BBVA has actively participated in the updating process and its contribution in recent years has been recognized with a new mandate in the Steering Committee of the Association of the Principles of Ecuador.

Management of direct environmental impacts

BBVA has a clear commitment to both society and the environment. In 2020, this commitment has been bolstered through the creation of the GSO and its various workstreams. One of these is the Direct Impact Workstream, which is transversal across all geographies and focuses on reducing the direct environmental impacts of BBVA's activity.

Global Eco-Efficiency Plan

The "Global Eco-efficiency Plan" is included in the line of work to reduce direct impacts. The first plan was launched during the 2008–2012 period, and the plan for the 2016–2020 period was completed in 2020.

The **Global Eco-Efficiency Plan** sets impact reduction targets through metrics and monitoring indicators. These objectives are framed within BBVA's climate change strategy, "2025 Pledge," which on the one hand includes a 68% reduction in Scope 1 and 2 CO_2 emissions, and on the other, to obtain 70% of energy consumption from renewable sources in 2025, reaching 100% in 2030. In line with the latter objective, BBVA has been a member since 2018 of the RE100 initiative, through which the world’s most influential companies undertake to make their energy 100% renewable by 2050.

To ensure continuation, the objectives and targets for the next Global Eco-Efficiency Plan 2021-2025 have already been set. The new Global Eco-Efficiency Plan will address the objective already set out in the 2025 Pledge and will also include other new objectives aimed at reducing and neutralizing the environmental footprint. As in previous plans, regular monitoring will be carried out to ensure proper performance across its entire scope.

In addition to the objectives of "2025 Pledge," at the UN Conference on Climate Change (Conference of Parties, COP25) held in Madrid in 2019, BBVA announced the incorporation of a domestic price for CO_2 emissions from 2020 onward, along with the goal of **becoming carbon neutral** that same year. BBVA is therefore committed to offsetting all the direct environmental impacts it is unable to reduce.

VECTOR	STRATEGIC GUIDELINES	GLOBAL TARGET
ENVIRONMENTAL MANAGEMENT AND SUSTAINABLE CONSTRUCTION	% occupants in certified buildings	49%
ENERGY AND CLIMATE CHANGE	Consumption per occupant (kWh/occup)	-6%
	% of energy from renewable sources	100%
	$C0_2eq$ emissions per occupant (tCO_2eq/occp)	-6%
WATER	Consumption per occupant (m^3/occup)	0%
	% occupants in buildings with alternative water sources	18%
PAPER AND WASTE	Paper consumption per occupant (kg/occup)	0%
	% occupants in buildings with separate waste collection	49%
EXTENSION OF THE COMMITMENT	Awareness campaigns for employees and suppliers	

The lines of actions of the Global Eco-efficiency Plan are:

1. **Environmental management and sustainable construction**

   BBVA has implemented an Environmental Management System in some of its buildings based on the ISO 14.001:2015 Standard, which is certified every year by an independent entity. This certification is used to control and evaluate environmental performance in the operations of some of its buildings. 18 buildings have this certification in Spain.

   Furthermore, 3 buildings also have an Energy Management System that has been certified by an independent third party and complies with the ISO 50.001:2018 standard.

   For its part, 5 buildings of the Bank have been awarded the prestigious LEED certification for sustainable construction, including the Bank's main headquarters in Spain.

2. **Energy and climate change**

   As part of BBVA's pledge to reduce its environmental footprint, the reduction of its energy consumption, and therefore associated impacts, has been set as a priority. To this end, it is essential that emissions are properly monitored, so that the reduction target set for 2025 can be met.

   BBVA's total emissions consist of:

   - Scope 1 greenhouse gas emissions, including direct emissions from stationary combustion plants installed in buildings and branches under the operational control of BBVA;
   - Scope 2 greenhouse gas emissions, including indirect emissions related to electricity production, purchased and consumed by buildings and branches under BBVA's operational control;
   - Scope 3 greenhouse gas emissions, including indirect emissions not covered under Scope 2. At BBVA, this scope covers emissions from business travel.

   Both Scope 1 and 2 emissions and Scope 3 emissions are calculated according to the GHG Protocol standard established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

   Levers for footprint reduction

   - Implementing **energy saving measures** (ESMs) when operating premises in such a way that consumption is controlled by establishing baselines.
   - Promoting **renewable energy** consumption through PPA agreements or purchasing renewable energy certificates (RECs, iRECs, GdO). As such, 100% of the energy consumed in Spain and Portugal is of renewable origin. Furthermore,

- BBVA is also committed to **self-generate** renewable energy in their buildings by installing solar photovoltaic and solar thermal panels.
- Offsetting residual carbon emissions that have not been reduced by the above. In order to achieve the goal to become a Carbon Neutral company in 2020, BBVA is finalizing all the necessary formalities to offset the remaining footprint which it was unable to reduce during the financial year, through purchasing carbon credits of various projects within the Voluntary Carbon Market. All these projects will be certified under the Verified Carbon Standard (VCS) of Verra and the Gold Standard.

3. Water

Water, which is one of the resources that has a major impact, is another priority indicator for BBVA. In order to reduce this impact, the headquarters and other buildings in Spain are equipped with gray water recycling systems and rainwater recirculation for irrigation.

4. Paper and waste

Waste generation is becoming a major global problem. BBVA has spent many years working to reduce this impact as much as possible through sustainable construction standards or through implementing ISO 14001-certified Environmental Management Systems. In order to ensure the proper separation and subsequent recycling of waste, facilities feature clearly differentiated and signposted areas in order to minimize the amount of waste that ends up in landfills.

5. Extension of the pledge — awareness campaigns

One of the ways in which BBVA can instill its concern about its environmental impact is by raising awareness among employees and providing training to them. The Bank is working in the creation of a new website for sustainability training, (“The Camp”), which will enable employees to become specialized to various different levels in this area, one of which is related to direct impacts. Some of these training itineraries are already mandatory throughout the Bank in order to ensure that employees at least have a basic knowledge so that they can apply it in their day-to-day work.

Likewise, as in previous years, BBVA joined the "Earth Hour" initiative in 2020, during which we turned off the lights in 34 buildings in 22 cities in Spain and Portugal, to support the fight against climate change.

MAIN INDICATORS OF THE GLOBAL ECO-EFFICIENCY PLAN (BBVA SPAIN)

		2020[3]		2019[4]	
	2020 Goal (%)	KPI (%)	Reference value	KPI (%)	Reference value
People working in the certified buildings (%) [1]	49	52		52	
Electricity usage per person (MWh)	-6	-28	5.04 MWh/ocup	-20	5.54 MWh/ocup
Energy coming from renewable sources (%)	100	100		100	
Co2 emissions per person (T) [2]	-6	-82	0.12 TCO_2/ocup	-13	0.6 TCO_2/ocup
Water consumption per person (m^3)	0	-52	5.67 m^3/ocup	-31	8.19 m^3/ocup
People working in buildings with alternative sources of water supply (%)	18	22		23	
Paper consumption per person (T)	0	-46	0.04 T/ocup	-15	0.06 T/ocup
People working in buildings with separate waste collection certificate (%)	49	51		52	

Note: These indicators are calculated on the basis of employees and external staff. Base year; 2015.

(1) Including IS0 14001, ISO 50001, LEED y Energy Star certifications.
(2)It includes scope 1, scope 2 market-based and scope 3 business trips. The business trips thresholds for the calculation of the footprint have been modified in 2020 in order to adapt them to DEFRA indications.
(3) Certain 2020 are estimations as the information was not available at the closing of the financial year.
(4) Recalculated data due to post-2019 adjustments.

Environmental performance in 2020

The year 2020 has been an exceptional year in terms of direct impacts management, BBVA has taken all the necessary measures so that, since the beginning of the crisis resulting from the COVID-19 both its buildings and branches have been safe places that protect the health and safety of its employees and customers, all while ensuring business continuity.

Among the measures adopted in the field of direct impact management, and in line with the recommendations of the World Health Organization (WHO) and the corresponding health authorities of each country, the implementation of a hybrid remote work model that enforced the maximum distances and capacity permitted was particularly notable.

These measures have had a positive impact on BBVA's environmental footprint:

- Reduction of employees commuting to their workplace;
- Reduction of business travels not only due to restrictions but also due to a change in employees' habits with the increased use of corporate video conferencing platforms;
- Reduction of waste generation at facilities; and
- Reductions in all consumption as a result of concentrated use of space and efficient capacity.

Regardless of the impact that the COVID-19 crisis may have on environmental indicators, the Bank's environmental footprint shows very positive data compared to the previous year, with reductions of 82% in CO2 emissions (according to the market-based method), 28% in electricity consumption, 52% in water consumption, and 46% in paper (all per person). The percentage of renewable energy consumption has reached 100%, which far exceeds BBVA's target for this year, and the percentage of people working in buildings with environmental certification reached 52%. All of the above means that 2020 will close the current Global Eco-Efficiency Plan having achieved its objectives in all indicators.

ENVIRONMENTAL FOOTPRINT (BBVA, S.A.)

	2020(7)	2019(8)
Consumption		
Public water supply (cubic meters)	202,652	309,854
Paper (tons)	1,402	2,342
Energy (Megawatt hour) (1)	191,589	224,902
CO2 emissions		
Scope 1 emissions (tons CO_2e) (2)	2,188	2,905
Scope 2 emissions (tons CO_2e) market-based method (3)	-	-
Scope 2 emissions (tons CO2e) location-based method (4)	46,945	60,894
Scope 3 emissions (tons CO2e) (5)	2,270	26,950
Business trips (5)	2,270	19,650
Employees commuting(6)	-	7,300
Waste		
Hazardous waste (tons)	7	135
Non-hazardous waste (tons)	915	782

(1) It includes the consumption of electricity and fossil fuels (diesel oil, natural gas and LP gas), except fuels consumed in fleets.
(2) Emissions from direct energy consumption (fossil fuels), calculated based on the emission factors of the 2006 IPCC Guidelines for National Greenhouse Gas Inventories. The IPCC Fifth Assessment Report and the IEA were used as sources to convert these to CO2e.
(3) Emissions from electricity consumption, calculated based on contractual data, therefore contracts have 0 emissions or, failing this, on the latest emission factors available from the IEA.
(4) Emissions from electricity consumption, calculated based on the energetic mix and on the last available emissions factors available from the IEA.
(5) Emissions from business trips by plane and from journeys made by employees in central services to the work place, using DEFRA 2020 factors. Emissions from journeys made by employees to the workplace have been modified in order to adapt them to DEFRA indications.
(6) Emissions from employees commuting have not been calculated in 2020 as more than 3/4 of the year the employees have been working remotely.
(7) 2020 last quarter data are estimations as the real consumptions are not available until the first quarter of 2021.
(8) These data have been updated with respect to those reported in previous reports due to post-2019 adjustments.

Given the business activities in which the BBVA engages, the Bank has no environmental liabilities, expenses, assets, provisions or contingencies that are significant in relation to its equity, financial position and earnings. As such, as of December 31, 2020, the accompanying consolidated Annual Accounts do not include any item that warrants inclusion in the environmental information document provided for in Order JUS/318/2018, of March 21, approving a new template for filing the consolidated annual accounts at the Companies Register for those entities obligated to disclose such information.

Engagement with global initiatives

Beyond its key role in the drive toward sustainable financing, BBVA promotes a new way of making banking more responsible. As part of the 2025 Pledge, BBVA has actively participated in numerous initiatives and always in close collaboration with all stakeholders such as the industry itself, regulators and supervisors, investors and civil society organizations. These initiatives focus on the following five priority areas:

1. **Universal reference frameworks**: BBVA was one of 28 founding banks in the Principles for Responsible Banking promoted by the United Nations Environment Programme Finance Initiative, UNEP FI. This is the reference framework for corporate responsibility in the banking sector, which has already been signed by more than 190 entities worldwide, which is approximately 40% (by asset volume) of the banking system. BBVA also participates in global initiatives such as the United Nations Global Compact, Principles for Responsible Investment, and the Thun Group, which describes how the "United Nations Guiding Principles on Business and Human Rights" ("UNGPs") should be applied in the banking sector.
2. **Alignment with the Paris Agreement**: BBVA signed the Katowice commitment in 2018 together with other major international banks in order to develop a methodology to help align lending activity with the Paris Agreement. This commitment has inspired the Collective Commitment to Climate Action launched by 31 international financial institutions, including BBVA, under the UNEP FI Principles for Responsible Banking at the United Nations climate summit in New York in September 2019. BBVA has also joined the Science Based Target Initiative and participates in the Alliance CEO Climate Leaders of the World Economic Forum (WEF) as well as in other initiatives focused on environmental issues or the fight against climate change, such as the Carbon Disclosure Project (CDP) and RE100.
3. **Market standards**: BBVA has been very active in promoting the Green Bond Principles, Social Bonds Principles, Green Loan Principles and other similar standards developed by the industry itself and which have allowed the creation of an orderly and growing market for sustainable financial instruments.
4. **Transparency**: in September 2017, BBVA committed to the TCFD recommendations of the FSB and has been reporting on its objectives, plans and performance in line with its utmost commitment to transparency. BBVA published its first TCFD report in November 2020.
5. **Financial regulation**: BBVA has been involved in consultation processes and various activities with regulatory and supervisory bodies to promote sustainable finance regulation. The Group's participation in the UNEP FI and European Banking Federation working group for defining recommendations so that banks may use the new taxonomy being developed in Europe is also notable.

BBVA co-chairs the UNEP FI management committee and represents European banks in this forum. BBVA also holds the presidency of the working group of sustainable finance at the European Banking Federation and is a member of the Equator Principles management committee.

For years, BBVA has been actively involved in various supranational initiatives and seeks to continue leading the international agenda in tackling climate change. Among others, BBVA has signed its commitment to the following initiatives:

Likewise, in 2020 BBVA has joined and supported the following collective initiatives and declarations:

1. ***COP26 Returns/TCFD Implied Temperature Rise Project*,** the task force created by TCFD to assess the benefits and challenges of disclosing information on the “implied temperature rise” (ITR) of investment portfolios and its alignment with the Paris Agreement objective.
2. ***Task Force on Scaling Voluntary Carbon Markets*,** the private sector-led initiative working to scale up a voluntary carbon market that is effective, efficient and functional in helping to meet the objectives of the Paris Climate Agreement. The more than 50 participants in the Working Group represent the financial sector, market service providers, and buyers and providers of carbon offsets.
3. ***The Great Reset,*** promoted by the World Economic Forum (WEF) in which the pandemic is visualized as an exceptional but narrow window of opportunity to reflect, reimagine and reset the world.
4. **Letter to promote renewable energy in European recovery**, promoted by the Corporate European Platform for Renewable Energy Sourcing (Re-Source), and signed by 43 of the 12 largest banks in the world, with BBVA being the only Spanish bank to join.
5. **Next Generation EU,** promoted by the European Commission, which views the recovery plan as turning the immense challenge arising from the context created by COVID-19 into an opportunity, not only by supporting recovery but also by investing in the future. The European Green Deal and digitization will boost jobs and growth, societal resilience and environmental health.
6. **Manifest for sustainable economic recovery in Spain,** promoted by the Spanish Green Growth Group (*Grupo Español para el Crecimiento Verde,* GECV,) to support recovery toward a more sustainable and robust economy and demand that alliances be established between political parties, businesses, trade unions, media, NGOs and civil society to support and implement a sustainable stimulus package, based on the best scientific knowledge and best practices.
7. **GECV statement to face the crisis of the COVID-19 pandemic,** promoted by the GECV and in which it is stated that "The economic stimuli launched to combat the coronavirus crisis must be embedded within and align with actions to address the pressing challenges of climate action and sustainability."
8. **European manifesto: "Green Recovery Alliance. Reboot and re-boost our economies for a sustainable future,"** led by the President of the European Parliament's committee on the Environment. The alliance has 270 members, including MEPs from 17 EU countries, European ministers, NGOs and business and trade union associations. Furthermore, 50 presidents or CEOs of large European multinationals have signed this declaration, as has the Spanish Banking Association.

In addition to these new 2020 initiatives, BBVA has been supporting collective initiatives and declarations for more than 20 years:

1 Frameworks and International standards

- 1998
  - UNEP Finance Initiative
- 2004
  - Carbon Disclosure Project
  - GRI
- 2010
  - Women's Empowerment Principles
- 2011
  - UN Guiding Principles on Business & Human Rights
  - International Integrated Reporting Council
- 2015
  - Paris Agreement
  - Sustainable development Goals
- 2017
  - TCFD

2 Associations, Working Groups and Networks

- 2011
  - Spainsif
- 2012
  - Thun Group on Human Rights
- 2014
  - ICMA Green Bond Principles
  - ICMA Social Bond Principles
- 2015
  - GECV
  - CSR Europe
- 2017
  - European Banking representative at the UNEP FI Global Steering Committee
- 2018
  - LMA Green Loan Principles
  - LMA Sustainability Linked Loan Principles
  - RE 100
- 2019
  - European Banking Federation: Chair Sustainable Finance Working Group
  - Co-Chair Global Steering Committee UNEP FI
  - WEF Alliance of CEO Climate Leaders
- 2020
  - Nasdaq Sustainable Bond Network

3 Letters or Statements

- 2019
  - Call to Action: A New Deal for Europe
- 2020
  - EU Green Recovery
  - COP26 Returns/TCFD Implied Temperature Rise Project
  - Task Force on Scaling Voluntary Carbon Markets
  - The Great Reset
  - Letter to foster renewable energy in European recovery (RE-Source)
  - Next Generation EU
  - Manifesto for a sustainable economic recovery in Spain
  - GECV Statement as of COVID-19
  - Green Recovery Reboot and Reboot our economies for a sustainable future Manifiesto

Progress in the first year since the signing of the Principles for Responsible Banking

BBVA was one of the 28 founding banks around the world that, since April 2018, worked on the development of the Principles for Responsible Banking. In 2019, these principles were officially signed, and BBVA subscribed to these principles together with 131 other global financial institutions. This initiative, which is coordinated by UNEP FI (the United Nations Environment Programme Finance Initiative), aims to respond to the growing demand from different stakeholders for a comprehensive framework that covers all aspects of sustainable banking. More than 190 banks are currently adhering to these Principles.

BBVA therefore believes that these Principles will help reaffirm its purpose, enhance its contribution to both the United Nations SDGs and the commitments derived from the Paris Climate Agreements, and align its business strategy with said commitments. In 2020, BBVA has reported its progress and achievements in each of the 6 principles to UNEP FI; this is the first year we have implemented the Principles for Responsible Banking. For more information on the progress and developments reported, see the chapter named "UNEP FI Principles for Responsible Banking Reporting Index" in this report.

Progress in the second year since the signing of the Katowice Commitment

Together with other financial institutions, since 2018, BBVA has adhered to the Katowice Commitment, an initiative that aims to develop an impact assessment methodology to adapt the loan portfolio to the commitments of the Paris Agreement.

In an open letter addressed to world leaders and heads of state gathered at the 24th UN Climate Change Conference (COP24) in Katowice, Poland, these banks committed to finance and design the financial services needed to support customers as they transition toward a low-carbon economy.

In September 2020, BBVA, together with other financial institutions, published a joint methodology to align its credit portfolios with the objectives of the Paris Agreement on climate change. The group, known as the "Katowice banks," has presented this report, which offers a solid and precise methodology to reconfigure their portfolios in order to finance a society with fewer carbon emissions.

One of the characteristics of the methodology is that it involves creating specific indicators for each sector. Each bank has committed to setting its own targets for these indicators and monitoring them. BBVA will use the following metrics to measure the alignment in the more sensible sectors within the Katowice group framework.

Sector		Sector Scope	Metric	Emissions Scope
Energy	Fossil Fuels (FF)	Upstream	Emission intensity ($KgCO_2$/BOE)[10]	1&2&3
		Upstream + Total power generation	Energy financing mix	-
	Utilities	Power Generation	Emission intensity (gCO_2/kWh)	1&2
			Technology mix	-
Automotive		Car manufacturers	Emission intensity $KgCO_2$/v-km	3
			Mix EV/PHEV/combustion	
Steel		Steel manufacturers	Emission intensity $KgCO_2$/Tonne Steel	1&2
Cement		Cement manufacturers	Emission intensity $KgCO_2$/Tonne Cement	1&2
Marine transportation		Owners & Operators	Emission intensity $KgCO_2$/Nautical Mile	1&2

10. BOE: Barrel of Oil Equivalent.

Progress in the first year since the signing of Collective Commitment to Climate Action

Within the Principles for Responsible Banking, **signed at the United Nation General Assembly in New York on September 22, 2019**, this initiative was born with the aim of aligning the member institutions' portfolios "to reflect and finance the low-carbon economy necessary to limit global warming to below 2 degrees, striving to limit it to 1.5 degrees."

To this end, BBVA and 38 international banks, taking the Katowice Commitment as a starting point, share objectives to "facilitate the economic transition necessary to achieve climate neutrality." They also commit to work together and support each other "to develop the capabilities of each bank and the methodologies required to measure climate impact and alignment with local and global climate objectives."

In order to accelerate the transition toward sustainable technologies, business models, and societies, the Collective Commitment to Climate Action requested that the entities that signed this declaration publish and implement, within twelve months, the set of measures that they will use together with their customers to support and accelerate the transition to low-carbon technologies. A maximum period of three years has also been given to set and publish specific objectives, based on scenarios for portfolio alignment.

Along these lines, BBVA reported the measures implemented to support customers and accelerate the transition toward low-carbon technologies to UNEP FI in 2020:

- **Exclusion policies:** For more information, see the "Environmental and Social Framework" section included in the "Management of Indirect Environmental Impacts" section of this chapter.
- **Strategy for growing the customer base in selected sectors:** for more information, see the "Funds mobilized under the 2025 Pledge" table in the "Sustainable financing: mobilization metrics" section in this chapter.
- **Objectives and portfolio alignment:** this chapter includes information on exposure to "carbon sensitive" sectors and the joint methodology of the Katowice banks.

Consultation processes

BBVA plays an active role in collaborating with the various regulatory bodies, supervisors and international organizations by participating in initiatives, forums, consultation processes, etc., focused on transitioning toward a low-carbon economy.

Sustainability indices

Sustainability ratings measure companies' ESG performance and determine their position in sustainability indices. As such, the permanence and position in these stock indices depend on companies' ability to demonstrate steady progress on sustainability issues, and also influence the eligibility of said companies in investment portfolios.

BBVA participates annually in the main sustainability analyses conducted by non-financial rating agencies. Based on the evaluations obtained through these analyses, companies are chosen to be part of the sustainability indices. Some of the most popular indices are the Dow Jones Sustainability Index (DJSI), FTSE4Good or MSCI ESG.

Sustainability analyses measure companies' performance in environmental, social and corporate governance matters, based on the different methodologies developed by these agencies.

In 2020, BBVA **was ranked first among European banks in the DJSI**, which measures the performance of the largest companies by market capitalization in economic, environmental and social matters. Globally, the Group ranked second, achieving the highest score (100 points) in the areas of financial inclusion, environmental reporting, social reporting, corporate citizenship and philanthropy, occupational health and safety, tax strategy and policy influence. BBVA therefore achieved an overall score of 87 points, 5 points more than in 2019.

BBVA has been included, for the fourth consecutive year in the **Bloomberg Gender Equality Index**, improving its score from 72.32% to 77.29%, which means the recognition of its commitment to create confident work environments, where all employees' professional development and equal opportunities are granted, regardless of their gender.

BBVA is a member of the following sustainability indices[4]:

[4] The inclusion of BBVA in any MSCI indices and the use of the logos, trademarks, service marks or index names does not constitute the sponsorship or promotion of BBVA by MSCI or any of its subsidiaries. The MSCI indices are the exclusive property of MSCI. MSCI and the MSCI indices and logos are trademarks or service marks of MSCI or its subsidiaries.

DJSI World (2nd in the world)y and DJSI Europe member(1st of Europe banking)	MSCI ESG Leaders Indexes member. (Rating AAA)	FTSE4Good Index Series member (Score 4.4/5)

Euronext Vigeo Eurozone 120 and Europe 120 indixes member	Ethibel Sustainability Excellence Europe and Ethibel Sustainability Excellence Global indexes member	Bloomberg Gender-Equality member (Score 77.29/100)	Score A-

In addition, the Bank has joined the *Nasdaq Sustainable Bond Network* (NSBN). It is the only Spanish entity on this platform, which brings together the world's various issuers of sustainable debt and provides a clear reference framework for socially responsible investment.

Responsible banking

Thus, BBVA is committed to responsible banking and the creation of long-term value for all stakeholders is reflected in the Bank's various policies and, in particular, in the Corporate Social Responsibility Policy for managing the responsibility of BBVA's impact on people and society.

This Policy has been updated by the Board of Directors in 2020 in order to update it both to the evolution of its stakeholders' expectations and the Bank's strategy.

The Bank follows the next general principles of action in matters of corporate social responsibility (which are added to the general principles that the Bank applies in its different management policies):

- Geared toward generating a positive impact on society;
- Respect for people's dignity and inherent rights;
- Community investment; and
- Involvement as an agent of social change.

Contribution to society

Community investment

In 2020, BBVA allocated **€29.6m** to the investment in social programs that benefited **288,281** people.

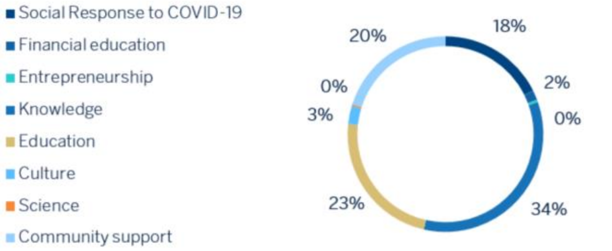
In 2020, BBVA increased the investment, mainly due to the additional provisions to mitigate the COVID-19 consequences, also resulting in a beneficiaries increase. Although a fall of beneficiaries related to presence activities was observed due to cancels, the number of beneficiaries related to the health and social rose, to which the Response to COVID-19 Plan was addressed.

Through this contribution to the society, BBVA acts as a driver of opportunities for people, seeks to generate a positive impact on their lives and delivers on its Purpose of “Bringing the age of opportunity to everyone”, particularly to vulnerable people.

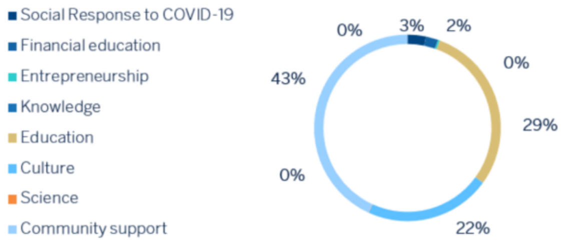
In accordance with the Corporate Social Responsibility Policy, approved by the Board of Directors in 2020 and available for consultation on the BBVA shareholders and investors website, the Bank implements its commitment to society through supporting the development of society.

During the year, inside the contribution to society by BBVA, it is remarkable the launch and execution of the BBVA Group Social Response Plan to fight against the COVID-19 effects. Likewise, BBVA continued to boost in 2020 the main lines of action established by the Investment in Social Programs Plan, still in force: **financial education**, **social entrepreneurship** and the **knowledge**, **education** and **culture**. In 2020, BBVA worked as well on a new plan development, which will be published during the first quarter of 2021 and to which BBVA expects to gain social impact achievement, specifying details in its Community Pledge 2025.

COMMUNITY INVESTMENT BY FOCUS OF ACTIONS. 2020



BENEFICIARIES OF COMMUNITY INVESTMENT BY FOCUS OF ACTIONS. 2020

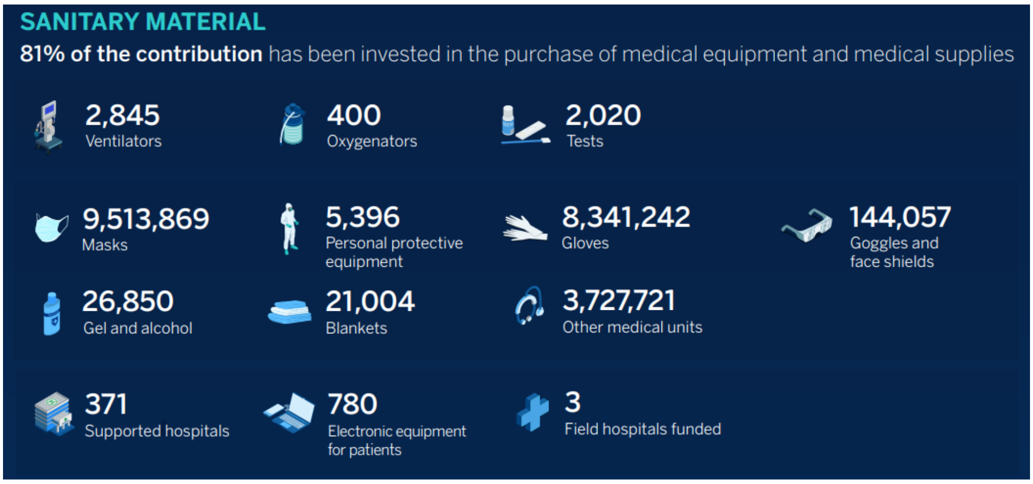


"BBVA's Social Response to COVID" Plan

Faced with an unprecedented global crisis, with immediate effects in the field of health and social wellbeing, BBVA implemented a Social Response Plan in March 2020 to alleviate the most serious consequences of COVID-19: overrun health services, shortage of medical supplies, worsening of the vulnerability of large segments of the population, among others. This “Social Response to COVID” Plan covers the following countries: Argentina, Colombia, Spain, the United States, Mexico, Paraguay, Peru, Portugal, Turkey and Uruguay.

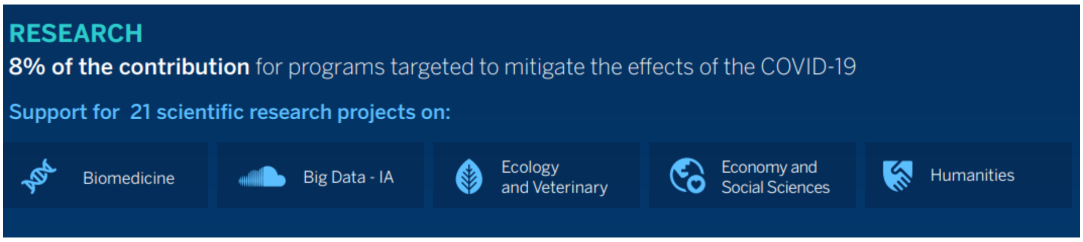
Through this Plan, which benefited 3.5 million people in 2020, 9,180 in Spain, BBVA donated €35.7m (€4.5m of which in Spain) for three lines of SDG-linked action:

- Providing support to public health services to prevent their collapse and contributing to ensure the healthcare of individuals affected by purchasing medical equipment and supplies, to which 80% of the committed amount was allocated. This line of action has a direct impact into the SDG 3 “Ensure healthy lives and promote well-being for all at all ages”. In 2020, 839,773 people benefited from the medical supplies donated to hospitals. Below is the breakdown of the items purchased and distributed to hospitals around the world:



- Providing support to vulnerable groups through contributions to social organizations aimed to cover the needs of those most affected by the pandemic: food, basic necessities, psychosocial support and assistance, and training. Of the committed amount, 12% was allocated to collaborations with 472 non-profit entities, whose work has benefited 2.6 million people. This line of action has a direct impact into the SDG 10 “Reduced inequalities”.

- Support for the research on COVID-19 and its consequences, to which 8% of the committed amount was allocated. This line of action has a direct impact into the SDG 9 “Promote the Industry, Innovation and Infrastructure”. In this line, it is remarkable the support to 20 scientific research projects by the BBVA Foundation which benefited 226 people directly, but not including the indirect impact of their research.



Furthermore, BBVA employees and customers donated €11.2m (€1.2m in Spain), which were also allocated to the three lines of action outlined above.

Financial education

BBVA has developed since 2008 a Financial Education Global Plan to improve the people's financial health through the training on financial skills and competences, by both face to face and digital channels. This plan is based on three lines of action:

1. **Financial education for society:** to promote the acquisition of financial knowledge, skills and attitudes of the society. BBVA develops its own programs in collaboration with third related parties, with the aim of both improving the knowledge of financial concepts and promoting a change in behavior in financial decision-making, enabling the improvement of people´s financial health. In 2020, a total of 6,149 people, including children and young adults and SMEs, benefited from the financial education initiatives. This year, the Bank began to gradually reduce its initiatives for children as schools come to train on this field, establishing a major focus on the financial health of the vulnerable groups. This change meant a 99% decrease on the number of beneficiaries.
2. **Financial education in customer solutions:** addressed to integrate financial capabilities into the customer experience. In order to facilitate informed decision-making and improve their financial well-being, financial education content was integrated into some customer solutions in 2020.
3. **Financial education promotion and content dissemination:** in 2020, BBVA intensified the practice of content creation of financial education, which are posted on the transactional webs of the Bank and which are accessible for both customers and not customers, and contents on the corporate web through podcast and social media. The Center for Education and Financial Capabilities continued to provide support and promotion to the research and celebrating events to share knowledge. 8.5m people accessed the digital contents of financial education through some BBVA's channels and the Center for Education and Financial Capabilities.

In 2020, €482,910 were spent on financial education. The BBVA's commitment to financial education is long-term, with €170m invested and 9.7 million people benefited from different programs since 2008.

The programs and initiatives of financial education have a direct impact into SDG 4 "Quality education" and SDG 10 "Reduced inequalities"

Entrepreneurship

Through entrepreneurship initiatives, BBVA wants to support vulnerable entrepreneurs and those who generate a positive social impact with their companies. In 2020, BBVA allocated €124,557 to entrepreneurship initiatives that benefited 910 people.

Among the global initiatives relating to entrepreneurship, BBVA Momentum highlights, which is a mentoring program for social entrepreneurships to generate impact. This program includes training, strategic mentoring, network and funding.

The programs and initiatives of entrepreneurship have a direct impact into SDG 8 "Productive employment and decent work".

Knowledge, education and culture

BBVA promotes knowledge, education and culture to boost the sustainable development of the societies and the creation of opportunities for people. In 2020, BBVA invested €17.8m which benefited 147,442 people.

BBVA contributes to the dissemination of knowledge through BBVA Research and BBVA Open MInd. In 2020, BBVA Research made 718 publications available to shareholders, investors and the general public, including economic studies, reports and analysis, and have been viewed by 525,080 people.

The **education** for society is an important aspect of BBVA's social investment (23%), as it continues to support the access to education, educational quality and the development of 21st century key skills as sources of opportunity, benefiting 84,686 people in 2020.

On the other hand, with the educational project "Aprendemos juntos", BBVA aims to lead and promote conversation on education in the 21st century, taking into account the fact that education provides a great opportunity to improve people's lives. The project was launched in January 2018 with a transformative mission that aims to create opportunities in homes and the educational community. In three years, the project is followed by 4.5 million people on social media, with more than 1,258 million views of its inspiring content, and 69,435 teachers and parents being trained through online courses.

The promotion of cultural creation is an axis for knowledge generation. The Group focuses its support on classical music, especially in contemporary music, plastic arts, videoart and digital art, literature and theatre.

The programs and initiatives in financial education have a direct impact into the SDG 4 "Quality Education", SDG 9 "Industry, Innovation and Infrastructure" and SDG 11 "Sustainable Cities and Communities".

Other contributions

BBVA's **community support** activity extends to other important activities, such as volunteer work (more information in the "Work environment" section in the chapter on "Questions relating to personnel"), support for foundations and non-profit organizations and the promotion of corporate responsibility by participating in various different working groups (more information in the section on "Involvement in global initiatives" in the chapter on "Sustainable finance").

In terms of **contributions to foundations and non-profit organizations,** the amount of these contributions in 2020 was €8.9m. In 2020, BBVA made:

- 72 donations to foundations and non-profit organizations for an amount of €4.6m; and
- 128 allocations to foundations and non-profit organizations for an amount of €4.4m.

Fiscal transparency

Fiscal strategy

BBVA's guiding principles on fiscal matters

The principles that guide BBVA's fiscal action are not detached from its responsible and sustainable way of understanding finance and banking. In the tax area, in addition to providing legitimate added value to investors, BBVA's actions must also address other stakeholders and must align with the values and commitments that it has undertaken with society in order to bring the age of opportunities to everyone.

As such, the principles that guide its action are:

- **Integrity**: in the fiscal sphere, integrity is defined as the observance of the letter and spirit of the law and the maintenance of a cooperative and good faith relationship with the various Tax Administrations.
- **Prudence**: in the fiscal context, BBVA always assesses the implications of its decisions beforehand, including, among other assessments, the impact that its activity may have in the geographical areas in which we operate.
- **Transparency**: in the tax area, BBVA provides information on its activity and its approach to taxation to customers and other stakeholders in a clear and accurate manner.

BBVA’s fiscal strategy

The corporate principles described above served as a basis for the articulation of BBVA's Fiscal Strategy in 2015, which was approved by the Board of Directors that same year, and made public on its website (www.bbva.com).

In summary, BBVA's fiscal strategy establishes:

1. The commitment to pay any applicable taxes in all countries in which it operates.
2. The alignment of its taxation with the effective performance of economic activities and value generation. The presence in tax havens is only possible as a consequence of the effective performance of economic activities.
3. The application of reasonable interpretations of tax rules and of the provisions of agreements to avoid double taxation.
4. The establishment of a transfer pricing policy for all transactions between related parties related entities, governed by the principles of free competition, value creation and assumption of risk and benefits.
5. Addressing the fiscal challenges that the digital economy poses by incorporating an online presence into its value-added assessments.
6. The payment of taxes as an important part of the contribution to the economies of the jurisdictions in which it operates.
7. The promotion of a reciprocal cooperative relationship with the various tax administrations, based on the principles of transparency, mutual trust, good faith and loyalty.
8. The promotion of transparent, clear and responsible reporting of its main tax figures, informing stakeholders of the payment of taxes.
9. When preparing any financial product, it takes into account the tax implications for the customers and provides them with the relevant information required to meet their tax obligations.
10. The development of the Strategy and its principles, through the Fiscal department, in order to establish the internal control mechanisms and rules necessary to comply with the prevailing tax code, the Strategy and its principles.

The main characteristics of the BBVA Group's fiscal Strategy are:

- **BEPS compliance**.

  This is inspired by the results of the “Base Erosion and Profit Shifting” (BEPS) Project reports promoted by the G20 and the OECD, which aim to align value generation with appropriate taxation where said value is generated. They also reflect the commitment to comply with and respect both the letter and the spirit of tax regulation in the jurisdictions in which the Group operates, in accordance with Chapter XI of the OECD Guidelines for Multinational Enterprises.

- **Geared toward compliance with SDGs.**

  BBVA's vision shares the views of the European Economic and Social Committee's opinion ECO/494 of December 11, 2019, on taxation, private investment and the United Nations' Sustainable Development Goals. For BBVA, paying taxes is key to achieving these objectives; in particular, it is clearly associated with the first goal (no poverty); the eighth (decent work and economic growth); the tenth (reduced inequalities); and the seventeenth (partnerships for the goals), although BBVA's commitment extends to all of the goals. In this sense, for BBVA, it is not only a question of contributing with the necessary resources in accordance with current legislation so that the tax authorities may exercise their policies aimed at complying with the SDGs, but it has also adopted a proactive attitude of cooperating with these authorities and have incorporated responsibility in the field of taxation as an essential element of its activities.

- **Committed to protecting human rights**.

  BBVA is concerned with the promotion, protection and assurance of an effective exercise of human rights including in the area of taxation, and we have fully embraced the Guiding Principles on Business and Human Rights. Taxation is linked to human rights insofar as, through the redistributive action of States, it makes it possible to provide economically disadvantaged persons with the means to effectively exercise their rights. BBVA is committed to paying taxes, and ensures that these taxes are paid in the jurisdictions in which they are collected, aligning its contribution with the effective performance of its economic activity. The Group also collaborates with the tax administrations of the jurisdictions in which it operates.

The Bank maintains transparent, clear and truthful communication on tax matters with various NGOs that are equally committed to human rights, while internally, it participates in auditing activities for implementing the Guiding Principles developed by the BBVA Group's Responsible Business area, and monitors the performance of the plans it has launched in this sphere.

In BBVA, the Board of Directors is responsible for approving its fiscal Strategy. Although the Strategy is intended to be permanent, and updated when necessary to better express the Group's fiscal orientation and commitments.

The Strategy is universal and affects all of BBVA's business units and employees, regardless of the region in which they are located. It is developed through a body of fiscal policies that are reviewed annually both internally and by an independent third party to ensure that they reflect best market practices and are fully aligned with the Group's strategy.

In compliance with United Kingdom regulations, BBVA makes its fiscal strategy public for its branch in that jurisdiction. This strategy reproduces the Group-wide strategy with the adaptations required by United Kingdom regulations, and is also subject to third party review and verification.

In addition to the above, it should be noted that Section 4.6.1 of BBVA's Code of Conduct requires its members to carry out their professional activity in such a way that BBVA adequately complies with its tax obligations, and in such a way that avoids any practices that involve illicit tax evasion or harm to the public treasury. The implementation of the Code is monitored by the Group's Compliance area, which has its own whistleblowing channel.

BBVA is fully committed to transparency in tax matters and voluntarily publishes its overall tax contribution annually in the Tax Policy section of the shareholders and investors website. As a financial entity, BBVA also complies, through the corresponding areas, with reporting obligations to tax authorities arising from the Foreign Account Tax Compliance Act (FATCA), the Common Reporting Standard (CRS), the United States Qualified Intermediary (QI), and the country-by-country report.

Fiscal risk management and control

BBVA has set up a Fiscal Control Framework that complies with requirements on tax risk management and control introduced for listed companies by Law 31/2014 amending the Capital Companies Act to improve Corporate Governance.

The BBVA's Fiscal Control Framework is based on its Fiscal Strategy and is applicable to all the jurisdictions in which BBVA operates and to all the Group's various different areas and businesses. This allows the BBVA to carry out an integrated management of its fiscal positions and risks in a manner consistent and in conjunction with other risks.

The BBVA's Fiscal Control model is configured around three fundamental lines of action.

1. Specific plans are carried out annually to identify, mitigate and control fiscal risk within the BBVA. The Head of the Group's Tax Department periodically informs the Audit Committee of the most relevant tax information.
2. Controls for fiscal risk management are subject to the annual cycle of review of internal control areas in order to evaluate their suitability and effectiveness.
3. The Group's Internal Audit area conducts periodic tax compliance reviews.

A series of specific tax risk indicators have also been developed, which are integrated into the Group's general risk management and control model, to help establish and manage the Group's risk profile in tax matters.

BBVA's fiscal function carries out the process of evaluating and monitoring these indicators, which allows for:

- Properly identifying fiscal risks.
- Assessing the impact of the materialization of fiscal risks.
- Developing redirection measures that allow dynamic fiscal risk management.
- Reporting and generating relevant information on the evolution of tax risks for the Group's Governing Bodies.

On the other hand, the Bank has fully anonymous whistleblowing channels for reporting potential breaches of both its Code of Conduct and its Fiscal Strategy.

Finally, the BBVA Group Control Framework is subject to annual review by a third independent firm.

Cooperation with tax administrations

As advocated by the Fiscal Strategy, BBVA maintains a cooperative relationship with the tax administrations of the countries in which operates based on the principles of transparency, mutual trust, good faith and loyalty.

In particular, and with regard to Spanish, it adheres to the Large Corporations Forum, BBVA is subject to the Code of Best Tax Practices (*Código de Buenas Prácticas Tributarias*, CBPT) adopted by the Forum on July 20, 2010. The Group has once again voluntarily submitted the Annual Fiscal Transparency Report for Companies Adhering to the Code of Best Tax Practices and its Corporate Income Tax declaration for the previous year, which included its performance and proposals to strengthen best practices on fiscal transparency, adopted in a plenary session of the Spanish Large Corporations Forum on December 20, 2016, or companies adhering to the Code.

In the aforementioned Transparency Report, the most significant criteria used to prepare the Corporate Income Tax Declaration are voluntarily explained to the Central Delegation of Major Contributors, and meetings are subsequently held with the tax authorities in order to further elaborate on any details that may be required. All of the above is before corresponding inspectorate actions commence.

BBVA also adopted the Code of Practice on Taxation for Banks, a United Kingdom initiative that provides for the approach expected from financial institutions in terms of governance, tax planning and engagement with the British tax authorities, in order to promote the adoption of best practices in this area, which is published on the HMRC website.

BBVA is also a financial institution that collaborates in the collection processes of the regions that so request.

Finally, in order to obtain legal certainty and ensure that its understanding of tax code is in line with the spirit of the law, BBVA consults the tax authorities on any aspects that are controversial or raise doubts, when deemed necessary.

Participation in technical-fiscal discussion forums

BBVA participates, among other organizations, in the Spanish Banking Association's Tax Committee, and collaborates with this association in the finance working groups of the European Banking Federation. BBVA also participates in the main fiscal committees of the banking and trade associations of the jurisdictions in which it operates. The sector's positions are coordinated through all these organizations.

In this respect, there are no significant differences in fiscal matters with respect to the positions reported by said organizations and those maintained by BBVA.

Dialogue with other stakeholders on fiscal matters

BBVA is aware of how important taxes are for the progress and sustainability of the societies in which it operates, which is why it maintains mutually constructive dialog with various NGOs, universities, think tanks and other tax-related forums, in relation to the Group's fiscal contribution. As a result of this dialog, BBVA has incorporated new transparency standards made public in the Total Tax Contribution Report, and has been recognized as a transparent financial entity by the Fundación Compromiso y Transparencia (Commitment and Transparency Foundation) and has promoted initiatives that allow its extension to other multinationals such as the European Business Tax Forum.

Total tax contribution

BBVA is committed to provide **transparency** in the payment of taxes and this is the reason why for yet another year, as the Bank has been doing since 2011, it voluntarily breaks down the total tax contribution in countries in which it has a significant presence.

BBVA's **total tax contribution** (TTC) in Spain, which uses a method created by PwC, includes its own and third-party payments of corporate taxes, VAT, local taxes and fees, income tax withholdings, Social Security payments, and payments made during the year arising from tax litigation in relation to the aforementioned taxes.

GLOBAL TAX CONTRIBUTION (BBVA ESPAÑA. MILLIONS OF EUROS)

	2020	2019
Own taxes	146	814
Third-party taxes	1,176	1,196
Total tax contribution	**1,322**	**2,030**

Offshore financial centers

Resulting from the express policy on activities in entities permanently registered in offshore financial centers, the Bank closed in 2018 its branch in the Cayman Islands and therefore the Bank does not have activity in any off-shore financial center.

Other tax information by countries

TAX INFORMATION BY COUNTRIES (BBVA, S.A. MILLIONS OF EUROS)

	2020				2019			
	CIT payment cash basis	CIT expense	PBT [1]	Subsidies	CIT payment cash basis	CIT expense	PBT [1]	Subsidies
Spain [2][3][4]	(701)	(36)	(2,448)	-	(18)	(69)	1,948	-
Of which:								
Spanish Tax Group Dividends	-	-	568	-	-	-	773	-
Foreign Subsidiaries Dividends	-	11	673	-	-	32	2,390	-
Impairment of Garanti	-	-	(288)	-	-	-	(543)	-
Impairment of BBVA USA	-	-	(2,408)	-	-	-	(279)	-
France	13	3	14	-	17	11	39	-
United Kingdom	5	3	40	-	2	3	47	-
Belgium	-	-	4	-	-	-	2	-
Portugal	4	14	40	-	4	10	43	-
Italy	8	20	65	-	3	9	26	-
The United States	20	17	70	-	36	8	51	-
Japan	-	-	-	-	-	-	1	-
Singapur	1	2	11	-	1	1	8	-
Germany	26	8	23	-	20	(11)	9	-
Hong-Kong	8	5	31	-	-	5	38	-
Taiwan	-	-	1	-	-	(1)	(2)	-
China	-	-	2	-	-	-	(2)	-
Poland	-	-	-	-	-	-	(0)	-
Switwerland	10	-	-	-	12	-	-	-
Chile	2	-	-	-	3	-	-	-
Colombia	3	-	-	-	3	-	-	-
Paraguay	-	-	-	-	4	-	-	-
Peru	3	-	-	-	5	-	-	-
Total	**(598)**	**36**	**(2,147)**	**-**	**92**	**(34)**	**2,208**	**-**

[1] PBT: Profit before tax.

[2] Including dividends from foreign subsidiaries which are taxed in their home country. See Note 4 of the Financial Statements.

[3] The methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, which may lead to differences between the advance payments made in the current year and the refund of those advance payments made in previous years resulting once the annual corporate income tax return has been submitted. As a result of these differences, there has been a net cash refund.

[4] The balance of "Income before tax" includes in Spain the €2,396m loss and the €140m income in 2020 and 2019 respectively from the United States which are classified under the line "Profit (loss) after tax from discontinued operations".

In 2020, the BBVA Group has not received any significant public aid allocated to the financial sector intended for the promotion of banking activity, as mentioned in Appendix XIII -Annual Banking Report of the Consolidated Financial Statements.

Suppliers

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. Thus, in 2020, the Bank within the framework of the Group consolidated the transformation of the purchasing function, which is based on the three basic **pillars** of the procurement model:

- **Service**, maximizing the quality and experience of the internal customer, who is accompanied throughout the process.
- **Risk**, limiting the Bank's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- **Efficiency**, contributing to the Bank's efficiency through the proactive management of costs and suppliers.

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA SPAIN)

	2020	2019
Number of suppliers (1)	1,138	1,429
Volume provided by suppliers (millions of euros) (1)	2,169	2,401
Average payment period to suppliers (days)	49	51
Suppliers satisfaction index (3)	n.a	81
Number of approved suppliers	1,238	1,675

n.a. = not applicable.

(1) Payments to third parties. Suppliers lower than 100.000 euros are not included.

(2) Suppliers Net Promoter Score. Obtained from a satisfaction survey carried out each 2 years for the Group's suppliers with grants of more than €10.000 and a turnover of more than €100.000. It is calculated by the difference between the average of promoters, who have answered 9 and 10 up to 10 to the question if they would recommend working with the Procurement area, and the average of detractors, whose answers to the same question have gone from 1 to 6.

As part of the procurement process, BBVA strives to correctly manage the real and potential impacts that an entity such as BBVA may cause, through a series of **mechanisms and rules**: a responsible purchasing policy, a standardization process and the Corporate Rules for the Acquisition of Goods and Contracting of Services. These **impacts** may be environmental, caused by bad labor practices carried out in supplier companies, a result of the absence of freedom of association, human rights, and can have either a positive or negative impact on society.

Both the supplier evaluation process and the Corporate Rules for the Acquisition of Goods have undergone significant updates throughout 2020, evolving toward a more complete evaluation of supplier risk and greater control over the entire procurement process.

Through the implementation of the Supplier Code of Ethics in the purchasing unit, minimum standards of behavior in terms of ethical, social and environmental conduct were established which suppliers are expected to follow when providing products and services. In addition to the ethical supplier code, BBVA maintains a responsible procurement policy.

General Procurement Principles

The General Procurement Principles, included in the Procurement Rules for goods and services, include the former Responsible Purchasing Policy, establishes, among other aspects, that it is necessary to ensure compliance with all applicable legal requirements throughout the provisioning process regarding **human, labor, association and environmental rights** by all parties involved in this process, as well becoming involved in the Group's efforts aimed at preventing corruption. In the same way, it is ensured that the selection of suppliers remains in compliance with existing internal regulations at all times and, in particular, with the values of the BBVA's Code of Conduct, based on respect for legality, commitment to integrity, competition, objectivity, transparency, value creation, segregation of duties, and confidentiality.

The following are included among the clauses contained in the specifications and in the contractual model:

- Compliance with current legislation, in particular, with the obligations imposed on it by its personnel, Social Security or alternative provision systems, hiring of foreign workers, the Public Treasury, public records, among others.
- Compliance with current legislation on the social integration of individuals with disabilities.
- Clauses that ensure that non-discrimination policies are established for reasons of gender, as well as measures to reconcile work and family life.
- Equality clause.
- Compliance with all labor, occupational health, and safety legislation.
- Anti-corruption declaration.
- Adherence to the United Nations Global Compact.

The General Procurement Principles also establish, within the principle of commitment to Responsible Business, the commitment to raise awareness of social responsibility among personnel and other stakeholders involved in the Bank's procurement process.

Supply chain

BBVA operates a technological platform, the Global Procurement System (GPS), which supports all phases of the Bank's **procurement process**, from budgeting to invoice registration, including electronic invoicing.

Additionally, within the GPS, BBVA also has an electronic catalog procurement tool (SRM), which can be accessed via the Intranet and is designed to issue decentralized procurement requests, i.e., directly from the user area.

BBVA has a **supplier portal** that facilitates the Bank's online relationship with its suppliers. It is a collaborative environment targeted at companies and self-employed workers who work or are interested in working with the Entity, allowing them to electronically interact with the Bank throughout the supply cycle. The supplier portal consists of two environments: a public one, accessible from the web (www.suppliers.bbva.com), which provides general information on the procurement process and on the relevant aspects of their purchasing model; and a private one, which allows suppliers to operate online, from tendering (electronic auctions) and approval to payment (electronic invoicing).

In addition to the portal, there is also a supplier directory, an internal tool that can be accessed via the Intranet, allowing users to consult contact data and general information about the Bank's suppliers.

Supplier management

BBVA conducts a **supplier evaluation process** that has been improved in 2020, considerably increasing the number of aspects that are reviewed for a supplier: financial, legal, labor, anti-corruption and money laundering situation, reputation, technological risks, concentration and country risks, and customer protection, with the aim of understanding their basic technical capabilities and their legal responsibilities (labor or environmental regulations, etc.). This allows them to promote their civic responsibilities and confirm that they share the same values as the Bank in terms of social responsibility. Suppliers must comply with the following points during this process:

- Compliance with the social and environmental principles of the UN.
- Adoption of internal measures to guarantee diversity and equal opportunities in the management of human resources.
- Adoption of measures to promote occupational health and safety and the prevention of workplace accidents and incidents.
- Support for the freedom of affiliation and collective bargaining of its workers in all the countries in which it operates.
- Possession of a code of conduct or policy to avoid forced labor, child labor and other violations of human rights, both within the company itself as well as in its subcontractors.
- Possession of a code of conduct or policy designed to avoid corruption and bribery.
- Participation or collaboration in activities related to culture, scientific knowledge, sports, the environment or disadvantaged sectors, either through direct actions or by means of donations, in collaboration with other organizations or institutions.
- Hiring of persons with disabilities.
- Existence of a corporate responsibility policy within the company.

In terms of **local** suppliers, these represent 95% of BBVA's total suppliers in 2020, and 92% of total turnover. A local supplier, in this context, is one whose tax identification matches the country of the company receiving the goods or services.

On the other hand, the turnover of **special employment centers** (CEEs, for its acronym in Spanish) in Spain to the Bank was €2.4m for the year. The hiring of CEEs favors inclusion and diversity.

In 2020, the Internal Audit area conducted audits of suppliers on the procurement processes of supply of goods and services from different areas and on the services provided by certain suppliers, mostly outsourcing. These are risk-based audits, and reviews are carried out according to a defined internal methodology.

Average period payment to suppliers

The average period payment to suppliers during the year 2020 is 49 days, below the maximum legal limit of 60 days established by Law 15/2010 of July 5, for which measures are put into place combating late payment in commercial transactions. The calculation of the average period for payment was made as established in the Act.

Other non-financial risks

Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt). Such investigation includes the provision of services by Cenyt to the Bank. On 29th July, 2019, the Bank was named as an official suspect (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 be constitutive of bribery, revelation of secrets and corruption. On February 3, 2020, the Bank was notified by the Central Investigating Court No. 6 of the National High Court of the order lifting the secrecy of the proceedings. Certain current and former officers and employees of the Group, as well as former directors have also been named as official suspects in connection with this investigation. The Bank has been and continues to proactively collaborate with the Spanish judicial authorities, including sharing with the courts the relevant information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As of the date of the approval of this management report, no formal accusation against the Bank has been made.

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

Notwithstanding what is provided in the previous paragraph and in the section "Risk factors", during 2020 a number of criminal proceedings have been initiated against BBVA, S.A. for various alleged offenses. Notwithstanding the above, up to the date of issuance of this Management Report, BBVA, S.A. has not been convicted by a final judgment of criminal responsibility.

Contents index of the Law 11/2018

Non-financial information report. Contents Index of the Law 11/2018

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	Objectives and strategies of the organization	Strategy and business model	GRI 102-14	10-13
	Main factors and trends that may affect your future evolution	Environment Strategy and business model	GRI 102-15	4-9,11
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	The results of these policies	Customer comes first/Customer security and protection The best and most engaged team/People management, Professional development, Work environment, Remuneration, Volunteer work Ethical behavior Sustainability at BBVA Contribution to society	GRI 103-2	61-67
	The main risks related to these issues involving the activities of the group	Environment Customer comes first/Customer security and protection The best and most engaged team/ Health and labor safety Sustainability at BBVA /Environmental impact and risk management Contribution to society/Suppliers	GRI 102-15	61-67
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	Impacts caused by activities or operations in protected areas	Sustainability at BBVA/Helping our clients transition towards a sustainable future Sustainability at BBVA/Environmental impact and risk management/Equator Principles The BBVA offices are in urban settings, which therefore have no impact on protected natural areas or biodiversity.	GRI 304-1 GRI 304-2	Non material
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	Policy against any type of discrimination and, where appropriate, diversity management	The best and most engaged team/Professional development/Diversity and inclusion	GRI 103-2	33-35
Information about the respect for human rights				

Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	Ethical behavior/Commitment to human rights	GRI 102-16 GRI 102-17 GRI 412-1 GRI 412-2 GRI 412-3	49-53
	Claims regarding cases of human rights violations	BBVA has not identified any significant complaints and impacts with respect to human rights in its workplaces.	GRI 103-2 GRI 406-1	
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	The best and most engaged team/Freedom of association and representation Ethical behavior/Commitment to human rights	GRI 103-2 GRI 407-1 GRI 408-1 GRI 409-1	49-53
Information about anti-bribery and anti-corruption measures				
Corruption and bribery	Measures adopted to prevent corruption and bribery	Ethical behavior/Compliance system	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3	43-49
	Measures adopted to fight against anti.money laundering	Ethical behavior/Compliance system	GRI 103-2 GRI 102-16 GRI 102-17 GRI 205-2 GRI 205-3	44-45
	Contributions to foundations and non-profit-making bodies	Contribution to society/Community investment	GRI 102-13 GRI 201-1 with respect to community investment	81
Information about the society				
Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	Contribution to society	GRI 103-2 GRI 203-2 with respect to significant indirect economic impacts GRI 204-1	78-81
	The impact of company activity on local populations and on the territory	Contribution to society	GRI 413-1 GRI 413-2	78-81
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	Strategy and business model/Materiality The best and most engaged team/Freedom of association and representation Sustainability at BBVA/Helping our clients transition towards a sustainable future Contribution to society	GRI 102-43 GRI 413-1	16-18, 38, 49-53, 78-81
	Actions of association or sponsorship	Ethical behavior/Compliance system Contribution to society	GRI 103-2 GRI 201-1 with respect to investments in the community	80-83
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	Contribution to society/Suppliers	GRI 103-2	89-90
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	Contribution to society/Suppliers	GRI 102-9 GRI 308-1 GRI 414-1	89-90

	Supervision systems and audits, and their results	Contribution to society/Suppliers	GRI 102-9 GRI 308-1 GRI 308-2 GRI 414-2	89-90
Consumers	Customer health and safety measures	Customer comes first/Solutions for customers ,Customer security and protection Ethical behavior/Commitment to human rights	GRI 103-2 GRI 416-1	19, 22-24, 52-53
	Claims systems, complaints received and their resolution	Customer comes first/ Customer care	GRI 103-2 GRI 418-1	25-27
Tax information	Benefits obtained by country	Contribution to society/Fiscal transparency	GRI 201-1 GRI 207-4 (2019) with respect to tax on corporate profit payed and tax on corporate profit	84-85
	Taxes on paid benefits	Contribution to society/Fiscal transparency	GRI 201-1 GRI 207-4 (2019) with respect to tax on corporate profit payed and tax on corporate profit accrued on profit or loss	84-85
	Public subsidies received	Contribution to society/Fiscal transparency	GRI 201-4	84-85

Balance sheet, business activity and earnings

The financial information included in this Management report has been prepared from the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, S.A. and with the criteria established by the Bank of Spain Circular 4/2017, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

A continuación se indican las principales magnitudes del balance y la cuenta de pérdidas y ganancias del Banco en relación con su actividad principal

The key figures in the Bank's balance sheet and income statement are as follow:

As of December 31, 2020, the Bank's total assets showed increased significantly to €445,354 million compared to €407,632 million as of December 2019, mainly due to an increase in "Cash, cash balances at central banks and other demand deposits" (€44,107 million as of December 31, 2020 vs. €18,419 million as of the same date of the prior year) and "Financial assets at fair value through other comprehensive income" (€37,528 million at the end of 2020 compared to €24,905 million), as the "Financial Assets at Amortized Cost" remained stable amounting to €225,914 million, vs. €225,369 million in the previous year. On the other hand, the balance of Customer deposits increased strongly amounting to €217,360 million (€191,461 million as of December 31, 2019), partly due to the trend for greater saving. In addition, the Deposits from central banks at amortized cost expanded reaching €37,903 million as of December 31, 2020 (amounting to €24,390 million as of December 31, 2019) mainly as the result of BBVA taking part in the TLTRO III liquidity windows due to its favorable cost and maturity conditions.

Net interest income has increased slightly during the fiscal year from €3,385 million at December 31, 2019 to €3,514 million at December 31, 2020. Gross income in fiscal year 2020 stands at €6,637 million, compared to the €7,877 million obtained in 2019. For yet another year, administrative expenses decreased from €3,881 million in fiscal year 2019 to €3,553 million in 2020, mainly as a result of cost containment plans, supported due to lower discretionary spending due to the pandemic. The impairment on financial assets was €1,057 million higher than the previous year, mainly due to the negative impact registered especially in the first quarter of 2020, of the deterioration in the macroeconomic scenario due to COVID-19, which incorporates credit provisions for the most affected sectors. As a result, in financial year 2020, the Bank obtained an after-tax profit from continuing activities of € 213 million (compared to € 2,086 million in 2019). However, and as a result of the announcement of the sale of BBVA's subsidiary in the United States (excluding the wholesale business that BBVA currently carries out through its New York branch), the balances of the headings "Dividend income" and " Impairment or reversal of impairment of investments in subsidiaries, joint ventures or associates ", net of their corresponding tax effects, corresponding to companies for sale have been reclassified under the heading" Earnings (losses) after taxes from activities interrupted "of the accompanying profit and loss account, causing a negative result for the year 2020 of -2,182 million euros compared to a positive result of €2,241 million in 2019.

Risk management

General risk management and control model

The BBVA Group has a general risk management and control model (hereinafter, the “Model”) that is appropriate for its business model, its organization, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the risk management and control strategy and policy defined by the corporate bodies of BBVA and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times.The Model, for which the Group’s Chief Risk Officer (CRO) is responsible and that must be updated or reviewed at least annually, is fully applied in the Group and it comprises the following basic elements:

- Governance and Organization
- Risk Appetite Framework
- Assessment, Monitoring and Reporting
- Infrastructure

The Group promotes the development of a risk culture that ensures a consistent application of the Model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

Governance and Organization

The risk governance model in the BBVA Group is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

Thus, and as explained below, the corporate bodies are responsible for approving the risk strategy and the general policies for the different types of risks. Global Risk Management (GRM) & Regulation and Internal Control (including, among other areas, Non-Financial Risks) are the functions responsible for its implementation and development, with the appropriate reporting to corporate bodies.

Responsibility for day-to-day management of risks falls on business and corporate areas, the activities of which adhere to the general policies, regulation, infrastructures and controls that, based on the framework set by corporate bodies, are defined by Global Risk Management and Regulation & Internal Control in their corresponding areas of responsibility.

To carry out this work adequately, the financial risks function in the BBVA Group (GRM) has been set up as a single, global function independent from commercial areas.

The head of the risks function at an executive level, the Group’s Chief Risk Officer (or CRO), is appointed by the Board of Directors as a member of its senior management, and reports directly on the development of the corresponding functions to the corporate bodies. The Chief Risk Officer, for the best fulfillment of the functions, is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical and/or business areas.

In addition, and with regard to internal control and non-financial risks, the Group has a Regulation & Internal Control area independent from the rest of units and whose head (Head of Regulation & Internal Control) is also appointed by the Board of Directors of BBVA and reports directly to corporate bodies on the performance of its functions. This area is responsible for proposing and implementing non-financial risks policies and the Internal Control Model of the Group and it is composed by, among other, the Non-Financial Risks, Regulatory Compliance and Risk Internal Control units.

The Risk Internal Control unit, within the Regulation & Internal Control area and, therefore, independent from the financial risks function (GRM), acts as a control unit for the activities carried out by GRM. In this regard, and without prejudice to the functions performed in this regard by the Internal Audit area, Risk Internal Control checks that the regulatory framework, processes and established measures are sufficient and appropriate for each type of financial risk. It also monitors its implementation and operation, and confirms that those decisions taken by GRM are taken independently from the business lines and, in particular, that there’s an adequate segregation of functions between units.

Governance and organizational structure are basic pillars for ensuring an effective risk management and control. This section summarizes the roles and responsibilities of the corporate bodies in the risks area, of the Group's Chief Risk Officer and, in general, of the risks function, its interrelation and the group of committees, in addition to the Risk Internal Control unit.

Corporate Bodies of BBVA

According to the corporate governance system of BBVA, the Board of Directors of the Bank has certain reserved powers concerning management, through the implementation of the corresponding most relevant decisions, and concerning supervision and control, through the monitoring and supervision of implemented decisions and management of the Bank.

In addition, and to ensure an adequate performance of the management and supervisory functions of the Board of Directors, the corporate governance system comprises different committees supporting the Board of Directors with regard to matters falling within their competence, and according to the specific charters of each committee. For this purpose, a coordinated work scheme between these corporate bodies has been established.

In terms of risks, the Board of Directors has reserved those powers referred to determining the risk control and management policy and the supervision and control of its implementation.

In addition, and for an adequate performance of its duties, the Board of Directors is assisted by the Risk and Compliance Committee ("CRC"), on the issues detailed below, and by the Executive Committee ("CDP"), which is focused on the strategy, finance and business functions of the Group, for the purposes of which it monitors the risks of the Group.

The involvement of the corporate bodies of BBVA in the control and management of the risks of the Group is detailed below:

- Board of Directors

  The Board of Directors is responsible for establishing the risk strategy of the Group and, in this role, it determines the risks management and control policy, through the following documents:

  - The Risk Appetite Framework of the Group, which includes in the one hand the risk appetite statement of the Group, that is, the general principles governing the risk strategy of the Group and its target profile; and, on the other hand, and based on the above mentioned risk appetite statement, a set of quantitative metrics (core metrics, and their corresponding statements, and by type of risk metrics), reflecting the risk profile of the Group;
  - The framework of management policies of the different types of risk to which the Bank is, or could be, exposed. They contain the basic lines for a consistent management and control of risks throughout the Group, and consistent with the Risk Appetite Framework and the Model; and
  - The model.

  All of the above in coordination with the rest of prospective-strategic decisions of the Bank, which includes the Strategic Plan, the Annual Budget, the Capital Plan and the Liquidity & Funding Plan, in addition to the rest of management objectives, whose approval is a responsibility of the Board of Directors.

  In addition to defining the risk strategy, the Board of Directors, in the performance of its risks monitoring, management and control tasks, also monitors the evolution of the risks of the Group and of each main business and/or geographical area, ensuring compliance with the Risk Appetite Framework of the Group; and also supervising the internal information and control systems.

  For the development of all these functions, the Board of Directors is supported by the CRC and the CDP, which are responsible for the functions detailed below.

- Risk and Compliance Committee

  The CRC is, according to its own charter, composed of non-executive directors and its main purpose is to assist the Board of Directors on the establishment and monitoring of the risk control and management policy of the Group.

  For this purpose, it assists the Board of Directors in a variety of risk control and monitoring areas, in addition to its analysis functions, based on the strategic pillars established by the Board of Directors and the CDP, the proposals on the risk management, control and strategy of the Group, which are particularly specified in the Risk Appetite Framework and in this Model. After the analysis, the Risk Appetite Framework and Model proposal is submitted to the Board of Directors for consideration and, where appropriate, approval purposes.

  In addition, the CRC proposes, in a manner consistent with the Risk Appetite Framework of the Group approved by the Board of Directors, the management and control policies of the different risks of the Group, and supervises the internal control and information systems.

  With regard to the monitoring of the evolution of the risks of the Group and their degree of compliance with the Risk Appetite Framework and defined general policies, and without prejudice to the monitoring task carried out by the Board of Directors and the CDP, the CRC carries out monitoring and control tasks with greater frequency and receives information with a sufficient granularity to achieve an adequate performance of its duties.

  The CRC also analyzes all measures planned to mitigate the impact of all identified risks, should they materialize, which must be implemented by the CDP or the Board of Directors, as the case may be.

  The CRC also monitors the procedures, tools and measurement indicators of those risks established at a Group level in order to have a comprehensive view of the risks of BBVA and its Group, and monitors compliance with the regulation and supervisory requirements in terms of risks.

  The CRC is also responsible for analyzing those project-related risks that are considered strategic for the Group or corporate transactions that are going to be submitted to the Board of Directors of the CDP, within its scope of competence.

In addition, it contributes to the setting of the remuneration policy, checking that it is compatible with an appropriate and efficient management of risks and that it does not provide incentives to take risks breaching the level tolerated by the Bank.

Lastly, the CRC ensures the promotion of the risk culture in the Group.

In 2020, the CRC has held 23 meetings.

- Executive Committee (CDP)

  In order to have a complete and comprehensive view of the progress of the businesses of the Group and its business units, the CDP monitors the evolution of the risk profile and the core metrics defined by the Board of Directors, being aware of any potential deviation or breach of the metrics of the Risk Appetite Framework and implementing, when applicable, the appropriate measures, as explained in the Model.

  In addition, the CDP is responsible for proposing the basis for developing the Risk Appetite Framework, which will be established in coordination with the rest of prospective/strategic decisions of the Bank and the rest of management objectives.

  Lastly, the CDP is the committee supporting the Board of Directors in decisions related to business risk and reputational risk, according to the dispositions set out in its own charter.

Chief Risk Officer of the Group

The Group's Chief Risk Officer (CRO) is responsible for the management of all the financial risks of the Group with the necessary independence, authority, rank, experience, knowledge and resources. The CRO is appointed by the Board of Directors of BBVA and has direct access to its corporate bodies (Board of Directors, CDP and CRC), with the corresponding regular reporting on the risk situation in the Group.

The GRM area has a responsibility as the unit transversal to all the businesses of the BBVA Group. This responsibility is part of the structure of the BBVA Group, which is formed by subsidiaries based in different jurisdictions, which have autonomy and must comply with their local regulation, but always according to the risk management and control scheme designed by BBVA as the parent company of the BBVA Group.

The Chief Risk Officer of the BBVA Group is responsible for ensuring that those risks of the BBVA Group within the scope are managed according to the established model, assuming, among other, the following responsibilities:

- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the risk strategy of the BBVA Group, which includes the Risk Appetite statement of the BBVA Group, core (and their respective statements) and by type of risk metrics, and the Model.
- Define, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the general policies for each type of risk within its scope of responsibility and, as part these, to establish the required specific regulation.
- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose for approval, or approving if within its competence, the risk limits for the geographies, business areas and/or legal entities, which shall be consistent with the defined Risk Appetite Framework; it is also responsible for the monitoring, supervision and control of risk limits within its scope of responsibility.
- Submit to the Risk and Compliance Committee the information required to carry out its supervisory and control functions.
- Regular reporting to the corresponding corporate bodies on the situation of those risks of the BBVA Group within its scope of responsibility.
- Identify and assess the material risks faced by the BBVA Group within its scope of responsibility, with an effective management of those risks and, where necessary, with the implementation of the required mitigation measures.
- Early warning to the relevant corporate bodies and the Chief Executive Officer of any material risk within its scope of responsibility that could compromise the solvency of the BBVA Group.
- Ensure, within its scope of responsibility, the integrity of measurement techniques and management information systems and, in general, the provision of models, tools, systems and resources to implement the risk strategy defined by the corporate bodies.
- Promote the risk culture of the BBVA Group to ensure the consistency of the Model in the different countries where it operates, strengthening the cross-cutting model of the risks function.

For decision-making purposes, the Chief Risk Officer of the Group has a governance structure for the function that culminates in a support forum, the Global Risk Management Committee (GRMC). This committee is the main executive committee for those risks within its competence, and its main purpose is the development of the strategies, policies, regulation and infrastructure required for identifying, assessing, measuring and managing those material risks within its scope of responsibility faced by the Group. This committee is composed by the Chief Risk Officer, who chairs the meetings, and the heads of the GRM corporate disciplines of the Risk Management Group, the four most relevant geographical risk areas, CIB, South America and Risk Internal Control. The purpose of the GRMC is to propose and challenge, among other issues, the internal regulatory framework of GRM and the infrastructures required to identify, assess, measure and manage the risks faced by the Group in carrying out its businesses and to approve risk limits.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: its purpose is the analysis and decision-making regarding the admission of wholesale credit risk of certain customer segments of the BBVA Group.
- Work Out Committee: its purpose is to be informed about decisions taken under the delegation framework regarding risk proposals concerning clients on Watch List and clients classified as NPL or written-off of certain customer segments of the BBVA Group, as well the sanction of proposals regarding entries, exits and changes of Watch List, entries and exits in non-performing unlikely to pay and turns to written off, as well as the approval of other proposals that must be seen in this Committee according to the established thresholds and criteria.
- Asset Allocation Committee: The executive authority responsible for managing the limits by asset class for credit risk, equities and real estate not for own use and by business area and at group level established in the Asset Allocation limits planning exercise, which aims to achieve an optimal combination and composition of portfolios under the restrictions imposed by the Risk Appetite Framework (“RAF”), which allows maximizing the risk-adjusted return on regulatory and economic capital when appropriate. Additionally, it takes into account the concentration and credit quality objectives of the portfolio, as well as the prospects and strategic needs of the Bank.
- Risk Models Management Committee: It ensures an appropriate decision-making process regarding the planning, development, implementation, use, validation and monitoring of the models required to achieve an appropriate management of the Model Risk in the BBVA Group.
- Global Markets Risk Unit Global Committee: It is responsible for formalizing, supervising and communicating the monitoring of trading desk risk in all the Global Markets business units, as well as coordinating and approving GMRU key decisions activity, and developing and proposing to GRMC the corporate regulation of the unit.
- Retail Credit Risk Committee: It ensures for the analysis, discussion and decision support on all issues regarding the retail credit risk management that impact or potentially do in the practices, processes and corporate metrics established in the Policies, Rules and Operating Frameworks.
- Asset Management Global Risk Steering Committee: its purpose is to develop and coordinate the strategies, policies, procedures, and infrastructure necessary to identify, assess, measure and manage the material risks facing the bank in the operation of businesses linked to BBVA Asset Management.
- Global Insurance Risk Committee: its purpose is to serve as the basis for the development of the risk management model and the monitoring of the insurance companies of the BBVA Group by developing and coordinating the strategies, policies, procedures and infrastructure necessary to identify, evaluate, measure, monitor and manage the material risks faced by insurance companies.
- COPOR: its purpose is to analyze and make decision in relation to the operations of the various geographies in which Global Markets is present.

Additionally, the Corporate Committee for Admission of Operational Risk and Product Governance (CCAROyGP) aims to ensure the adequate evaluation of initiatives with significant operational risk (new business, product, outsourcing, process transformation, new systems, etc.) from the perspective of operational risk and approval of the proposed control environment.

Risk units of the corporate area and the business/geographical areas

The risks function is comprised of risk units from the corporate area, which carry out cross-cutting functions, and of risk units of the geographical/business areas.

- The risk units of the corporate area develop and submit to the Group’s Chief Risk Officer (CRO) the different elements required to define the proposal for the Group's Risk Appetite Framework, the general policies, regulation and global infrastructures within the operating framework approved by corporate bodies; they ensure their application and report directly or through the Group’s Chief Risk Officer (CRO) to the corporate bodies of BBVA. With regard to non-financial risks and reputational risk, which are entrusted to the Regulation & Internal Control and Communications & Responsible Business areas respectively, the corporate units of GRM will coordinate, with the corresponding corporate units of those areas, the development of the elements that should be integrated into the Appetite Framework of the Group.
- The risk units of the business and/or geographical areas develop and submit to the Chief Risk Officer of the geographical and/or business areas the Risk Appetite Framework proposal applicable in each geography and/or business area, independently and always according to the Group's Risk Appetite Framework. In addition, they ensure the application of general policies and rules with the necessary adaptations, when applicable, to local requirements, providing the appropriate infrastructures for risk management and control purposes, within the global risk infrastructure framework defined by the corporate areas, and reporting to the corresponding corporate bodies and senior management, as applicable. With regard to Non-financial risks, which are integrated in the Regulation & Internal Control area, the local risk units will coordinate, with the unit responsible for these risks, the development of the elements that should be integrated into the local Risk Appetite Framework.

Thus, the local risk units work with the risk units of the corporate area with the aim of adapting themselves to the risk strategy at Group level and pooling all the information required to monitor the evolution of their risks.

As previously mentioned, the risks function has a decision-making process supported by a structure of committees, and also a top-level committee, the GRMC, whose composition and functions are described in section “Corporate Bodies of BBVA”.

Each geographical and/or business area has its own risk management committee(s), with objectives and contents similar to those of the corporate area. These committees perform their duties consistently and in line with general risk policies and corporate rules, and its decisions are reflected in the corresponding minutes.

Under this organizational scheme, the risks function ensures the integration and application throughout the Group of the risk strategy, the regulatory framework, the infrastructures and standardized risk controls. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and conveys the corporate risk culture to the Group's different levels. Moreover, this organization enables the risks function to conduct and report to the corporate bodies an integrated monitoring and control of the risks of the entire Group.

Chief Risk Officers of geographical and/or business areas

The risks function is cross-cutting, i.e. it is present in all of the Group's geographical and/or business areas through specific risk units. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within the relevant scope of responsibility, carries out risk management and control functions and is responsible for applying the Model, the general policies and corporate rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and with the subsequent reporting to local corporate bodies.

The Chief Risk Officers of the geographical and/or business areas have functional reporting to the Group's Chief Risk Officer and hierarchical reporting to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risks function from the operating functions and enable its alignment with the Group's general policies and goals related to risks.

Risk Internal Control

The Group has a specific Risk Internal Control unit, within the Regulation & Internal Control area, that, among other tasks, independently challenges and control the regulation and governance structure in terms of financial risks and its implementation and deployment in GRM, in addition to the challenge of the development and implementation of financial risks control and management processes. In addition, it is also responsible for validating the risk models.

For this purpose, it has 3 subunits: RIC-Processes, Risks Technical Secretariat and Risk Internal Validation.

- RIC-Processes. It is responsible for challenging an appropriate development of the functions of GRM units, and for reviewing that the functioning of financial risks management and control processes is appropriate and in line with the corresponding regulation, identifying potential opportunities for improvement and contributing to the design of the action plans to be implemented by the responsible units. In addition, it is the Risk Control Specialist (RCS) in the Group's Internal Control Model and, therefore, establishes the frameworks for mitigating and controlling the risks for which it is responsible.
- Risks Technical Secretariat. It is responsible for the definition, design and management of the principles, policies, criteria and processes through which the GRM’s regulatory framework is developed, processed, reported and disclosed to the countries; and for the coordination, monitoring and assessment of its consistency and completeness. In addition, it coordinates the definition and structure of GRM top-level Committees, and monitors their proper functioning, in order to ensure that all risk decisions are taken through an adequate governance and structure, ensuring their traceability. It also provides to the CRC the technical support required in terms of financial risks for a better performance of its functions.
- Risk Internal Validation. It is responsible for validating the risks models. In this regard, it effectively challenges the relevant models used to manage and control the risks faced by the Group, as an independent third party from those developing or using the models in order to ensure its accuracy, robustness and stability. This review process is not restricted to the approval process, or to the introduction of changes in the models, but it is a plan to make a regular assessment of those models, with the subsequent issue of recommendations and actions to mitigate identified weaknesses.

The Head of Risk Internal Control of the Group is responsible for the function and reports about his activities and work plans to the Head of Regulation & Internal Control and to the CRC, with the corresponding support in the issues required, and, in particular, challenging that GRM’s reports submitted to the Committee are aligned with the criteria established at the time.

In addition, the risk internal control function is global and transversal, it includes all types of financial risks and has specific units in all geographical and/or business areas, with functional reporting to the Head of Risk Internal Control of the Group.

The Risk Internal Control function must ensure compliance with the general risks strategy defined by the Board of Directors, with adequate proportionality and continuity. In order to comply with the control activity within its scope. Risk Internal Control is member of GRM’s top-level committees (sometimes even assuming the Secretariat role), independently challenging the decisions that may be taken and, specifically, the decisions related to the definition and application of internal risk regulation.

Furthermore, the control activity is developed within a homogeneous methodological framework at a Group level, covering the entire life cycle of financial risks management and carried out under a critical and analytical approach.

The Risk Internal Control team reports the results of its control function to the corresponding heads and teams, promoting the implementation of corrective measures and submitting these assessments and the resolution commitments in a transparent manner to the established levels.

Lastly, and notwithstanding the control responsibility that GRM teams have in the first instance, Risk Internal Control teams promote a control culture in GRM, conveying the importance of having robust processes.

Risk Appetite Framework

Elements and development

The Group's Risk Appetite Framework approved by the corporate bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives considering the organic evolution of business. They are expressed in terms of solvency, liquidity and funding and profitability and income recurrence, which are reviewed periodically and in case of material changes in the business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: sets out the general principles of the Group's risk strategy and the target risk profile:

  The BBVA Group develops a multichannel and responsible universal banking business model, based on values, committed to sustainable development and centered on our customers’ needs, focusing on operational excellence and the preservation of adequate security and business continuity.

  BBVA intends to achieve these goals while maintaining a moderate risk profile, so the risk model established aims at ensuring a robust financial position, facilitating its commitment with sustainability and obtaining a sound risk-adjusted profitability throughout the cycle, as the best way to face adverse environments without jeopardizing its strategies.

Risk Management at BBVA is based on prudent management, an integral view of all risks, a portfolio diversification by geography, asset class and client segment and keeping a long-term relationship with the client, accompanying him in the transition to a sustainable future, to guarantee profitable growth and generation of recurring value.

- Statements and core metrics: based on the appetite statement, statements are established that specify the general principles of risk management in terms of solvency, liquidity and funding and profitability and income recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement. Each core metric has three thresholds ranging from usual management of the businesses to higher levels of impairment:
    - Management reference: reference that determines a comfortable management level for the Group.
    - Maximum appetite: maximum level of risk that the Group is willing to accept in its ordinary activity.
    - Maximum capacity: maximum risk level that the Group could assume which, for some metrics, is associated with regulatory requirements.
- Statements and metrics by type of risk: based on the core metrics and their thresholds for each type of risk, statements are established that set out the general management principles for that risk and a number of metrics are determined, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite threshold.

In addition to this Framework, there is a level of management limits that is defined and managed by the areas responsible for the management of each type of risk in the development of the structure of metrics by type of risk, in order to ensure that the early management of risks complies with that structure and, in general, with the established Risk Appetite Framework.

Each significant geographical area (e.g those representing more than 1% of the assets or operating income of the BBVA Group) has its own Risk Appetite framework, consisting of its local Risk Appetite statement, core metrics and statements, metrics and statements by type of risk, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding corporate bodies of each entity. This Appetite Framework is deployed through a structure of limits consistent with the above.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into, the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Moreover, and for the purposes of monitoring at local level, the Chief Risks Officer of the geographical and/or business area regularly reports on the evolution of the metrics of the Local Risk Appetite Framework to the corporate bodies, as well as to the relevant top-level local committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

Within the issuing process of the Risk Appetite Framework, Risk Internal Control carries out, within the scope of the GRM area (the GRMC), the effective challenge of the Framework proposal prior to its escalation to corporate bodies, which is also documented, and it is extended to the approval of the management limits under which it is developed, also supervising its adequate approval and extension to the different entities of the Group.

Monitoring of the Risk Appetite Framework and management of breaches

So that corporate bodies can develop the risk functions of the Group, the heads of risks at an executive level will regularly report (or more frequently in the case of the CRC, within its scope of responsibility) on the evolution of the metrics of the Risk Appetite Framework of the Group, with the sufficient granularity and detail, in order to check the degree of compliance of the risks strategy set out in the Risk Appetite Framework of the Group approved by the Board of Directors.

If, through the monitoring of the metrics and supervision of the Risk Appetite Framework by the executive areas, a relevant deviation or breach of the maximum appetite levels of the metrics is identified, that situation must be reported and, where applicable, the corresponding corrective measures must be submitted to the CRC.

After the relevant review by the CRC, the deviation must be reported to the CDP –as part of its role in the monitoring of the evolution of the risk profile of the Group– and to the Board of Directors, which will be responsible, when applicable, for implementing the corresponding executive measures, including the modification of any metric of the Risk Appetite Framework. For this purpose, the CRC will submit to the corresponding corporate bodies all the information received and the proposals prepared by the executive areas, together with its own analysis.

Notwithstanding the foregoing, once the information has been analyzed and the proposal of corrective measures has been reviewed by the CRC, the CDP may adopt, on grounds of urgency and under the terms established by law, measures corresponding the Board of Directors, but always reporting those measures to the Board of Directors in the first meeting held after the implementation for ratification purposes.

In any case, an appropriate monitoring process will be established –with a greater information frequency and granularity, if required– regarding the evolution of the breached or deviated metric, and the implementation of the corrective measures, until it has been completely redressed, with the corresponding reporting to corporate bodies, in accordance with its risks monitoring, supervision and control functions.

Integration of the Risk Appetite Framework into the management

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

1. The existence of a consistent regulatory framework: the corporate risks area defines and proposes the general policies within its scope of action, and develops the additional internal regulation required for the development of those policies and the operating frameworks on the basis of which risk decisions must be adopted within the Group. The approval of the general policies for all types of risks is a responsibility of the corporate bodies of BBVA, while the rest of regulation is defined at an executive level according to the framework of competences applicable at any given time. The Risks units of the geographical and/or business areas comply with this regulation and performing, where necessary, the relevant adaptation to local requirements, in order to have a decision-making process that is appropriate at local level and aligned with the Group's policies.
2. Risk planning, which ensures the integration into the management of the Risk Appetite Framework through a cascade process established to set limits adjusted to the target risk profile. The Risks units of the corporate area and of the geographical and/or business areas are responsible for ensuring the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding and profitability and income recurrence.
3. A comprehensive management of risks during their life cycle, based on differentiated treatment according to their type.

Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting function at Group level. This function ensures that the model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the Board of Directors, even in adverse scenarios.

This process is integrated in the activity of the Risk units, both of the corporate area and in the geographical and/or business units, together with the units specialized in non-financial risks and reputational risk within the Regulation & Internal Control and Communications & Responsible Business areas respectively, in order to generate a comprehensive and single view of the risk profile of the Group.

This process is developed through the following phases:

- Monitoring of the identified risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.
- Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress testing scenarios.
- Response to unwanted situations and proposals for redressing measures to the corresponding levels, in order to enable a dynamic management of the situation, even before it takes place.
- Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
- Reporting: complete and reliable information on the evolution of risks to corporate bodies and senior management, with the frequency and completeness appropriate to the nature, significance and complexity of the reported risks. The principle of transparency governs all the risk information reporting process.

Infrastructure

For the implementation of the Model, the Group has the resources required for an effective management and supervision of risks and for achieving its goals. In this regard, the Group's risks function:

- Has the appropriate human resources in terms of number, ability, knowledge and experience. The profile of resources will evolve over time based on the specific needs of the GRM and Regulation & Internal Control areas, always with a high analytical and quantitative capacity as the main feature in the profile of those resources. Likewise, the corresponding units of the geographical and/or business areas ensure they have sufficient means from the resources, structures and tools perspective in order to achieve a risk management process aligned with the corporate model.
- Develops the appropriate methodologies and models for the measurement and management of the different risk profiles, and the assessment of the capital required to take those risks.
- Has the technological systems required to: support the Risk Appetite Framework in its broadest definition; calculate and measure the variables and specific data of the risk function; support risk management according to this Model; and provide an environment for storing and using the data required for risk management purposes and reporting to supervisory bodies.
- Promotes an adequate data governance to ensure solid quality standards in the processes aligned with the relevant internal regulation.

Within the risk functions, both the profiles and the infrastructure and data shall have a global and consistent approach.

The human resources among the countries must be equivalent, ensuring a consistent operation of the risk function within the Group. However, they will be distinguished from those of the corporate area, as the latter will be more focused on the conceptualization of appetite frameworks, operating frameworks, the definition of the regulatory framework and the development of models, among other tasks.

As in the case of the human resources, technological platforms must be global, thus enabling the implementation of the Risk Appetite Framework and the standardized management of the risk life cycle among all countries.

The corporate area is responsible for deciding on the platforms and for defining the knowledge and roles of the human resources. It is also responsible for defining risk data governance.

The foregoing is reported to the corporate bodies of BBVA so they can ensure that the Group has the appropriate means, systems, structures and resources.

Operational Risk

BBVA defines operational risk ("OR") as any risk that could result in losses caused by human error; inadequate or flawed internal processes; undue conduct with respect to customers, markets or the institution; failures, interruptions or flaws in systems or communications; theft, loss or wrong use of information, as well as deterioration of its quality, internal or external fraud, including in any case those derived from cyberattacks; theft or harm to assets or persons, legal risks; risks derived from staff management and labor health; and defective service provided by suppliers.

Operational risk management is oriented towards the identification of the root causes to avoid their occurrence and mitigate possible consequences. This is carried out through the establishment of mitigation plans, monitoring and the development of control frameworks aimed at minimizing resulting economic and reputational losses and their impact on the recurrent generation of results, and contributing the increase the quality, safety and availability of the provided service. Operational risk management is integrated into the global risk management structure of the BBVA Group.

This section addresses general aspects of operational risk management as the main component of non-financial risks. However, sections devoted to conduct and compliance risk and to cybersecurity risk management are also included in the non-financial information report.

Operational Risk Management Principles

The BBVA Group is committed to preferably applying advanced operational risk management models, regardless of the capital calculation regulatory model applicable at the time. Operational risk management at the BBVA Group shall:

- Be aligned with the Risk Appetite Framework ratified by the BBVA Board of Directors.
- Address BBVA's management needs in terms of compliance with legislation, regulations and industry standards, as well as the decisions or positioning of BBVA's corporate bodies.
- Anticipate the potential operational risk to which the Group may be exposed as a result of the creation or modification of products, activities, processes or systems, as well as decisions regarding the outsourcing or hiring of services, and establish mechanisms to assess and mitigate risk to a reasonable extent prior to implementation, as well as review the same on a regular basis.
- Establish methodologies and procedures to enable regular reassessment of the significant operational risk to which the Group is exposed, in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while safeguarding the Group's solvency at all times.
- Promote the implementation of mechanisms that support careful monitoring of all sources of operational risk and the effectiveness of mitigation and control environments, fostering proactive risk management.
- Examine the causes of any operational events suffered by the Group and establish means to prevent the same, provided that the cost/benefit analysis so recommends. To this end, procedures must be in place to evaluate operational events and mechanisms and to record the operational losses that may be caused by the same.
- Evaluate key public events that have generated operational risk losses at other institutions in the financial sector and support, where appropriate, the implementation of measures as required to prevent them from occurring at the Group.
- Identify, analyze and attempt to quantify events with a low probability of occurrence and a high impact, which by their exceptional nature may not be included in the loss database; or if they are, feature with impacts that are not very representative for the purpose of valuing possible mitigation measures.
- Have an effective system of governance in place, where the functions and responsibilities of the corporate areas and bodies involved in operational risk management are clearly defined.

- Operational risk management must be performed in coordination with management of other risk, taking into consideration credit or market events that may have an operational origin.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Operational risk management parameters

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics and limits:

- Economic capital calculated with the operational losses database of the Group, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the Group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- ORI metrics (Operational Risk Indicator: operational risk losses vs. gross income) broken down by geography, business area and type of risk.
- Additionally, a more granular common scheme of metrics (indicators and limits) covering the main types of operational risk is being implemented throughout the Group. These metrics make it possible to intensify the anticipatory management of risk and objectify the appetite to different sources.

Operational risk admission

The main purposes of the operational risk admission phase are the following:

- To anticipate potential operational risk to which the Group may be exposed due to the release of new, or modification of existing, products, activities, processes or systems, as well as purchasing decisions (e.g. outsourcing).
- To ensure that implementation and the roll out of initiatives is only performed once appropriate mitigation measures have been taken in each case, including risk assurance where deemed appropriate.

The Corporate Non-Financial Risk Management Policy sets out the specific operational risk admission framework through different committees, at a corporate and Business Area level, that follow a delegation structure based on the risk level of proposed initiatives.

Operational risk monitoring

The purpose of this phase is to check that the target operational risk profile of the Group is within the authorized limits. Operational risk monitoring considers 2 scopes:

- Monitoring the operational risk admission process, oriented towards checking that accepted risks levels are within the limits and that defined controls are effective.
- Monitoring the operational risk "stock" associated with processes. This is done by carrying out a periodic re-evaluation in order to generate and maintain an updated map of the relevant operational risks in each Area, and evaluate the adequacy of the monitoring and mitigation environment for said risks. This promotes the implementation of action plans to redirect the weaknesses detected.

This process is supported by a corporate Governance, Risk & Compliance tool that monitors OR at a local level and its aggregation at a corporate level.

In addition, and in line with the best practices and recommendations provided by the BIS, BBVA has procedures to collect the operational losses occurred in the different entities of the Group and in other financial groups, with the appropriate level of detail to carry out an effective analysis that provides useful information for management purposes and to contrast the consistency of the Group's operational risk map. To that end, a corporate tool of the Group is used.

The Group ensures continuous monitoring by each Area of the due functioning and effectiveness of the control environment, taking into consideration management indicators established for the Area, any events and losses that have occurred, as well as the results of actions taken by the second line of defense, the internal audit unit, supervisors or external auditors.

Operational risk mitigation

The Group promotes the proactive mitigation of the financial risks to which it is exposed and which are identified in the monitoring activities.

In order to rollout common monitoring and anticipated mitigation practices throughout the Group, several cross-sectional plans are being promoted related to focuses from events, lived by the Group or by the industry, self-assessments and recommendations from auditors and supervisors in different geographies, thereby analyzing the best practices and fostering comprehensive action plans to strengthen and standardize the control environment.

Insurance of Operational Risk

Insurance is one of the possible options for managing the operational risk to which the Group is exposed, and mainly has two potential purposes:

- Coverage of extreme situations linked to recurrent events that are difficult to mitigate or can only be partially mitigated by other means.
- Coverage of nonrecurrent events that could have significant financial impact, if they occurred.

The Group has a general framework that regulates this area, and allows systematizing risk assurance decisions, aligning insurance coverage with the risks to which the Group is exposed and reinforcing governance in the decision-making process of arranging insurance policies.

Operational Risk Control Model

BBVA Group's operational risk governance model is based on two components:

- Three-line defense control model, in line with industry best practices, and which guarantees compliance with the most advanced operational risk internal control standards.
- Scheme of Corporate Assurance Committees and Internal Control and Operational Risk Committees at the level of the different business and support areas.

Corporate Assurance establishes a structure of committees, both local and corporate, to provide senior management with a comprehensive and homogeneous vision of the main non-financial risks and significant situations of the control environment. The aim is to support rapid decision-making with foresight, for the mitigation or assumption of the main risks.

Each geography has a Corporate Assurance Committee chaired by the Country Manager and whose main functions are:

- Monitoring the changes in the non-financial risks and their alignment with the defined strategies and policies and the risk appetite.
- Analyzing and assessing controls and measures established to mitigate the impact of the risks identified, should they materialize.
- Making decisions about the proposals for risk taking that are conveyed by the working groups or that arise in the Committee itself
- Promoting transparency by promoting the proactive participation of the three lines of defense in discharging their responsibilities and the rest of the organization in this area

At the holding company level there is a Global Corporate Assurance Committee, chaired by the Group's Chief Executive Officer. Its main functions are similar to those already described but applicable to the most important issues that are escalated from the geographies and the holding company areas.

The business and support areas have an Internal Control and Operational Risk Committee, the purpose of which is to ensure the due implementation of the operational risk management model within its scope of action and drive active management of such risk, taking mitigation decisions when control weaknesses are identified and monitoring the same.

Additionally, the Non-Financial Risk unit periodically reports the status of the management of non-financial risks in the Group to the Board's Risk and Compliance Committee.

Reputational risk

Reputational risk assessment

Since 2016, BBVA disposes of a reputational risk assessment methodology. Through this methodology, the Bank defines and reviews regularly a map in which it prioritizes the reputational risks which have to be faced and the set of action plans to mitigate them. The prioritization is done based on two variables: the impact on the perception of the stakeholders and the strength of BBVA facing the risk.

This exercise is performed annually in all geographical areas where the Group is operating and the business areas CIB and AM EMEA. As a result of the assessment carried out in 2019, 24 mitigation action plans have been conducted during 2020.

The guide for the Annual Reputational Risk Assessment of the stock was updated by the end of 2019 and was implemented in all Banks of BBVA Group during 2020. Likewise, it is planned to elaborate in 2020 a guide for the Annual Reputational Risk Assessment in the process of the Admission of Non-financial Risks.

Identification of the Reputational Risk

The Responsible Business teams collaborate, together with the rest of the members of BBVA's second defense line, in the different Committees of Admission of the Operational Risk, both at Group and local level. Those Committees are responsible for the initial identification of potential reputational risks, and, where appropriate, an assessment of the foreseeable impact on BBVA's reputation.

Reporting of the Reputational Risk

The results of the annual assessment of the Reputational Risk are reported in every geographical area at the appropriate governance level and, at Group level, reported to the Global Corporate Assurance Committee and, since 2020, to the Executive Committee.

Risk factors

As mentioned earlier, BBVA has processes in place for identifying risks and analyzing scenarios that enable the Group to manage risks in a dynamic and proactive way.

The risk identification processes are forward looking to ensure the identification of emerging risks and take into account the concerns of both the business areas, which are close to the reality of the different geographical areas, and the corporate areas and senior management.

Risks are captured and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyses and stress testing and considers the controls to which the risks are subjected.

As part of this process, a forward projection of the risk appetite framework variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

To this extent, there are a number of emerging risks that could affect the Group´s business trends. These risks are described in the following main sections:

Risk related to new coronavirus (COVID-19) pandemic

The COVID-19 pandemic is adversely affecting the world economy and economic activity and conditions in the countries in which the Group operates, leading many of them to economic recession in 2020 and relatively moderate activity growth in 2021, so that probably only from 2022 will the GDP levels observed before the crisis recover. 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 is an increase in defaults on debts by both companies and individuals, volatility in financial markets, including exchange rates, and falls in the value of assets and investments, all of which have had a negative impact on the Group's in the year 2020 and is expected to continue to affect in the future.

Furthermore, the Group may be affected by the measures adopted by regulatory authorities in the banking sector, including but not limited to, the recent reductions in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments, the adoption of payment deferrals measures for bank clients (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 through a line of guarantees or public guarantees, especially to companies and the self-employed individuals, as well as any changes in the financial asset purchase programs.

Since the outbreak of COVID-19 pandemic, the Group has experienced a decline in its activity. For example, the granting of new loans to individuals has significantly decreased since the beginning of mobility restriction measures approved in certain countries in which the Group operates. In addition, the Group faces several risks, such as a greater risk of impairment of the value of its assets (including financial instruments valued at fair value, which may undergo significant fluctuations) and of the securities held for liquidity reasons, a possible significant increase in non-performing loans and a negative impact on the cost of the Group's financing and its access to financing (especially in an environment where credit ratings are affected).

Furthermore, in several of the countries in which the Group operates, including Spain, the Group has temporarily closed a significant number of its offices and reduced opening hours to the public, and the teams that provide central services have been working remotely. Although these measures have been gradually reversed due to the continued expansion of the COVID-19 pandemic, it is unclear how long it will take until normal operations can fully resume. On the other hand, the pandemic could adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the higher demand and / or lower availability of certain resources could in some cases make it more difficult to maintain the service levels. In addition, the generalization of remote work has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

As a result of the above, the COVID-19 pandemic has had an adverse effect on the Group's results and capital base. During the first half of the year the main accumulated impacts were:

- an increase in the cost of risk associated with the lending activity, mainly due to the deterioration of the macroeconomic environment, which has had a negative impact of €2,009 million in the Group (including the initial adverse effect of the payment deferral) and provisions for credit risk and contingent commitments for €95 million, (see Notes 7.2, 46 and 47 of the accompanying Consolidated Financial Stemens); and
- 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 net negative impact of €2,084 million on the Group's attributed profit in this period (although this impact does not affect the tangible book value, nor the solvency or the liquidity of the Group) (see Notes 18.1 and 49 of the accompanying Consolidated Financial Statements).

From June 30, 2020 on, and as a consequence of the general deterioration of the global macroeconomic scenario, its specific effects cannot be isolated, affecting all of the Group's consolidated Financial Statements.

Macroeconomic and geopolitical risks

The Global economy is being severely affected by the COVID-19 pandemic. Supply, demand and financial factors caused an unprecedented fall in GDP in the first half of 2020. Supported by strong fiscal and monetary policy measures, as well as greater control over the spread of the virus, global growth rebounded more than expected in the third quarter, before slowing down in the fourth, when the number of infections rose again in many regions, mainly in the United States and Europe. As for 2021, the unfavorable evolution of the pandemic is expected to adversely affect activity in the short term, while new fiscal and monetary stimuli, as well as the administering of coronavirus vaccines, are expected to support recovery from mid-year onwards.

Following the massive fiscal and monetary stimuli to support economic activity and reduce financial tensions, government debt has increased across the board and interest rates have been cut, and are now at historical low levels. Additional countercyclical measures may be required. Similarly, a significant reduction in current stimuli is not expected, at least until the recovery takes hold.

Tensions in the financial markets have moderated rapidly since the end of March 2020, following the decisive actions taken by the main central banks and the fiscal packages announced in many countries. In recent months, the markets have shown relative stability and, at certain times, risk-taking movements. Likewise, progress related to the development of COVID-19 vaccines and prospects for economic recovery should pave the way for financial volatility to persist at relatively low levels in general going forward.

BBVA Research estimates that global GDP contracted by around 2.6% in 2020 and will expand by around 5.3% in 2021 and 4.1% in 2022. Activity will recover gradually and heterogeneously among countries. Various epidemiological, financial and geopolitical factors are also contributing to the persistent exceptionally high uncertainty.

With regard to the banking system, in an environment in which much of the economic activity has been at a stand still for several months, the services provided have played an essential role, basically for two reasons: firstly, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; secondly, the granting of new lending or the renewal of existing lending has reduced the impact of the economic slowdown on household and business income. The support provided by the banks over the months of lockdown and public guarantees have been essential in softening the impact of the crisis on companies' liquidity and solvency, meaning that banking has become its main source of funding for most companies.

In terms of profitability, European and Spanish banking have deteriorated, primarily because many entities recorded high provisions for impairment on financial assets in the first two quarters of 2020 as a result of the worsening macroeconomic environment following the pandemic outbreak. Pre-pandemic profitability levels remained far from the levels prior to the previous financial crisis. This is in addition to the accumulation of capital since the previous crisis and the very low interest rate environment that we have been experiencing for several years. Nevertheless, the banks are facing this situation from a healthy position and with solvency that has been constantly increasing since the 2008 crisis, with reinforced capital and liquidity buffers and, therefore, with a greater lending capacity.

The BBVA Group has a General Risk Management and Control Model appropriate to its business model, its organization, the countries in which it operates and its corporate governance system, which allows it to carry out its activity within the framework of the risk management and control strategy and policy defined by the corporate bodies. This model deals with management in global form adapting itself to the circumstances of each moment. This Model is applied integrally in the Group.

In this sense, from the beginning of the crisis, the BBVA Group implemented specific measures for the proper management of these associated risks, establishing different global initiatives that define the risk management strategy during the crisis, with common action protocols that should be implemented and adapted, when needed, to local needs.

The BBVA Group global risk unit - Global Risk Management (hereinafter, “GRM”) - has increased the frequency and intensity of the evaluation of potential impacts on the different groups and clients, in order to prevent their future evolution, and carried out appropriate adjustments and reclassifications, reinforcing its processes, governance and teams in Holding and countries to act in a coordinated manner, focusing priority on crisis management.

Over the past year, it has been found that the pandemic has a global impact , affecting to a greater extent the sectors in which there is a high level of human interaction (transport, especially air transport, leisure, especially hotel establishments, as well as industries and activities dependent on them), regardless of the regional area in question. For this reason, the Bank's risk management has clearly been intensified by sectorial vectors over other conditioning factors such as geographic.

Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. This can affect their ability to grow and the capacity of certain businesses to develop, and result in stricter liquidity and capital requirements with lower profitability ratios. The Group constantly monitors changes in the regulatory framework that allow for anticipation and adaptation to them in a timely manner, adopt industry practices and more efficient and rigorous criteria in its implementation.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the entity could raise and might affect the regular course of business. The attitudes and behaviors of the Group and its members are governed by the principles of integrity, honesty, long-term vision and industry practices through, inter alia, internal control Model, the Code of Conduct, tax strategy and Responsible Business Strategy of the Group.

For more information regarding the model of work risk prevention, the compliance system, the management of the tax risk as well as social and environmental risks, see sections “ Work environment“, “Ethical behavior“, “Fiscal transparency“ “Sustainable Finance”, respectively, within the Non-financial statement.

Business, operational and legal risks

New technologies and forms of customer relationships: Developments in the digital world and in information technologies pose significant challenges for financial institutions, entailing threats (new competitors, disintermediation, etc.) but also opportunities (new framework of relations with customers, greater ability to adapt to their needs, new products and distribution channels, etc.). Digital transformation is a priority for the Group as it aims to lead digital banking of the future as one of its objectives.

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control.

The financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are usually party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, 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 into sanctions, as well as lead to claims by customers and others. 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 sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

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 favor 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 favorable resolutions for the consumer, could also adversely affect the Group.

All of the above may result in a significant increase in operating and compliance costs 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 occupy a great deal of attention on part of the Group's management and employees.

As of December 31, 2020, the Group had €612 million in provisions for the proceedings it is facing (included in the line "Provisions for litigation and pending tax cases" in the consolidated balance sheet) (see Note 25), of which €574 million correspond to legal contingencies and €38 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated 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 otherwise affected by, 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.

As mentioned in the section "Other non-financial risks" of the Non-financial information report of this Management report, Central Investigating Court No. 6 of the National High Court is investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. (Cenyt) in the Preliminary Proceeding No. 96/2017. Piece No. 9 of this proceeding includes the provision of services to the Bank. 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. Capital, treasury stocks, solvency and capital ratios

Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

Capital ratios

BBVA's solvency and capital ratios required by the regulation in force in 2020 are outlined in Note 28 of the accompanying Financial Statements.

Subsequent events

On January 22, 2021, BBVA communicated that the sale of its direct and indirect shareholding stake of 100% share capital in BBVA Paraguay to Banco GNB Paraguay, S.A., after obtaining all required authorizations, had been completed for an amount of approximately USD 250 million (approximately €210 million).

On January 29, 2021 it was announced that it was foreseen to submit for the consideration of the corresponding BBVA governing bodies a cash distribution of €0.059 gross per share as shareholders' distributions in relation to the results in 2020, subject to the prior obtention of the corresponding authorizations, all in accordance with the provisions of the recommendation of the European Central Bank of 15 December 2020, number ECB/2020/62, on dividend payments during the COVID-19 pandemic (see Note 3 of the accompanying Financial Statements)

From January 1, 2021 to the date of preparation of these Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Bank's earnings or its equity position.

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, the BBVA Group prepared the Annual Corporate Governance Report for 2020 (which is an integral part of the Management Report for that year) following the contents set down in Order ECC/461/2013, dated March 20, and in Circular 5/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 1/2020, dated October 6, of CNMV. It includes a section detailing the degree to which the Bank is compliant with the recommendations of the Good Governance Code of listed companies in Spain. In addition, all the information required by Article 539 of the Spanish Corporate Act can be accessed on BBVA's website www.bbva.com.

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

ISSUER IDENTIFICATION

YEAR-END DATE: **31/12/2020**

Tax Identification No. [C.I.F.]. A-48265169

Company Name: **BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

Registered Office: **Plaza de San Nicolás, 4, 48005 Bilbao (Bizkaia)**

ANNUAL CORPORATE GOVERNANCE REPORT OF LISTED COMPANIES

A. OWNERSHIP STRUCTURE

A.1 Fill in the following table on the company's share capital:

Date of last modification	Share capital (EUR)	Number of shares	Number of voting rights
24/04/2017	3,267,264,424.20	6,667,886,580	6,667,886,580

Indicate if there are different share classes with different rights associated with them:

No

A.2 Detail the direct and indirect holders of significant shareholdings in the company at financial year-end, excluding directors:

Name or corporate name of the shareholder	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting rights
	Direct	Indirect	Direct	Indirect	
Blackrock, Inc.		5.48%	0.44%		5.92%
Norges Bank	3.24%		0.13%		3.37%

Details of indirect participation:

Name or corporate name of indirect shareholder	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights

Indicate the most significant changes in the shareholder structure during the financial year:

State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd., as international custodian/depositary banks, hold, as of 31 December 2020, 10.94%, 1.31% and 8.36% of BBVA's share capital, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of the BBVA share capital.

Communication of significant shareholdings to the Spanish National Securities Market Commission (CNMV): On 18 April 2019, Blackrock, Inc. informed the CNMV that it had an indirect holding of 5.917% of BBVA's share capital, through the company Blackrock, Inc.

Communication of significant shareholdings to the CNMV: On 11 May 2020, Norges Bank informed the CNMV that it had a direct holding of 3.366% of BBVA's share capital.

A.3 Fill in the following tables with the members of the company's board of directors with voting rights on company shares:

Name or corporate name of the director	% of voting rights attached to shares		% of voting rights through financial instruments		Total % of voting right	% of voting rights that can be transferred through financial instruments	
	Direct	Indirect	Direct	Indirect		Direct	Indirect
Carlos Torres Vila	0.01	0.00	0.00	0.00	0.01	0.00	0.00
Onur Genç	0.01	0.00	0.00	0.00	0.01	0.00	0.00
José Miguel Andrés Torrecillas	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jaime Félix Caruana Lacorte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Raúl Catarino Galamba de Oliveira	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Belén Garijo López	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Sunir Kumar Kapoor	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Lourdes Máiz Carro	0.00	0.00	0.00	0.00	0.00	0.00	0.00
José Maldonado Ramos	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Cristina Peralta Moreno	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Juan Pi Llorens	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ana Leonor Revenga Shanklin	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Susana Rodríguez Vidarte	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Carlos Vicente Salazar Lomelín	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Jan Paul Marie Francis Verplancke	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Total % of voting rights held by the board of directors	0.02%

Details of indirect participation:

Name or corporate name of the director	Name or corporate name of direct shareholder	% of voting rights attached to shares	% of voting rights through financial instruments	Total % of voting rights	% of voting rights that can be transferred through financial instruments

A.4 Where applicable, indicate any family, commercial, contractual or corporate relationships between holders of significant shareholdings, insofar as the company is aware of them, unless they are of little relevance or due to ordinary trading or exchange activities, except those described in Section A.6:

Name of related person or company	Type of relationship	Brief description

A.5 Where applicable, indicate any commercial, contractual or corporate relationships between holders of significant shareholdings and the company and/or its group, unless they are of little relevance or due to ordinary trading or exchange activities:

Name of related person or company	Type of relationship	Brief description

A.6 Describe the relationships, unless insignificant for the two parties, that exist between significant shareholders or shareholders represented on the board and directors, or their representatives in the case of directors that are legal persons.

Explain, as the case may be, how the significant shareholders are represented. Specifically, state those directors appointed to represent significant shareholders, those whose appointment was proposed by significant shareholders or who were linked to significant shareholders and/or their group companies, and specify the nature of the relationships. In particular, indicate, where applicable, the existence, identity and position of board members—or their representatives—of the listed company who are members—or representatives of members—of the management body of companies that hold significant shareholdings in the listed company or of companies of said significant shareholders' groups.

Name or corporate name of linked director or representative	Name or corporate name of linked holder of significant shareholdings	Name of the company of the significant shareholder's group	Description of relationship/position

Remarks

A.7 Indicate whether the company has been informed of any shareholder agreements that may affect it, as set out under Articles 530 and 531 of the Corporate Enterprises Act. Where applicable, briefly describe them and list the shareholders bound by such agreement:

No

Indicate whether the company is aware of the existence of concerted actions by its shareholders. If so, describe them briefly:

No

If there has been any amendment or breaking-off of said pacts or agreements or concerted actions in the financial year, indicate this expressly:

A.8 Indicate whether any legal or natural person exercises or may exercise control over the company pursuant to Article 5 of the Securities Exchange Act. If so, identify them:

No

A.9 Fill in the following tables regarding the company's treasury shares:

At financial year-end:

Number of direct shares	Number of indirect shares (*)	Total % of share capital
592,832	13,760,000	0.22%

(*) Through:

Name or corporate name of direct holder of shareholding	Number of direct shares
Corporación General Financiera, S.A.	13,760,000
Total:	**13,760,000**

Give details of any significant changes that have occurred during the financial year:

Explain the significant changes
In 2020, five communications regarding treasury shares were sent to the CNMV, as the acquisitions had exceeded the 1% threshold. The communications were as follows: • Communication date: 21/01/2020. A total of 2,834,633 direct shares and 13,930,924 indirect shares, representing a total of 0.251% of the share capital. • Communication date: 01/04/2020. A total of 3,332,105 direct shares and 4,165,426 indirect shares, representing a total of 0.112% of the share capital. • Communication date: 12/06/2020. A total of 2,173,039 direct shares and 3,563,872 indirect shares, representing a total of 0.086% of the share capital. • Communication date: 07/09/2020. A total of 1,333,849 direct shares and 15,542,111 indirect shares, representing a total of 0.253% of the share capital. • Communication date: 09/12/2020. A total of 1,268,461 direct shares and 15,844,930 indirect shares, representing a total of 0.257% of the share capital.

A.10 Describe the conditions and term of the current mandate of the general meeting for the board of directors to issue, buy back and transfer treasury shares.

- The BBVA General Meeting held on 17 March 2017, under item three of the agenda, passed a resolution to delegate to the Board the power to increase share capital for a period of five years up to a maximum amount corresponding to 50% of BBVA's share capital on the date of such authorisation. This can be done on one or several occasions, to the amount that the Board resolves, by issuing new shares of any kind allowed by law, with or without an issue premium, the counter-value of said shares comprising cash considerations. The authorisation includes the setting out of the terms and conditions of the share capital increase in any respect not provided for in the resolution, and delegation to the Board of a power to wholly or partly exclude pre-emptive subscription rights in relation to any share capital increase carried out by virtue of the resolution when so demanded by the corporate interest and in compliance with the applicable legal requirements. However, this power was limited insofar as the nominal amount of the capital increases resolved upon or actually carried out with an exclusion of the pre-emptive subscription right by virtue of this delegation or resolved upon or executed to accommodate the conversion of ordinarily convertible issues that are also carried out with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to issue convertible securities granted by the General Meeting itself, under item five of the agenda, may not exceed the maximum nominal amount, taken as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

To date, BBVA has not adopted any resolution using this delegated power.

- The BBVA General Meeting of 17 March 2017, under the fifth item on the agenda, delegated to the Board the power to issue securities that are convertible into newly issued BBVA shares, on one or more occasions within a maximum term of five years, up to a total combined maximum amount of EUR 8,000,000,000 or its equivalent in another currency; the Board may likewise resolve upon, set and determine the terms and conditions of the issues carried out, determine the basis and mode of conversion, and resolve upon, set and determine the conversion ratio, which may be fixed or variable. Moreover, the General Meeting resolved to delegate to the Board the power to totally or partially exclude pre-emptive subscription rights over any issue of convertible securities that may be made under the agreement, when the corporate interest so requires, in compliance with any applicable legal requirements. However, this power was limited in so far as the normal amount of the capital increases resolved upon or actually carried out to accommodate the conversion of ordinarily convertible issues executed using this delegated power with an exclusion of the pre-emptive subscription right, and those resolved upon or executed also with an exclusion of the pre-emptive subscription right in the exercise of the delegated power to increase share capital granted by the same Meeting, under item four of the Agenda, may not exceed the maximum nominal amount, taken as a whole, of 20% of BBVA's share capital at the time of delegation. This limit does not apply to issues of contingently convertible securities.

  Through the aforementioned delegation, BBVA has made six issuances of contingently convertible perpetual securities (Additional Tier 1 capital instruments), without pre-emptive subscription rights, namely two issuances in the 2017 financial year in the amounts of EUR 500 million and USD 1 billion; one in the 2018 financial year in the amount of EUR 1 billion; two in the 2019 financial year in the amounts of EUR 1 billion and USD 1 billion; and one in 2020 in the amount of EUR 1 billion.

- Under the third item of the agenda of the BBVA General Meeting held on 16 March 2018, it was resolved to grant BBVA the authority, whether directly or through any of its subsidiaries, and for a period of no more than five years, at any time and on as many occasions as it deems necessary, to derivatively acquire BBVA shares by any means permitted by law, including charging the acquisition to the profits for the financial year and/or to freely available reserves, as well as to later divest the acquired shares by any means permitted by law. The derivative acquisition of shares is to be carried out, in all cases, in accordance with the applicable legal conditions or by the competent authorities and, in particular, with the following conditions: (i) the nominal value of the treasury stock acquired, whether directly or indirectly, by means of this authorisation, when added to that already held by BBVA and its subsidiaries, may not exceed 10% of the subscribed share capital of BBVA or, where appropriate, the maximum amount permitted under the applicable legislation; and (ii) the acquisition price per share may not be lower than the nominal value of the share, and must be under 10% higher than the share price or any other price associated with the shares at the time that they are acquired. The aforementioned General Meeting also expressly authorised that the shares acquired by BBVA or any of its subsidiaries may, through this authorisation, be partially or totally set aside for workers or directors of BBVA or its subsidiaries, either directly or as a result of them exercising any option rights that they may hold.

A.11 Estimated floating capital:

	%
Estimated floating capital	90.48%

Remarks
This estimated floating BBVA capital has been calculated by deducting, from the share capital, the capital held by the direct and indirect holders of significant shares (Section A.2), the members of the Board of Directors (Section A.3) and the capital held in treasury shares (Section A.9), all as of 31 December 2020, in accordance with the instructions for completing the Annual Corporate Governance Report

A.12 Indicate whether there is any restriction (statutory, legislative or of any other kind) on the transferability of securities and/or any restriction on voting rights. In particular, report the existence of any restrictions that might hinder the takeover of the company through the purchase of its shares on the market, as well as any authorisation or prior communication regimes that are applicable to the purchase or transfer of the company's financial instruments in accordance with sector legislation.

Yes

Description of the restrictions
Regarding the exercise of the right to vote, there are no legal or statutory restrictions on this. Thus, in accordance with Article 31 of the Bylaws, each voting share will confer the right to one vote on the holder, whether present or represented at the General Shareholders' Meeting, regardless of its disbursement. There are also no statutory restrictions on the acquisition or transfer of shares in the company's share capital. As for the legal restrictions on the acquisition or transfer of holdings in the company's share capital, Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (the LOSS) establishes that the direct or indirect acquisition of a significant holding (as defined in Article 16 of that Act) in a credit institution is subject to assessment by the Bank of Spain as set out in Articles 16 et seq. of that Act. Additionally, Article 25 of Royal Decree 84/2015, implementing the LOSS, establishes that the Bank of Spain shall evaluate proposals for acquisitions of significant shares and submit a proposal to the European Central Bank regarding whether to oppose this acquisition or not. This same article establishes the criteria that should be considered during said evaluation and the applicable timelines.

A.13 Indicate whether the general meeting has agreed to adopt measures to neutralise a public takeover bid, pursuant to Act 6/2007.

No

If so, explain the measures approved and the terms under which the restrictions would be rendered effective:

Explain the measures approved and the terms under which such limitations would cease to apply

A.14 Indicate whether the company has issued securities that are not traded on a regulated market in the EU.

Yes

Where applicable, indicate the different share classes, and the rights and obligations that each share class confers.

Indicate the different share classes
All the shares in BBVA's share capital have the same class and series, and confer the same political and economic rights. There are no different voting rights for any shareholder. There are no shares that do not represent capital. The Bank's shares are admitted to trade on the stock exchanges in Madrid, Barcelona, Bilbao and Valencia, through the Spanish Stock Exchange Interconnection System (Continuous Market), as well as on the stock exchanges in London and Mexico. BBVA's American Depositary shares (ADS) are traded on the New York stock exchange.

B. GENERAL SHAREHOLDERS' MEETING

B.1 Indicate, giving details where applicable, whether there are any deviations from the minimum standards established under the Corporate Enterprises Act (CEA) with respect to the quorum for holding the general meeting.

Yes

	% required for quorum if different to that set out in Art. 193 of the CEA for general circumstances	% required for quorum if different to that set out in Art. 194 of the CEA for special circumstances
Quorum on first call	0.00%	66.66%
Quorum on second call	0.00%	60.00%

Description of the differences
Article 194 of the Corporate Enterprises Act establishes that in order for a general meeting (whether ordinary or extraordinary) to validly resolve to increase or reduce capital or make any other amendment to the bylaws, bond issuance, the suppression or limitation of pre-emptive subscription rights over new shares, or the transformation, merger or spin-off of the company or global assignment of assets and liabilities or the offshoring of domicile, the shareholders present and represented on first calling must own at least 50% of the subscribed capital with voting rights. On second calling, 25% of said capital will be sufficient. Notwithstanding the foregoing, Article 25 of the BBVA Bylaws requires a super quorum of two thirds of the subscribed capital with voting rights on first calling, and 60% of the subscribed capital on second calling, for the valid adoption of resolutions on the following matters: change of the corporate purpose; the transformation, total spin-off or winding up of the Company; and the modification of the statutory article defining this super quorum.

B.2 Indicate, giving details where applicable, whether there are any deviations from the minimum requirements established under the Corporate Enterprises Act (CEA) for the adoption of corporate resolutions:

No

B.3 Indicate the rules applicable to amendments to the company bylaws. In particular, report the majorities established to amend the bylaws, and the rules, if any, to safeguard shareholders' rights when amending the bylaws.

Article 30 of the BBVA Company Bylaws establishes that the General Shareholders' Meeting is empowered to amend the Company Bylaws and to confirm or rectify the manner in which they are interpreted by the Board of Directors.

To such end, the rules established under Articles 285 et seq. of the Corporate Enterprises Act shall apply.

The above paragraph notwithstanding, Article 25 of the BBVA Bylaws establishes that in order to validly adopt resolutions regarding any change to the corporate purpose, transformation, total spin-off or winding up of the Company and amendment of the second paragraph of said Article 25, two thirds of the subscribed capital with voting rights must attend the General Meeting on first calling, and 60% of said capital on second calling.

As regards the procedure for amending the Bylaws, Article 4.2 c) of Spanish Act 10/2014, of 26 June, on the regulation, supervision and solvency of credit institutions (the LOSS), establishes that the Bank of Spain shall be responsible for authorising the amendments to the bylaws of credit institutions as set out by applicable regulations.

Further to the above, Article 10 of Royal Decree 84/2015, of 13 February, implementing the LOSS, stipulates that the Bank of Spain shall make a decision within two months following receipt of the request for amendment of the Bylaws and that said request must be accompanied by certified minutes recording the agreement, a report substantiating the proposal drawn up by the board of directors and draft new bylaws, identifying the cited amendments.

Notwithstanding the foregoing, the aforementioned Article 10 establishes that no prior authorisation from the Bank of Spain is required, though the latter must be notified for the purposes of entry in the *Registro de Entidades de Crédito* (Spanish register of credit institutions), for amendments with the following purposes:

- Change of the registered office within the national territory.
- Share capital increase.
- Verbatim incorporation into the bylaws of legal or regulatory precepts of a mandatory or prohibitive nature, or for the purpose of complying with legal or administrative decisions.
- Those amendments for which the Bank of Spain, in response to a prior enquiry made by the affected bank, deems that authorisation is not required due to their little relevance.

This communication must be made within 15 working days following the adoption of the statute amendment resolution.

Finally, as a significant entity, BBVA is under the direct supervision of the European Central Bank (ECB) in cooperation with the Bank of Spain under the Single Supervisory Mechanism, so the authorisation of the Bank of Spain mentioned above will be submitted to the ECB, prior to its resolution by the Bank of Spain.

B.4 Indicate the data on attendance at general meetings held during the financial year to which this report refers and the previous two financial years:

	Attendance data				
			% distance voting		
Date of general meeting	**% physically present**	**% present by proxy**	Electronic vote	Other	**Total**
13/03/2020	0.06%	47.76%	4.34%	14.67%	66.83%
Of which is floating capital:	0.04%	38.48%	4.34%	14.67%	57.53%
15/03/2019	1.77%	38.95%	0.92%	22.79%	64.43%
Of which is floating capital:	1.75%	33.03%	0.92%	22.79%	58.49%
16/03/2018	1.71%	40.47%	0.23%	22.13%	64.54%
Of which is floating capital:	1.62%	34.53%	0.23%	22.13%	58.51%

B.5 Indicate whether there were any items on the agenda that were not approved by shareholders for any reason, for all general meetings that took place in the financial year.

No

B.6 Indicate if there is any statutory restriction that sets out a minimum number of shares required to attend the general meeting or vote remotely:

Yes

Number of shares required to attend the general meeting	500
Number of shares required to vote remotely	1

Remarks
Article 23 of the BBVA Bylaws establishes that holders of 500 shares or more may attend ordinary and extraordinary General Shareholders' Meetings, provided that their shares are registered at least five days prior to such a meeting, in the corresponding accounting record, in accordance with the Securities Exchange Act and other applicable provisions. Holders of fewer shares may group together until they have at least that number, and name a representative. However, there is no minimum number of shares required to vote remotely. Pursuant to the provisions of Article 8 of BBVA's Regulations of the General Shareholders' Meeting, shareholders may vote by proxy, by post, electronically or by any other means of remote communication, provided that the voter's identity is duly guaranteed. In terms of the constitution of the General Shareholders' Meeting, shareholders who vote remotely will be counted as present.

B.7 Indicate whether it has been established that certain decisions, other than those set out by law, involving an acquisition, disposal, the allocation of essential assets to another company or a similar corporate transaction, must be submitted to the general shareholders' meeting for approval.

No

B.8 Indicate the address and means of access, on the company website, to information on corporate governance and other information on the general meetings that must be made available to shareholders on the Company's website.

Information relating to corporate governance and the Company's general meetings can be accessed via the Banco Bilbao Vizcaya Argentaria, S.A. company website, www.bbva.com, in the Shareholders and Investors – Corporate Governance and Remuneration Policy section (https://shareholdersandinvestors.bbva.com/corporate-governance-and-remuneration-policy/).

C. COMPANY MANAGEMENT STRUCTURE

C.1 Board of Directors

C.1.1 Maximum and minimum number of directors established in the bylaws and the number set by the general meeting:

Maximum number of directors	15
Minimum number of directors	5
Number of directors set by the general meeting	15

Remarks
In accordance with the provisions of Article 34, Paragraph 2 of the Bylaws, the General Shareholders' Meeting, held on 13 March 2020, resolved to set the total number of directors on the BBVA Board of Directors at 15.

C.1.2 Fill in the following table on the board members:

Name or corporate name of the director	Representative	Directorship type	Position on the board	Date of first appointment	Date of most recent appointment	Election procedure
Carlos Torres Vila	-	Executive	Chairman	04/05/2015	15/03/2019	Resolution of the General Shareholders' Meeting
Onur Genç	-	Executive	Chief Executive Officer	20/12/2018	15/03/2019	Resolution of the General Shareholders' Meeting
José Miguel Andrés Torrecillas	-	Independent	Deputy Chair	13/03/2015	16/03/2018	Resolution of the General Shareholders' Meeting
Jaime Félix Caruana Lacorte	-	Independent	Director	16/03/2018	16/03/2018	Resolution of the General Shareholders' Meeting
Raúl Catarino Galamba de Oliveira	-	Independent	Director	13/03/2020	13/03/2020	Resolution of the General Shareholders' Meeting
Belén Garijo López	-	Independent	Director	16/03/2012	16/03/2018	Resolution of the General Shareholders' Meeting
Sunir Kumar Kapoor	-	Independent	Director	11/03/2016	15/03/2019	Resolution of the General Shareholders' Meeting
Lourdes Máiz Carro	-	Independent	Director	14/03/2014	13/03/2020	Resolution of the General Shareholders' Meeting
José Maldonado Ramos	-	Other external	Director	28/01/2000	16/03/2018	Resolution of the General Shareholders' Meeting
Ana Cristina Peralta Moreno	-	Independent	Director	16/03/2018	16/03/2018	Resolution of the General Shareholders' Meeting
Juan Pi Llorens	-	Independent	Lead Director	27/07/2011	16/03/2018	Resolution of the General Shareholders' Meeting
Ana Leonor Revenga Shanklin	-	Independent	Director	13/03/2020	13/03/2020	Resolution of the General Shareholders' Meeting
Susana Rodríguez Vidarte	-	Other external	Director	28/05/2002	13/03/2020	Resolution of the General Shareholders' Meeting
Carlos Vicente Salazar Lomelín	-	Other external	Director	13/03/2020	13/03/2020	Resolution of the General Shareholders' Meeting
Jan Paul Marie Francis Verplancke	-	Independent	Director	16/03/2018	16/03/2018	Resolution of the General Shareholders' Meeting

Total number of directors	15

Indicate any appointment terminations, as a result of resignation or by resolution of the general meeting, that have occurred on the board of directors during the reporting period:

C.1.3 Fill in the following tables on the board members and their directorship type:

EXECUTIVE DIRECTORS

Name or corporate name of the director	Position within the company's organisation structure	Profile
Carlos Torres Vila	Chairman	Chairman of the BBVA Board of Directors. He was Chief Executive Officer of BBVA from May 2015 to December 2018, Head of Digital Banking from 2014 to 2015 and Head of Strategy and Corporate Development from 2008 to 2014. In addition, he previously held positions of responsibility in other companies, with his roles as Chief Financial Officer, Corporate Director of Strategy and member of the Executive Committee of Endesa being of particular note, as well as partner at McKinsey & Company. He completed his studies in Electrical Engineering (BSc) at the Massachusetts Institute of Technology (MIT), where he also received a degree in Business Administration. He holds a master's degree in Management (MSc) from the MIT Sloan School of Management and also a Law degree from the National Distance Education University (UNED).
Onur Genç	Chief Executive Officer	Chief Executive Officer of BBVA. He served as Chairman and CEO of BBVA Compass and as BBVA Country Manager in the U.S. from 2017 to December 2018, and served as Deputy CEO and Executive Vice President of retail and private banking at Garanti BBVA between 2012 and 2017. He has also held positions of responsibility in different McKinsey & Company offices, having also been a Senior Partner and Manager of its Turkish office. He holds a degree in Electrical Engineering (BSc) from the University of Boğaziçi in Turkey and a master's degree in Business Administration (MSIA/MBA) from Carnegie Mellon University in the USA.

Total number of executive directors	2
% of all directors	13%

EXTERNAL PROPRIETARY DIRECTORS

Name or corporate name of the director	Name or corporate name of the significant shareholder whom they represent or who has proposed their appointment	Profile

Total number of proprietary directors	
% of all directors	

EXTERNAL INDEPENDENT DIRECTORS

Name or corporate name of the director	Profile
José Miguel Andrés Torrecillas	Deputy Chairman of the BBVA Board of Directors. His developed his professional career at Ernst & Young, where he has been General Managing Partner of Audit and Advisory Services and Chairman of Ernst & Young Spain until 2014. He is a member of the Board of Directors of Zardoya Otis, S.A. He has been a member of various organisations such as the ROAC (*Registro Oficial de Auditores de Cuentas* — official registry of auditors), the REA (*Registro de Economistas Auditores* — registry of accounting auditors), the *Junta Directiva del Instituto Español* de *Analistas Financieros* (Spanish Institute of Financial Analysts Management Board), *Fundación Empresa y Sociedad* (the Business and Society Foundation), *Instituto de Censores Jurados de Cuentas de España* (Spanish Institute of Chartered Accountants), *Consejo Asesor del Instituto de Auditores Internos* (the Advisory Board of the Institute of Internal Auditors) and the Institute of Chartered Accountants in England & Wales (ICAEW). He holds a degree in Economic and Business Sciences from the Complutense University of Madrid and has studied at post-graduate level in Management Programs from IESE, Harvard and IMD.
Jaime Félix Caruana Lacorte	He has been General Manager of the Bank of International Settlements (BIS), Director of the Monetary and Capital Markets Department and Financial Counsellor and General Manager of the International Monetary Fund (IMF), Chairman of the Basel Committee on Banking Supervision, Governor of the Bank of Spain and member of the Governing Council of the ECB, among other positions. He is a member of the Group of Thirty (G-30) and Trustee of the Spanish Aspen Institute Foundation. He holds a degree in Telecommunications Engineering from the *Escuela Técnica Superior de Ingenieros de Telecomunicación* (ETSIT) of the *Universidad Politécnica de Madrid* and is a Commercial Technician and State Economist.
Raúl Catarino Galamba de Oliveira	He is the Chairman (independent) of the Board of Directors of CTT - Correios de Portugal, S.A. and a non-executive director of José de Mello Saúde and José de Mello Capital. His career has been linked to McKinsey & Company, where he was appointed Partner in 1995 and Senior Partner in 2000, and where he was Managing Partner for Spain and Portugal (2005–2011), Managing Partner for Global Risk Practice (2013–2016), Member of the Global Shareholders' Council (2005–2011), Member of the Global Partner Nomination and Evaluation Committees (2001–2017), Member of the Remuneration Committee (2005–2013) and Chairman of the Global Learning Board (2006–2011). He holds a BSc in Mechanical Engineering and an MSc in Systems Engineering from the *Instituto Superior Técnico* (IST) in Portugal, and an MBA from the Nova School of Business Economics, also in Portugal.
Belén Garijo López	She is Vice Chair of the Executive Board and Deputy CEO of the Merck Group since 2020, and on 1 May 2021 she will be Chair of the Executive Board and CEO of the Merck Group. She is also a member of the Board of Directors of L'Oréal and Chair of the International Senior Executive Committee (ISEC) of Pharmaceutical Research and Manufacturers of America. She has held various positions of responsibility at Abbot Laboratories (1989–1996), Rhône-Poulenc (1996–1999), Aventis Pharma (1999–2004), Sanofi Aventis (2004–2011) and Merck (since 2011). She is a graduate in Medicine from the University of Alcalá de Henares in Madrid and a specialist in Clinical Pharmacology at *Hospital de la Paz*, Autonomous University of Madrid. She also holds a master's degree in Business and Management from the Ashridge Management School (UK).

Sunir Kumar Kapoor	He is involved in a range of technology companies in Silicon Valley and Europe, and is an Operating Partner at Atlantic Bridge Capital, an independent director at Stratio and an mCloud consultant. He has been Manager of Business Enterprise EMEA for Microsoft Europe and Director of Worldwide Business Strategy for the Microsoft Corporation. Among other roles, she was previously the Executive Vice President and Chief Marketing Officer (CMO) of Cassatt Corporation and Chair and CEO of UBmatrix Incorporated. He holds a Bachelor's in Physics from the University of Birmingham and a Master's in Computer Systems from Cranfield Institute of Technology.
Lourdes Máiz Carro	She was Secretary of the Board of Directors and Director of Legal Services at Iberia, *Líneas Aéreas de España* until April 2016. She has also been a director of several companies, including Renfe, GIF (*Gerencia de Infraestructuras Ferroviarias* — Railway Infrastructure Administrator, now ADIF), the ICO (*Instituto de Crédito Oficial* — Official Credit Institution), Aldeasa and Banco Hipotecario. She worked in Research, giving classes in Metaphysics and Theory of Knowledge at the Complutense University of Madrid for five years. She became State Attorney and held various positions of responsibility in Public Administration, including General Director of Administrative Organisation, Job Positions and I.T. (Ministry of Public Administrations), General Director of the *Sociedad Estatal de Participaciones Patrimoniales* (SEPPA) at the Ministry of Economy and Finance and Technical General Secretariat of the Ministry of Agriculture, Fisheries and Food. She holds degrees in Law and Philosophy and Education Sciences as well as a Ph.D. in Philosophy.
Ana Cristina Peralta Moreno	She is an independent director at Grenergy Renovables and an independent director at Inmobiliaria Colonial, SOCIMI, S.A. She was previously Chief Risk Officer and a member of the Bankinter Management Committee, and Chief Risk Officer and member of the Banco Pastor Management Committee. She has also held various positions at a number of financial organisations, notably serving as an independent director at Deutsche Bank SAE, independent director at Banco Etcheverría, independent director at Grupo Lar Holding Residencial, S.A.U., and Senior Advisor at Oliver Wyman Financial Services. She is a graduate in Economic and Business Sciences from Complutense University of Madrid. She also has a master's degree in Economic-Financial Management from the *Centro de Estudios Financieros* (CEF), Program for Management Development (PMD) at Harvard Business School and PADE (*Programa de Alta Dirección de Empresas* – senior management programme) at IESE.
Juan Pi Llorens	Lead Director of BBVA. He is currently non-executive Chair of Ecolumber, S.A., non-executive director at Oesia Networks, S.L. and Tecnobit, S.L.U. (Grupo Oesía). He has had a professional career at IBM holding various senior positions at a national and international level, including Vice President of Sales at IBM Europe, Vice President of Technology & Systems at IBM Europe and Vice President of the Financial Services Sector in the Growth Markets Units (GMU) in China. He was also Executive Chairman of IBM Spain. He holds a degree in Industrial Engineering from the *Universidad Politécnica de Barcelona* and completed the PDG (*Programa en Dirección General* – general management programme) at IESE.
Ana Leonor Revenga Shanklin	Senior Fellow at the Brookings Institution, Associate Professor at the Walsh School of Foreign Service at Georgetown University and Chair of the Board of Trustees at the ISEAK Foundation. Her career has been linked mainly to the World Bank, where, after holding several technical and management positions in East Asia and the Pacific, Europe and Central Asia, Latin America and the Caribbean, she has held several leadership positions, including Senior Director of Global Poverty & Equity (2014–2016) and Deputy Chief Economist (2016–2017). She holds a BA in Economics and Mathematics, magna cum laude, from Wellesley College (USA), an MA and PhD in Economics from Harvard University (USA), and a Certificate in Human Rights from the Faculty of Law at the University of Geneva (Switzerland).

Jan Paul Marie Francis Verplancke	His roles have included Chief Information Officer (CIO) and Group Head of Technology and Banking Operations at Standard Chartered Bank, Vice President of Technology and Chief Information Officer (CIO) for EMEA at Dell, as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss. He is currently an advisor to the internal advisory board at Abdul Latif Jameel. He holds a bachelor's degree in Science, specialising in Computer Science, from the Programming Centre of the North Atlantic Treaty Organization (NATO) in Belgium.

Total number of independent directors	10
% of all directors	67%

Indicate whether any director considered an independent director is receiving from the company or from its group any amount or benefit under any item that is not the remuneration for their directorship, or maintains or has maintained over the last financial year a business relationship with the company or any company in its group, whether in their own name or as a significant shareholder, director or senior manager of an entity that maintains or has maintained such a relationship.

Where applicable, include a reasoned statement from the board with the reasons why it deems that this director can perform their duties as an independent director.

Name or corporate name of the director	Description of the relationship	Reasoned statement

OTHER EXTERNAL DIRECTORS

Identify all other external directors and explain why these cannot be considered proprietary or independent directors, and detail their relationships with the company, its executives or shareholders:

Name or corporate name of the director	Reasons	Company, executive or shareholder to which related	Profile
José Maldonado Ramos	He has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	Over the course of his professional career, he has held the positions of Secretary of the Board of Directors at a number of companies, most notably as Corporate General Secretary of Argentaria, before taking up the position of Corporate Secretary of BBVA. He took early retirement as a Bank executive in December 2009. He holds a Law degree from Complutense University of Madrid. In 1978, he became State Attorney
Susana Rodríguez Vidarte	She has been a director for a continuous period of more than 12 years.	Banco Bilbao Vizcaya Argentaria, S.A.	She has been Professor of Strategy at the Faculty of Economics and Business Administration at the University of Deusto and a non-practising member of the Institute of Accounting and Accounts Auditing. She was Dean of the Faculty of Economics and Business Administration at the University of Deusto, Director of the Postgraduate Area and Director of the *Instituto Internacional de Dirección de Empresas* (INSIDE). She holds a PhD in Economic and Business Administration from the University of Deusto.

Carlos Vicente Salazar Lomelín	Applying a criterion of prudence in the interpretation of the applicable law, Mr Salazar Lomelín has been assigned the status of external director to Banco Bilbao Vizcaya Argentaria, S.A., in view of his membership of the management bodies of companies related to BBVA Mexico for more than 15 years.	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Non-executive director of Grupo Financiero BBVA Bancomer, S.A. de C.V.; non-executive director of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer; non-executive director of Seguros BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer; non-executive director of Pensiones BBVA Bancomer, S.A. de C.V., Grupo Financiero BBVA Bancomer; and non-executive director of BBVA Bancomer Seguros Salud, S.A. de C.V., Grupo Financiero BBVA Bancomer. He is also the Chairman of Mexico's Business Coordinating Council (since 2019) and an independent director at Sukarne (since 2017) and Alsea (since 2019). His career has been linked mainly to Grupo Fomento Económico Mexicano S.A.B. de C.V. (Femsa), where he was General Manager of Cervecería Cuauhtémoc-Moctezuma and then Chief Executive Officer of Femsa (2014–2017). He holds a degree in Economics and has completed postgraduate studies in Business Administration at *Instituto Tecnológico y de Estudios Superiores* de Monterrey (Monterrey Institute of Technology and Higher Education).

Total number of other external directors	3
% of all directors	20%

Indicate any changes that may have occurred during the period in the directorship type of each director:

Name or corporate name of the director	**Date of change**	**Previous type**	**Current type**

C.1.4 Fill in the following table with information regarding the number of female directors over the last four financial years and their directorship types:

	Number of female directors				% of all directors of each type			
	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2017	Financial year 2020	Financial year 2019	Financial year 2018	Financial year 2017
Executive	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Proprietary	0	0	0	0	0.00%	0.00%	0.00%	0.00%
Independent	4	3	3	2	40%	37.5%	37.5%	33.33%
Other external	1	1	1	1	33.33%	25%	25%	25%
Total:	5	4	4	3	33.33%	26.67%	26.67%	23.08%

C.1.5 Indicate whether the company has diversity policies for the company's board of directors with regard to issues such as age, gender, disabilities, or professional training and experience. In accordance with the definition given in the Spanish Account Auditing Act, small and medium-sized companies will have to report, at a minimum, the policy that they have agreed in regard to gender diversity.

Yes

If yes, please outline these diversity policies, their objectives, their measures, the way in which they have been applied and the results thereof in this financial year. Any specific measures adopted by the board of directors and the appointments committee to attain a balanced and diverse representation of directors must also be indicated.

If the company does have a diversity policy, explain the reason for this.

Outline of the policies, their objectives, their measures, the way in which they have been applied and the results thereof

The Bank has a Policy on the selection, suitability and diversity of the BBVA Board of Directors (the Selection Policy), the current text of which was revised and approved at the end of 2020 by the Board of Directors, at the proposal of the Appointments and Corporate Governance Committee, in both cases, in accordance with their respective regulatory powers, taking into account the recommendations included in the Good Governance Code of Listed Companies of the CNMV and local and international best practices and recommendations.

This Selection Policy sets out the principles and criteria governing the process for the selection, appointment and renewal of the members of the BBVA Board of Directors, as well as the legal requirements that directors must meet, including suitability requirements. The Policy also provides for elements and objectives concerning the composition of the corporate bodies, including diversity, which will be attended to ensure that the corporate bodies properly exercise their functions and to guarantee their effective functioning. All the foregoing in the Bank's best corporate interest.

In this sense, with regard to diversity, the Selection Policy states that the BBVA Board of Directors will promote diversity in the composition of the Bank's corporate bodies by encouraging the inclusion of people with different profiles, qualities, knowledge, training and experience.

To ensure that the corporate bodies have an adequate and balanced composition, the refreshment and selection processes will encourage diversity of their members, based on the needs of the Bank at all times.

In particular, they will strive to ensure that the Board of Directors has a balanced representation of men and women. To this end, the Appointments and Corporate Governance Committee has set a target for representation of the lesser-represented gender, namely to endeavour that female directors should represent at least 40% of the Board of Directors by the end of the 2022 financial year and beyond, not dropping below 30% prior to this.

Additionally, the composition of the Board of Directors shall seek to feature an adequate balance between the different types of director, for non-executive directors to represent an ample majority over executive directors and for the number of independent directors to account for at least 50% of the total seats.

The corporate bodies shall also seek to combine individuals who have experience and knowledge of the Group, its businesses and the financial sector in general, with others who have training, skills, knowledge and experience in other areas and sectors relevant to the Bank.

In any case, BBVA's corporate bodies may take any other diversity factor into consideration that is relevant at any given moment to accommodate the composition of the corporate bodies to the needs of the Bank, including criteria such as gender diversity, academic profile, professional experience, knowledge, disability, origin or age, thus being able to achieve an adequate balance aimed at ensuring that the corporate bodies can properly and effectively exercise their functions.

In line with the foregoing, the composition of the BBVA Board of Directors brings together directors with broad experience and knowledge of the financial and banking sector with other directors who have experience and knowledge in the other areas of interest to the Bank and its Group, such as audit, risk management, sustainability, corporate governance, the legal and academic field, multinational enterprise, public institutions and digital business and technology, both at the national and international level.

Together with this diversity of profiles and expertise, the Board has members with broad experience on the Board of Directors, which gives them in-depth knowledge of the Bank and its businesses at both the national and international level. It also ensures that the process of ongoing refreshment of the corporate bodies, which entails the inclusion of new profiles with lesser knowledge of the Group, is carried out without affecting the proper functioning of the Board.

Thus, the Board, as a whole, has suitable balance in its composition and suitable knowledge of the Bank and Group's environment, activities, strategies and risks, which contributes to bettering its functioning.

In addition, as a result of the Board refreshment process that has taken place in recent years, in 2020:

(i) the appropriate balance between the different types of director has been strengthened and the majority of non-executive directors on the Board has increased (to 86.67%);

(ii) the majority of independent directors has been increased (to 66.67%); and

(iii) the target for female representation established in the Selection Policy applicable to 2020, i.e. for 30% of directors to be female by 2020, has been achieved (specifically, women represent 33.33% of the Board).

Therefore, at the end of the 2020 financial year, the Board of Directors meets the aforementioned diversity targets relating to the composition of the Board of Directors, as provided for in the Selection Policy, which are also in line with applicable regulations.

C.1.6 Explain any measures that have been agreed by the Appointments Committee to ensure that the selection procedures are free from implicit biases that could hinder the selection of female directors, and to ensure that the company includes and makes a conscious effort to find potential female candidates who match the professional profile, in order to achieve a balanced representation of men and women. Also indicate whether these measures include encouraging the company to have a significant number of female senior managers:

Explanation of the measures

As stated in Section C.1.5, the Board of Directors has a Selection Policy that establishes that, with respect to the selection processes for new Bank directors, as part of the process of progressive and systematic refreshment of the corporate bodies, the Appointments and Corporate Governance Committee will ensure that they promote diversity and that, in general, they are not impaired by implicit biases that may lead to any form of discrimination.

Furthermore, the Committee will ensure that these selection processes facilitate the selection of a sufficient number of female directors so as to guarantee a balanced representation of women and men, endeavouring to ensure that women with the relevant professional profile are included amongst potential candidates.

To this end, the Appointments and Corporate Governance Committee has set a target for representation of the lesser-represented gender, namely to endeavour that female directors represent at least 40% of the Board by the end of the 2022 financial year and beyond, not dropping below 30% prior to this.

In light of the foregoing, BBVA has developed director selection processes in recent years, through which it has ensured compliance with the above principles, as they applied at any given time. In particular, the presence of women on the Board has been increasing. At the end of the year, one third of all Board members and 40% of independent directors were female.

As of the date of this report, BBVA has five women on its Board and they are members of five of the Committees. Furthermore, the majority of the members of the Audit Committee and the Remunerations Committee are women, including the Chair of the Remunerations Committee.

This means it is meeting the target established in the Selection Policy, which is aligned with the provisions of the CNMV Good Governance Code, for at least 30% of directors to be female in 2020.

Furthermore, in accordance with the provisions of Article 540 of the Spanish Corporate Enterprises Act, which stipulates that a brief description of the diversity policy, with regard to members of management, must be provided, BBVA has a selection and appointment policy for members of Senior Management that has been approved by the Board.

Said policy is designed to ensure that individuals in Senior Management positions at BBVA have the capacity to properly exercise the responsibilities conferred upon them. Thus, members of BBVA Senior Management must have top-level academic and technical qualifications, professional skills—underpinned by their professional careers to date—applicable to the responsibilities associated with the role to be fulfilled, a recognised honourable business and professional reputation, and commitment to BBVA's values.

Pursuant to the provisions of this policy, for the assessment of internal talent, performance is assessed in terms of the achievement of objectives, potential to assume greater responsibilities in the future, and individuals' professional capabilities and skills. These assessments may be supported by means of review sessions during which members of Senior Management analyse the profiles of certain employees and share their opinions on the achievements and strengths of each individual.

Moreover, for the selection of external candidates for senior management positions, references and top-level executive search firms are used. The Talent & Culture area ensures that external candidates possess top-level academic and technical qualifications, that their professional careers to date adequately encompass the responsibilities associated with the roles to be fulfilled, that they have recognised business and professional reputations, and that, during their careers at other organisations, they have demonstrated a high level of alignment with BBVA's values. The candidates identified through the company's external selection process are considered alongside internal candidates, in order to select the individual that best fits the role to be fulfilled.

Moreover, in accordance with the Regulations of the Board, the functions of this body include appointing members of Senior Management based on a report from the Appointments and Corporate Governance Committee. Prior to the proposal and appointment, the Bank follows a selection process for members of Senior Management which is governed by the principles and criteria outlined in the selection and appointment policy for members of Senior Management. This process involves analysing the functions and candidate profiles, confirming the suitability of the selected candidate, submitting the proposal for the consideration of the Appointments and Corporate Governance Committee, which drafts a preliminary report for the Board, and, finally, submitting the proposal to the Board for approval, which must be supported by a favourable preliminary report from the Appointments and Corporate Governance Committee.

Appointment of senior managers will be made on the proposal of the Group Executive Chairman for those who report thereto, and of the proposal of the Chief Executive Officer (*Consejero Delegado*), for those who report instead thereto, prior information to the Group Executive Chairman. The Board of Directors will be responsible for the appointment and dismissal of the head of the Internal Audit area, based on a proposal from the Audit Committee, and the Head of Regulation & Internal Control, on a proposal from the Risk and Compliance Committee, as well as the determination of their objectives and assessment of their performance, on a proposal from the corresponding committee.

Following the implementation of this policy, the number of women in Senior Management has increased, and 27% of senior managers were women at the end of the financial year.

When, despite the measures taken, there are few or no female directors or senior managers, explain the reasons:

Explanation of the reasons

C.1.7 Explain the conclusions of the appointments committee regarding the verification of compliance with the policy aimed at promoting an appropriate composition of the board of directors.

As part of the annual performance assessment of the Board carried out for 2020, the Appointments and Corporate Governance Committee, in accordance with its Regulations, has analysed the structure, size and composition of the corporate bodies, taking into account that these must remain balanced and adapted to their needs at all times, and that the Board as a whole must have the right knowledge, skills and experience to understand the business, activities and main risks of BBVA and its Group, thereby also ensuring that it has the effective capacity to carry out its functions in the Bank's best corporate interest.

This analysis is carried out in the context of the Board's ongoing and systematic refreshment of the corporate bodies, whereby people with different profiles and experiences are introduced at appropriate intervals, thus increasing diversity and ensuring adequate rotation of the Board members, thereby guaranteeing a balanced representation of directors with a range of experience.

The analysis also takes into account the forecasts and objectives regarding the structure, size and composition of the Board as set out in applicable legislation, the Regulations of the corporate bodies and the Selection Policy, as well as the end of the statutory terms each director, where appropriate in each year.

The Committee also takes into account the functioning and performance of the corporate bodies in recent years. In 2020, it took into account, in particular, how they have operated during the COVID-19 crisis, during which the directors have shown a great deal of dedication to the Bank as well as demonstrating flexibility and an ability to adapt to the current circumstances, and during which their knowledge of the landscape and the Group itself has not only enabled the corporate bodies to adequately carry out their functions, it has also contributed to the Group being able to tackle the crisis from a position of strength.

Furthermore, the Committee takes into account the areas and subjects that are of particular relevance to the performance of the corporate bodies' functions, in particular the Group's current and future activities, business and strategy.

Among the information used by the Committee to carry out its work, of particular note is the skills and diversity matrix of the Board of Directors, which is developed to help to identify the Board's skills, characteristics and experience, as well as those areas that needed to be improved in the future. The matrix also includes areas, sectors and matters related to banking and finance, as well as others that are of particular relevance to the Group's strategy and activities.

The matrix includes areas such as banking and financial services; accounting and auditing; risk management; innovation and information technology; macroeconomic strategy and environment; human resources and compensation; institutions, legal and regulations; and corporate governance and sustainability.

The matrix includes directors' professional experience and career paths in different areas such as, for example, business, boards of directors, public administration and academia, both nationally and internationally. It also indicates the Board's ratio of men to women.

Regarding the above, the Committee has been able to verify that the Board brings together directors with broad experience and knowledge of the financial and banking sector with other directors who have experience in each of the other areas analysed, and that its directors have a diverse range of career paths, both nationally and internationally.

The Board's diversity of skills, knowledge and experience has been reinforced by the thorough refreshment process with regard to the corporate bodies, which has seen the introduction of seven new directors in the past three years, which in turn has bolstered said skills, knowledge and experience on the Board in areas of particular relevance to the Bank's strategy, business and activities.

In this regard, the Board currently comprises directors with diverse experience on the Board, combining newly appointed members with others who have experience in the corporate bodies, and who have significant knowledge of the Group the operational dynamics and working culture of the corporate bodies; facilitating the progressive renewal process of the corporate bodies, which involves appointing new members with lesser knowledge of the Bank, without affecting the proper functioning of the corporate bodies.

Continued in section H.

C.1.8 Where applicable, explain why proprietary directors have been appointed at the behest of shareholders whose holding is less than 3% of the capital:

Name or corporate name of the shareholder	Justification

Indicate whether formal petitions for a seat on the board have been denied if such request has come from shareholders whose holding is equal to or greater than that of others at whose behest proprietary directors were appointed. Where applicable, explain why these petitions were not granted:

No

C.1.9 Where applicable, indicate the powers and faculties delegated by the board of directors to directors or to board committees:

Name or corporate name of the director or committee	Brief description
Carlos Torres Vila	He holds the widest-ranging representative and management powers in line with his duties as Chairman of the Company.
Onur Genç	He holds the widest-ranging representative and management powers in line with his duties as Chief Executive Officer of the Company.
Executive Committee	Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of the Regulations of the Executive Committee, the Executive Committee will be made aware of matters delegated to it by the Board of Directors, in accordance with the law, the Bylaws, the Regulations of the Board or the Regulations of the Executive Committee.

C.1.10 Where applicable, identify any members of the board who hold positions as directors, representatives of directors or executives in other companies that belong to the same group as the listed company:

Name or corporate name of the director	Corporate name of the group's entity	Position	Does the director have executive duties?
Carlos Torres Vila	BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Carlos Torres Vila	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No
Onur Genç	BBVA USA Bancshares, Inc.	Director	No
Onur Genç	BBVA Bancomer, S.A. Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No
Onur Genç	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No
Carlos Vicente Salazar Lomelín	Grupo Financiero BBVA Bancomer, S.A. de C.V.	Director	No
Carlos Vicente Salazar Lomelín	BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer	Director	No

Carlos Vicente Salazar Lomelín	Seguros BBVA Bancomer, S.A. de C.V. Grupo Financiero BBVA Bancomer	Director	No
Carlos Vicente Salazar Lomelín	Pensiones BBVA Bancomer, S.A. de C.V. Grupo Financiero BBVA Bancomer	Director	No
Carlos Vicente Salazar Lomelín	BBVA Bancomer Seguros Salud, S.A. de C.V. Grupo Financiero BBVA Bancomer	Director	No

C.1.11 Where applicable, provide details of any company directors (or representatives of corporate directors) who also serve as directors (or representatives of corporate directors) on the boards of other entities that are listed on regulated markets and do not form part of the company group, of which the company has been informed:

Name or corporate name of the director	Corporate name of the listed entity	Position
José Miguel Andrés Torrecillas	Zardoya Otis, S.A.	Director
Raúl Catarino Galamba de Oliveira	CTT- Correios de Portugal, S.A.	Chairman
Belén Garijo López	L’Oréal Société Anonyme	Director
Ana Cristina Peralta Moreno	Grenergy Renovables, S.A.	Director
Ana Cristina Peralta Moreno	Inmobiliaria Colonial, SOCIMI S.A.	Director
Juan Pi Llorens	Ecolumber, S,A.	Chairman
Carlos Vicente Salazar Lomelín	Alsea, S.A.B. de C.V.	Director

C.1.12 Indicate and, where applicable, explain whether the company has any agreed rules on the maximum number of company boards on which its directors may sit, detailing, where applicable, where such rules have been set out:

Yes

Explanation of the rules and where they are set out

Article 11 of the Regulations of the Board of Directors establishes that, in the performance of their duties, directors will be subject to the rules on limitations and incompatibilities established under the current applicable regulations, and in particular, to the provisions of Act 10/2014 on the regulation, supervision and solvency of credit institutions (the LOSS).

In this regard, Article 26 of the LOSS stipulates that the directors of credit institutions may not simultaneously hold more positions than those provided for in the following combinations: (i) one executive position and two non-executive positions; or (ii) four non-executive positions. Executive positions are understood to be those that undertake management duties irrespective of the legal bond attributed by those duties. In this respect, the following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within (i) entities that form part of the same institutional protection scheme or (ii) trading companies in which the entity holds a significant shareholding. Positions held in non-profit organisations or entities or companies pursuing non-commercial purposes will not count when determining the maximum number of positions. Nevertheless, the Bank of Spain may authorise members of the Board of Directors to hold an additional non-executive position if it deems that this would not interfere with the proper performance of the director's activities in the credit institution.

In addition, pursuant to the provisions of Article 11 of BBVA's Regulations of the Board of Directors, directors may not:

- Provide professional services to companies that compete with the Bank or any of the companies within its Group, or agree to be an employee, manager or director of such companies, unless they have received express prior authorisation from the Board of Directors or from the General Shareholders' Meeting, as appropriate, or unless these activities were conducted before the director joined the Bank, they posed no effective competition and the Bank had been informed of such at that time.

- Have direct or indirect shareholdings in businesses or enterprises in which the Bank or companies within its Group hold an interest, unless such shareholding was held prior to joining the Board of Directors or prior to the Group's acquisition of its holding in such businesses or enterprises, or unless such companies are listed on national or international securities markets, or unless authorised to do so by the Board of Directors.

- Hold political positions or perform any other activities that might have public significance or affect the Company's image in any way, unless authorised to do so by the Bank's Board of Directors.

C.1.13 Indicate the amounts of the following items relating to the total remuneration of the board of directors:

Remuneration of the board of directors accrued during the financial year (thousands of euro)	14,828
Amount of entitlements accrued by current directors in regard to pensions (thousands of euro)	23,057
Amount of entitlements accrued by former directors in regard to pensions (thousands of euro)	73,157

Remarks
The remuneration included in the first item of this section includes the fixed remuneration received by all directors in 2020, as well as, in the case of executive directors, the amount corresponding to the payment of the Deferred Portion of the Annual Variable Remuneration for the 2017 financial year to vest in 2021, in cash and in shares, together with its corresponding update. The amounts of the Deferred Portion of the Annual Variable Remuneration for 2017 have been determined in 2021, following the result of the Multi-Year Performance Indicators to which said remuneration was subject, and will be paid in the first quarter of 2021, providing that the conditions to that effect are met. To calculate the amount in Euros of the Deferred Portion of 2017 Annual Variable Remuneration of the Chief Executive Officer, associated to his previous role as President & CEO de BBVA Compass (currently BBVA USA), the closing exchange rate for January 2021 has been used (USD/EUR 1.2136). It is noted that executive directors have not accrued any Annual Variable Remuneration for the 2020 financial year, since they have voluntarily waived it in view of the exceptional circumstances arising from the COVID-19 crisis.

C.1.14 Identify the members of senior management who are not also executive directors, and indicate the total remuneration accrued by them throughout the financial year:

Name or corporate name	Position(s)
María Luisa Gómez Bravo	Global Head of Corporate & Investment Banking
Jorge Sáenz-Azcúnaga Carranza	Country Monitoring
Pello Xabier Belausteguigoitia Mateache	Country Manager Spain
Eduardo Osuna Osuna	Country Manager Mexico
David Puente Vicente	Global Head of Client Solutions
Jaime Sáenz de Tejada Pulido	Global Head of Finance
Rafael Salinas Martínez de Lecea	Global Head of Global Risk Management
José Luis Elechiguerra Joven	Global Head of Engineering & Organization
Carlos Casas Moreno	Global Head of Talent & Culture
Ricardo Martín Manjón	Global Head of Data
Victoria del Castillo Marchese	Global Head of Strategy & M&A
María Jesús Arribas de Paz	Global Head of Legal
Domingo Armengol Calvo	General Secretary
Ana Fernández Manrique	Global Head of Regulation and Internal Control
Joaquín Manuel Gortari Díez	Global Head of Internal Audit

Number of women in senior management	4
Percentage out of all senior management members	26.67%

Total remuneration of senior management (thousands of euro)	16,241

Remarks

C.1.15 Indicate whether there have been any amendments to the regulations of the board during the financial year:

No

C.1.16 Indicate the procedures for the selection, appointment, re-appointment and removal of directors. Provide details of the competent bodies, the procedures to be followed and the criteria to be used in each procedure.

Selection, appointment and re-appointment procedure:

The General Meeting is responsible for appointing and re-appointing members of the Board of Directors, though the Board has the authority to co-opt members if a seat falls vacant, in accordance with the regulations, the Bylaws, the Regulations of the Board and the Selection Policy described in Sections C.1.5 and C.1.6.

The persons proposed to be appointed or re-appointed as members of the Board of Directors must meet the requirements set out in current legislation, in the specific regulations applicable to credit institutions, in the Bylaws, in the Regulations of the Board and in the Selection Policy.

Proposals for appointment or re-appointment of directors submitted by the Board of Directors to the General Meeting, as well as appointments made directly to fill vacancies under its co-opting authority, will be approved at the proposal of the Appointments and Corporate Governance Committee for independent directors and subject to a report from this Committee for all other directors.

Furthermore, proposals for appointment and re-appointment submitted to the General Meeting must be accompanied by an explanatory report from the Board of Directors assessing the skills, experience and merits of the proposed candidate. Proposals for the appointment or re-appointment of non-independent directors must also be accompanied by a report from the Appointments and Corporate Governance Committee.

To this end, said Committee will assess the balance of knowledge, skills and experience on the Board of Directors, as well as the conditions that the candidates must meet to cover vacancies (applicable legal and suitability requirements, inter alia), evaluating the time commitment considered necessary so that they can carry out their duties, according to the needs of the corporate bodies.

Thus, the Appointments and Corporate Governance Committee will develop renewal and selection processes for directors as part of the process of progressive and systematic refreshment of the corporate bodies, with a view to ensuring that the structure and composition of the Board remains balanced and in line with the needs of the Bank at all times, having directors with different profiles, knowledge, training, experience and qualities.

Within these processes, the Committee will ensure that diversity is promoted and that, in general, there are no implicit biases that may lead to any form of discrimination.

It shall also ensure that these processes facilitate the selection of a sufficient number of female directors to guarantee a balanced representation of men and women, with the aim that female directors represent at least 40% of the Board by the end of the 2022 financial year and beyond, with the figure not dropping below 30% prior to this, while endeavouring to ensure that women who match the professional profile sought are included amongst potential candidates.

Additionally, the aim is for the composition of the Board of Directors to feature an appropriate balance between the different types of director, for non-executive directors to represent an ample majority over executive directors and for the number of independent directors to account for at least 50% of the total seats.

The corporate bodies will also be assessed to ensure that they have a mix of individuals who have experience and knowledge of the Bank, the Group, its businesses and the financial sector in general, as well as others who have training, skills, knowledge and experience in other areas and sectors relevant to the Bank.

In any case, BBVA's corporate bodies may take any other relevant diversity factor into consideration to adapt the composition of the corporate bodies to the needs of the Bank, taking into account criteria such as gender diversity, academic profile, professional experience, knowledge, disability, origin or age, thus being able to achieve an adequate balance.

In the performance of its functions, the Appointments and Corporate Governance Committee may employ external services to select potential candidates, when it deems this necessary or appropriate.

Duration of mandate and termination:

The directors will hold their position for the term set out in the company Bylaws (three years, after which they may be reappointed one or more times for an additional three-year term) or, if they have been co-opted, until the first General Shareholders' Meeting has been held. They will leave their positions when the term for which they were appointed expires, unless they are re-appointed.

Directors must also inform the Board of Directors of any circumstances affecting them that could harm the company's standing and reputation, and any circumstances that may have an impact on their suitability for their role. Directors must offer their resignation to the Board and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation, in the circumstances listed in section C.1.19 below.

In any event, directors will resign from their posts upon reaching 75 years of age and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.17 Explain the extent to which the annual evaluation of the board has led to significant changes in its internal organisation and in the procedures applicable to its activities:

Description of the amendments

Article 17 of the Regulations of the Board of Directors states that the Board will assess the quality and efficiency of the operation of the Board of Directors, based on the report submitted to it by the Appointments and Corporate Governance Committee. This procedure was followed in the 2020 financial year, and certain measures (indicated below) were undertaken and consolidated, as part of the ongoing process of developing and adapting BBVA's Corporate Governance System to the needs of the corporate bodies, to the environment in which it carries out its activities and to regulatory requirements and best practices.

Accordingly, the BBVA Board of Directors has carried out their self-assessment process for the 2020 financial year, having carried out an analysis of its Corporate Governance System, which took into consideration, as a starting point, the self-assessment process for the 2019 financial year.

Within the evaluation process for the 2020 financial year, the following is highlighted:

- the renewal of the composition of the Board of Directors, with the appointment of three new directors and the re-appointment of two directors, and of the composition of the Board Committees, in the terms set out in this Report;

- the consolidation of measures to improve governance structures implemented in the 2019 financial year, together with the development and implementation, in 2020, of measures to strengthen and improve efficiency in certain aspects of the organisation and functioning of the corporate bodies, in particular concerning meeting dynamics and the information model;

- Reinforcement in terms of the distribution of functions among the corporate bodies and the handling of issues of particular relevance to the Group;

- The approval of internal regulation to standardise and unify the methodology for the creation, approval, application and supervision of the Group's internal rules, and the approval and updating of general policies, through which the corporate bodies establish the general principles, objectives and the main management and control guidelines that the BBVA Group must observe within its various areas of activity; and

- Finally, it was noted that the COVID-19 crisis, which has impacted the organisation at all levels, meant that the corporate bodies: reinforced their monitoring of the impact of the crisis and management of the Group's activities, business and results; strengthened the interaction between the Board, its Committees and the executive team for the analysis of all relevant information on the evolution of the crisis and its management by the Bank; directly and continuously monitored and observed the management carried out by the executive team; and considered the need to adapt the dynamics of their meetings, in terms of how they are held, the number of meetings and the prioritisation of issues.

In all of this, the Bank's corporate bodies sought to keep BBVA's Corporate Governance System adapted to the reality, circumstances and needs of the Bank and, consequently, to emphasise the importance attributed to ensuring its solidity and resilience under all circumstances.

Describe the evaluation process and the areas evaluated by the board of directors (assisted, where applicable, by an external consultant) to assess the operation and composition of the board, its committees and any other area or aspect that was evaluated.

Description of the evaluation process and the areas evaluated

In accordance with Article 17 of the Regulations of the Board of Directors, the Board assesses the quality and efficiency of its operation, as well as the performance of the functions of the Chairman of the Board, based, in each case, on the report submitted to it by the Appointments and Corporate Governance Committee. The Board of Directors also assesses the performance of the Chief Executive Officer, based on the report by the Appointments and Corporate Governance Committee, which includes the assessment performed by the Executive Committee. Finally, the Board of Directors also assesses the operation of its committees, on the basis of the reports submitted to it by the latter.

The evaluation process carried out in relation to the 2020 financial year consisted of a thorough analysis and evaluation of the quality and efficiency of the operation of the corporate bodies and the performance of the Chairman and the Chief Executive Officer. This evaluation was carried out by the Appointments and Corporate Governance Committee, taking into account several aspects, such the Board's self-assessment for the 2019 financial year, the directors' view of the operation of the Board, and the various reports issued, described below.

In line the foregoing, the Board of Directors evaluated: (i) the quality and efficiency of the operation of the Board of Directors; (ii) the performance of the duties of the Chairman and the Chief Executive Officer; and (iii) the operation of the Board Committees; as detailed below:

- The Board of Directors analysed the quality and efficiency of its operation during the 2020 financial year, on the basis of the report by the Appointments and Corporate Governance Committee on the quality and efficiency of the Board's operation and on its structure, size and composition. This report contained a detailed analysis of the following: the structure, size and composition of the Board of Directors, as per Sections C.1.5, C.1.6 and C.1.7; the organisation, preparation and conducting of the meetings of the Board; the independence and suitability of directors, and the degree of commitment the Bank requires of Board members (in particular, the chair of each of the committees) to ensure the proper execution of the duties of director and the proper operation of the corporate bodies. This analysis was performed on the basis of the needs of the corporate bodies at any given time and taking into account the Selection Policy.

- The assessment of the performance of the functions of the Chairman of the Board of Directors, which was led by the Lead Director in accordance with Article 21 of the Regulations of the Board, was carried out by the Board on the basis of the report by the Appointments and Corporate Governance Committee (in accordance with Article 5 of the Regulations of the Appointments and Corporate Governance Committee) which details the key elements of the Chairman's performance for the 2020 financial year.

- The assessment of the performance of the duties of the Chief Executive Officer was carried out by the Board on the basis of the report by the Appointments and Corporate Governance Committee, including the assessment carried out in this respect by the Executive Committee (in accordance with Article 17 of the Regulations of the Board) which details the key elements of the Chief Executive Officer's performance for the 2020 financial year.

In addition, the Board assessed the quality and efficiency of the functioning of each Committee on the basis of the reports submitted by their respective Chairs, as described in Section H of this Report.

C.1.18 For those financial years in which an external consultant provided assistance for the evaluation, provide details of any ongoing business relationships that the consultant or any entity in their group maintains with this company or any company in this group.

The assessment carried out by the Board of Directors in the 2020 financial year regarding its quality and operation, its Committees and the performance of the functions of the Chairman of the Board and the Chief Executive Officer was carried out without the support of an independent expert.

C.1.19 Indicate the circumstances under which directors are obliged to resign.

In addition to the circumstances established in applicable law, directors will cease to hold office when the term for which they were appointed expires, unless they are re-appointed.

Accordingly, as set forth in Article 12 of the Regulations of the Board of Directors, directors must offer their resignation to the Board of Directors and accept the Board's decision regarding their continuity in office. Should the Board decide against their continuity, they are required to tender their resignation, in the following circumstances:

- If they find themselves in circumstances deemed incompatible or prohibited under current legislation, in the Bylaws or in the Regulations of the Board of Directors.
- When significant changes occur in their personal or professional situation that may affect the status under which they were appointed as directors.
- When they are in serious dereliction of their duties as director;
- When, for reasons attributable to them, acting in their capacity as director, serious damage has been done to the Company's equity, standing or reputation; or
- When they are no longer suitable to hold the position of director at the Bank.

C.1.20 Are supermajorities, other than those provided for in law, required for any type of decision?:

No

Where applicable, describe the differences.

C.1.21 Explain whether there are specific requirements, other than those relating to directors, to be appointed chairman of the board of directors.

No

C.1.22 Indicate whether the bylaws or regulations of the board establish an age limit for directors:

Yes

	Age limit
Chairman	-
Chief Executive Officer	-
Director	75

Remarks
As stipulated in Article 4 of the BBVA Regulations of the Board of Directors, directors will resign from their positions, in any event, upon reaching 75 years of age, and must submit their resignation at the first meeting of the Bank's Board of Directors held after the General Shareholders' Meeting approving the accounts for the financial year in which they reach said age.

C.1.23 Indicate whether the bylaws or regulations of the board of directors establish a limited mandate or other stricter requirements for independent directors in addition to those provided for in law:

No

C.1.24 Indicate whether the bylaws or the regulations of the board of directors establish specific rules for proxy voting within the board of directors for other directors, how this is carried out and, in particular, the maximum number of proxies that a director may have and whether there are any restrictions as to what categories may be appointed as a proxy, beyond the limitations provided for in law. Where applicable, provide a brief description of these rules.

Article 5 of the BBVA Regulations of the Board of Directors establishes that directors are required to attend meetings of the corporate bodies of which they form part, unless they have a justifiable reason for not doing so. Directors will participate in the deliberations, discussions and debates on matters submitted for their consideration and must personally attend the meetings held.

However, as set forth in Article 26 of the Regulations of the Board of Directors, if it is not possible for a director to attend a meeting of the Board of Directors, this director may authorise another director to act as their proxy and cast votes on their behalf, by sending a letter or email to the Company with the information needed by the proxy director to follow the absent director's instructions. Applicable legislation states that non-executive directors may only grant proxy to another non-executive director. The same applies to attendance at meetings of Board Committees.

C.1.25 Indicate the number of meetings that the board of directors has held during the financial year. Where applicable, indicate how many times the board has met without the chairman in attendance. The chairman will be considered to have been in attendance if represented by a proxy provided with specific instructions.

Number of board meetings	15
Number of board meetings without the chairman in attendance	0

Indicate how many meetings were held by the lead director with the other board members, without any executive director in attendance or represented:

Number of meetings	63

Remarks
BBVA's Board of Directors has a Lead Director who performs the functions set forth in the applicable legislation, as well as those stipulated by Article 21 of the Regulations of the Board of Directors. In the performance of the functions assigned, during the financial year the Lead Director maintained ongoing contact, held recurring meetings and had conversations with other directors of the Bank in order to seek their opinions on the corporate governance and operation of the Bank's corporate bodies. In addition, in accordance with Article 37 of the Regulations of the Board, the Lead Director held and coordinated various meetings of non-executive directors, which took place following the meetings of the Board of Directors. Furthermore, as of the date of this report, the Lead Director serves as Chair of the Risk and Compliance Committee and as a member of the Appointments and Corporate Governance Committee, which are composed of non-executive directors with a majority of independent directors. In addition, the Lead Director has held individual meetings with non-executive directors within the framework of the Board's annual self-assessment process, in addition to those meetings described above, in order to fully fulfil his duties.

Indicate how many meetings of the board committees were held during the financial year:

Number of meetings of the executive committee	30
Number of meetings of the audit committee	13
Number of meetings of the appointments and corporate governance committee	4
Number of meetings of the remunerations committee	4
Number of meetings of the risk and compliance committee	23
Number of meetings of the technology and cybersecurity committee	7

C.1.26 Indicate how many meetings were held by the board of directors during the financial year and provide details on the attendance of its members:

Number of meetings attended by at least 80% of the directors	15
% of in-person attendance of the total number of votes cast during the financial year	99.11%
Number of meetings where all directors, or proxies granted with specific instructions, attended in person	15
% of votes cast, with directors attending in person and with proxies granted with specific instructions, of the total number of votes cast throughout the financial year	100%

Remarks
The Board of Directors holds ordinary meetings on a monthly basis, in accordance with the annual calendar of ordinary meetings drawn up before the beginning of the financial year, and holds extraordinary meetings as often as deemed necessary. Furthermore, following the declaration of a state of alarm in Spain and due to the situation created by the coronavirus and the measures taken in this respect by the authorities, Board meetings were held entirely remotely in such a way that enabled the recognition of attendees and made it possible for attendees to interact and for each of them to address the meeting in real time, maintaining the unity of the event, in accordance with the applicable regulations and the Regulations of the Board.

C.1.27 Indicate whether the individual or consolidated annual financial statements that are presented to the board for approval are certified beforehand:

No

Where appropriate, identify the person(s) who has/have certified the company's individual and consolidated annual financial statements prior to board approval:

C.1.28 Explain the mechanisms, if any, established by the board of directors to ensure that the annual financial statements presented by the board of directors to the general shareholders' meeting are drawn up in accordance with accounting regulations.

Article 32 of the Regulations of the BBVA Board of Directors specifies that the main task of the Audit Committee, which is composed exclusively of independent directors, is to assist the Board of Directors in supervising the preparation of the financial statements and public information, as well the relationship with the external auditor and the Internal Audit area.

In this regard, in accordance with Article 5 of the Regulations of the Audit Committee, it is the responsibility of the Audit Committee to oversee the process of preparing and reporting financial information and submit recommendations or proposals on safeguarding the integrity thereof to the Board of Directors.

It is also the responsibility of the Audit Committee to analyse all financial information and any related non-financial information contained in the annual financial statements of both the Bank and its consolidated Group, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity.

It is also the Committee's responsibility to review the correct application of accounting criteria, as well as all relevant changes relating to the accounting principles used and the presentation of the financial statements, including the accurate consolidation perimeter.

Similarly, in accordance with Article 5 of the Regulations of the Audit Committee, said Committee is responsible for monitoring the effectiveness of the Company's internal control and risk management systems in the preparation and reporting of financial information, including tax-related risks.

In the performance of these functions, the Audit Committee maintains direct and ongoing contact with the heads of the area in the Group responsible for Accounting functions through monthly meetings, monitoring the evolution of the main figures on the Balance Sheet and the Income Statement of the Bank and its Group each month; overseeing the accounting policies, practices and principles and the valuation criteria followed by the Bank and the Group during the process of preparing and submitting financial information; and analysing changes made in relation to the main applicable accounting regulations, as well as the main impacts that their incorporation has had on the financial information of the Bank and its Group. To this end, the

Committee had all of the information that it required, with the level of aggregation deemed appropriate.

In addition, given that the external audit is one of the core elements in the chain of control mechanisms established to ensure the quality and integrity of the financial information, in accordance with the Regulations of the Audit Committee, it is the Committee's responsibility to check, at appropriate intervals, that the external audit schedule of work is being conducted under the agreed conditions, and that this satisfies the requirements of the competent authorities and the corporate bodies.

Moreover, it will require the auditor to periodically—at least once a year—provide an evaluation of the quality of the internal control procedures regarding the preparation and reporting of the Group's financial information, discussing with the auditor any weaknesses in the internal control system identified during the audit, without undermining its independence, to then be able to submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.

The Committee will also be apprised of any infringements, situations requiring adjustments or anomalies that may be detected during the external audit and are material in nature, i.e. those that, in isolation or as a whole, could cause significant and substantive harm to the Group's equity, earnings or reputation, and discernment of such matters will be at the discretion of the Internal Audit area which, in the presence of doubt, must report these.

These matters are carefully considered by the Audit Committee, which maintains direct and ongoing contact with the external auditors through monthly meetings not attended by the Bank's executives. At these meetings, the auditors provide detailed information on their work and the results thereof, which enables the Committee to continuously monitor said work and the conclusions thereof, ensuring that it is performed under optimal conditions and without interference from management.

C.1.29 Is the secretary of the board a director?

No

If the Secretary is not a director, complete the following table:

Name or corporate name of the secretary	Representative
Domingo Armengol Calvo	

C.1.30 Indicate the specific mechanisms established by the company to preserve the independence of the external auditors, and, if any, the mechanisms to preserve the independence of financial analysts, investment banks and rating agencies, including how legal measures have been implemented in practice.

As set forth in the Regulations of the Audit Committee, one of the Committee's functions, described in Section C.2.1, is to ensure the independence of the auditor through a dual approach:

- Avoiding that the auditor's warnings, opinions or recommendations may be adversely influenced. To this end, ensuring that compensation for the auditor's work does not compromise either its quality or independence, in compliance with the auditing legislation in force at any given moment.

- Establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, conformity of the Committee will be required, and this decision may be delegated in advance to its Chair. The auditor will be prohibited from providing unauthorised services outside the scope of the audit, in compliance with the auditing legislation in force at any given moment.

This matter is carefully considered by the Audit Committee, which holds meetings with the auditor's representatives at each of the monthly meetings it has, without Bank executives in attendance, to gain a detailed understanding of any issues that may hinder the audit process, the progress and quality of the work carried out, and to confirm independence in the performance of its work.

The Committee also continually oversees the engagement of additional services to ensure compliance with the Regulations of the Audit Committee and with applicable legislation and thus the independence of the auditor, in accordance with the Bank's internal procedure.

Moreover, in accordance with the provisions of Point f), Section 4 of Article 529 *quaterdecies* of the Spanish Corporate Enterprises Act and Article 5 of the Regulations of the Audit Committee, each year before the audit report is issued, the Committee must issue a report expressing its opinion on whether or not the independence of the auditor has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every kind of additional service provided to the Group companies, considered individually and collectively, except the legal audit and those relating to independence or the regulations on audit activity. Each year, the auditor must issue a report confirming its independence via-à-vis BBVA or entities linked to BBVA, either directly or indirectly, with detailed and itemised information on any kind of additional services provided to these entities by the external auditor, or by the individuals or entities linked to it, as set out in the consolidated text of the Spanish Account Auditing Act.

In compliance with the legislation in force, the relevant auditor and Audit Committee reports confirming the auditor's independence were issued in the 2020 financial year.

In addition, as BBVA's shares are listed on the New York Stock Exchange, it is subject to compliance with the Sarbanes Oxley Act and its implementing regulations.

The Board of Directors also has a policy in place for communication and contacts with shareholders and investors. The policy is governed by the principle of equal treatment for all shareholders and investors, who are in the same position in terms of information, participation and the exercise of their rights as shareholders and investors, inter alia.

Moreover, this policy contains the principles and channels established in relation to shareholders and investors, which govern, where applicable, BBVA relations with other stakeholders, such as financial analysts, Bank share management companies and custodians, and proxy advisors, among others.

C.1.31 Indicate whether the Company has changed its external auditor during the financial year. If so, identify the incoming and outgoing auditors:

No

If there were any disagreements with the outgoing auditor, explain these disagreements:

No

C.1.32 Indicate whether the auditing firm does any other work for the company and/or its group other than the audit. If so, declare the amount of fees received for such work and the percentage that the aforementioned amount represents of the total fees billed to the company and/or its group for audit work:

Yes

	Company	Group companies	Total
Amount of non-audit work (thousands of euro)	0	362	362
Amount of non-audit work/total amount billed by the auditing firm (%)	0,00%	2,22%	1,23%

C.1.33 Indicate whether the audit report on the annual financial statements for the previous financial year contained qualifications. If so, indicate the reasons given by the chair of the audit committee to the shareholders at the General Meeting to explain the content and scope of such qualifications.

No

Explanation of the reasons and direct link to the document made available to the shareholders at the time of the calling in relation to this matter

C.1.34 Indicate the number of consecutive financial years during which the current audit firm has been auditing the annual financial statements for the company. Likewise, indicate the total number of financial years audited by the current audit firm as a percentage of the total number of years in which the annual financial statements have been audited:

	Individual	Consolidated
Number of consecutive financial years	4	4
Number of financial years audited by the current audit firm/ Number of financial years the company or its group have been audited (%)	20%	20%

C.1.35 Indicate whether there is a procedure in place (and provide details, where applicable) whereby directors are provided with the information they need with sufficient time to be able to prepare for meetings of the management bodies:

Yes

Details of the procedure

As set forth in Article 5 of the Regulations of the Board of Directors, prior to the meetings, directors will be provided with the information needed to form an opinion with respect to the matters within the remit of the Bank's corporate bodies, and may ask for any additional information and advice required to perform their duties. They may also ask the Board of Directors for external expert help for any matters put to their consideration whose special complexity or importance so requires.

These rights will be exercised through the Chairman or Secretary of the Board of Directors, who will attend to requests by providing the information directly or by establishing suitable arrangements within the organisation for this purpose, unless a specific procedure has been established in the regulations governing the Board of Directors' committees.

Furthermore, as set forth in Article 28 of the Regulations of the Board of Directors, the directors will be provided with such information or clarifications as deemed necessary or appropriate with regards to the matters to be discussed at the meeting, either before or after the meetings are held.

In addition, BBVA implements an information model that ensures that decisions are made on the basis of complete, comprehensive, appropriate and consistent information, prepared in accordance with common principles so that analyses carried out by the corporate bodies are based on the correct data, thus allowing directors to perform their duties to the best of their ability.

Thus, the Bank's corporate bodies have a procedure in place for checking the information submitted for consideration, coordinated by the Board's Secretariat with the departments responsible for the information, in order to provide directors with complete, comprehensive, appropriate and consistent information in sufficient time for the meetings of the Bank's various corporate bodies. Prior to such meetings, information is made available to the Bank's corporate bodies via an online system, to which all members of the Board have access.

C.1.36 Indicate and, where applicable, provide details of whether the company has set out rules that require directors to report and, where applicable, resign in the event that they are affected by circumstances that, whether or not related to their actions at the company itself, could harm the company's standing and reputation:

Yes

Explanation of the rules

As set forth in Article 12 of the Regulations of the Board of Directors, directors must also inform the Board of Directors of any circumstances that may affect them and harm the Company's standing and reputation, and any circumstances that may have an impact on their suitability to perform their role.

Directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office. Should the Board decide against their continuing, they are required to tender their resignation when, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's equity, standing or reputation or when they are no longer suitable to hold the status of director at the Bank, among other circumstances referred to in Section C.1.19 of this report.

C.1.37 Indicate, unless there have been special circumstances recorded in the minutes, whether the board was informed or otherwise came to know of any situation concerning a director, whether or not related to their role in the company itself, that could harm the company's standing and reputation:

No

C.1.38 Detail any significant agreements reached by the Company that are coming into force, or were amended or concluded as a result of a change in the control of the company stemming from a public takeover bid, and its effects.

The Company has not reached any significant agreements that are coming into force, or were amended or concluded as a result of a change in the control of the Company stemming from a public takeover bid.

C.1.39 Identify on an individual basis, when referring to directors, and in aggregate form for all other cases, and indicate in detail any agreements between the Company and its directors, managers or employees that provide for severance pay (guarantee or golden parachute clauses) for when such persons resign or are wrongfully dismissed or if the contractual relationship comes to an end owing to a public takeover bid or other kinds of transactions.

Number of beneficiaries	66
Beneficiary type	**Description of the agreement**
66 managers and other employees	The Bank has no commitments to provide severance pay to directors. As at 31 December 2020, in accordance with the provisions of their contracts, 66 managers and employees are entitled to receive severance pay in the event of departure on grounds other than their own will, retirement, disability or serious dereliction of duties. Its amount will be calculated by factoring in the fixed elements of the Bank employee's salary and length of service and will not, under any circumstances, be paid in the event of lawful dismissal at the employer's decision on grounds of the employee's serious dereliction of duties.

Indicate whether, in addition to the circumstances provided for by law, the corporate bodies of the company or group must be notified of and/or approve these contracts. If so, specify the procedures, the circumstances provided for and the nature of the bodies responsible for approval or notification:

	Board of Directors	General meeting
Body that authorises the clauses	Yes	No

	YES	NO
Is the general meeting informed of these clauses?	X	

Remarks
The Board of Directors approves resolutions relating to the basic contractual conditions of members of Senior Management, pursuant to the provisions of Article 17 of the Regulations of the Board, which are hereby notified to the General Shareholders' Meeting through this Report and through the information contained in the Annual Financial Statements, but does not approve the conditions applicable to other employees.

C.2 Committees of the board of directors

C.2.1 Detail all of the committees of the board of directors, their members and the proportion of executive, proprietary, independent and other external directors sitting thereon:

EXECUTIVE COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chairman	Executive
Onur Genç	Member	Executive
José Miguel Andrés Torrecillas	Member	Independent
Jaime Félix Caruana Lacorte	Member	Independent
José Maldonado Ramos	Member	Other external
Susana Rodríguez Vidarte	Member	Other external

% of executive directors	33.33%
% of proprietary directors	0%
% of independent directors	33.33%
% of other external directors	33.33%

Explain the functions that have been delegated or assigned to this committee, other than those that have already been described in Section C.1.9, and describe both the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether in law, in the bylaws or in other corporate resolutions.

Pursuant to Article 30 of BBVA's Regulations of the Board of Directors and Article 1.2 of its own Regulations, the Executive Committee will be made aware of matters that the Board, as required by law, the Bylaws, the Regulations of the Board or its own Regulations, resolves to delegate to it.

In particular, in accordance with the powers conferred on it by Article 5 of the Regulations of the Executive Committee, the Committee performs the following functions:

- Supporting the Board in its decision-making:

  I. In relation to strategy: establishment of the bases on which proposals are prepared and prior analysis of proposals submitted to the Board regarding the Strategic Plan or other strategic decisions such as the Risk Appetite Framework (RAF); prior analysis of the strategic and financial aspects of proposals submitted to the Board regarding corporate transactions that fall within its decision-making remit; and decision-making or implementation of the mandates which are expressly delegated to it by the Board in these areas, once the decisions within its remit have been adopted.

II. In relation to budgets: prior analysis of budget proposals submitted to the Board; decision-making within its remit with regard to the implementation of the budget approved by the Board; and analysis of deviations from the approved budget.

III. In relation to finance: establishment of the bases on which proposals are prepared and prior analysis of proposals submitted to the Board regarding the funding plan, the capital and liquidity structure and the Bank's dividend policy; and decision-making on the implementation of mandates conferred upon it by the Board in these areas.

IV. In relation to business risk: analysis of matters relating to business risk in the proposals and plans submitted to the Board of Directors; and, in relation to reputational risk, analysis, evaluation and management of matters relating thereto.

- Prior reporting of policies submitted to the Board and approval of Company and Group general policies: analysis, prior to their consideration by the Board, of the general Group and Company policies that, in accordance with the law or internal regulations, must be approved by the Board, except for policies relating to issues handled by other Board committees, which will be approved or reported to the Board beforehand by the appropriate committee.

- Oversight and control of the following matters: (i) Group activity and results; (ii) budgetary monitoring; (iii) progress of the Strategic Plan, by analysing key performance indicators established for this purpose; (iv) monitoring of the Group's funding and liquidity plan and capital situation, as well as the activities of the Assets and Liabilities Committee; (v) monitoring of changes in the risk profile and core metrics defined by the Board; (vi) share-price performance and changes in shareholder composition; (vii) analysis of the markets in which the Group operates; and (viii) progress of projects and investments agreed within its remit, as well as those agreed by the Board within the strategic sphere.

- Decision-making powers on the following matters: (i) investments and divestments between EUR 50 million and EUR 400 million, unless they are of a strategic nature, in which case they will be the Board's responsibility; (ii) plans and projects that are considered to be of importance to the Group and that arise from its activities, and that are not within the remit of the Board; (iii) decisions regarding the assumption of risks that exceed the limits set by the Board, which must be reported to the Board at its first meeting thereafter for ratification; (iv) granting and revoking of the Bank's powers; (v) proposals for the appointment and replacement of directors in the Bank's subsidiaries or affiliates with more than EUR 50 million in equity; and (vi) compliance so that executive directors may hold management positions in subsidiaries, in which the Bank holds a direct or indirect controlling interest, or in the Group's affiliate companies.

The Regulations of the Executive Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation.

The Regulations of the Executive Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda, and also set out the procedure for calling ordinary and extraordinary meetings.

For the proper performance of its functions, the Committee will have available, where necessary, the reports of the relevant Board committees on matters within their remits, and may request as a matter of relevance the attendance of the chairs of those committees at its own meetings where such reports are to be dealt with.

Other aspects of the organisation and operation of the Committee shall be subject to the Regulations of the Committee itself. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board, insofar as they are applicable.

The most significant actions carried out by the Executive Committee in the 2020 financial year are detailed in Section H of this Report.

AUDIT COMMITTEE

Name	Position	Category
Jaime Félix Caruana Lacorte	Chairman	Independent
José Miguel Andrés Torrecillas	Member	Independent
Belén Garijo López	Member	Independent
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent

% of proprietary directors	0%
% of independent directors	100%
% of other external directors	0%

Explain the functions assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Audit Committee is to assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit area.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Audit Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board the Audit Committee is entrusted with the following functions, inter alia:

In relation to overseeing the financial statements and public information:

- Oversee the process of preparing and reporting financial information and submit recommendations or proposals to the Board for safeguarding the integrity thereof.
- Analyse, prior to their submission to the Board and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as all other required financial and related non-financial information.
- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.
- Monitor the effectiveness of the Company's internal control as well as its risk management systems, in terms of the process of preparing and reporting financial information, including tax-related risks, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence.

In relation to the Internal Audit function:

- Propose the selection, appointment, re-appointment and removal of the Head of the Internal Audit function to the Board of Directors; monitor the independence, effectiveness and functioning of the Internal Audit function; analyse and set objectives for the Head of the Internal Audit function and conduct the performance assessment; ensure that the Internal Audit function has the necessary material and human resources; and analyse and, where appropriate, approve the annual work plan for the Internal Audit function.
- Receive monthly information from the Head of the Internal Audit function regarding the activities carried out by it, and regarding any incidents and obstacles that may arise, and verify that

Senior Management takes into account the conclusions and recommendations of the reports; and also follow up on these plans.

- Be aware of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.

In relation to the external audit process:

- Submit to the Board any proposals for the selection, appointment, re-appointment and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as for the engagement terms, and periodically obtain information from the external auditor on the external audit plan and its execution, in addition to preserving its independence in the performance of its functions.

- Ensure the independence of the auditor: (i) by avoiding any possibility that the auditor's warnings, opinions or recommendations may be adversely influenced, ensuring that compensation for the auditor's work does not compromise either its quality or independence; and (ii) by establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, agreement by the Committee will be required.

- Establish appropriate relationships with the auditor in order to receive information regarding any issues that may pose a threat to its independence and any other issues related to the account audit process.

- Where appropriate, authorise the provision of additional services by the auditor or associated persons or entities, excluding prohibited services, as required by applicable regulations in each case, under the terms provided for in auditing legislation.

- Issue, on an annual basis and before the audit report is issued, a report expressing an opinion on whether the auditor's independence has been compromised. This report must contain a reasoned assessment of each of the additional services mentioned in the previous section, considered individually and collectively, over and above the legal audit and in relation to the independence requirements or to the rules governing the account auditing process.

- Ensure that the auditor holds an annual meeting with the full Board of Directors to inform it of the work undertaken and developments in the Company's risk and accounting situations.

The most significant actions carried out by the Audit Committee in the 2020 financial year, as well as its organisational and operational rules, are detailed in Section H of this Report.

Identify the directors who are members of the audit committee and have been appointed on the basis of their knowledge and experience of accounting or auditing, or both, and specify the date on which the Chair of this committee was appointed to the post.

Names of the directors with experience	Jaime Félix Caruana Lacorte José Miguel Andrés Torrecillas Belén Garijo López Lourdes Máiz Carro Ana Cristina Peralta Moreno
Date of appointment of the chair to the post	29 April 2019

APPOINTMENTS AND CORPORATE GOVERNANCE COMMITTEE

Name	Position	Category
José Miguel Andrés Torrecillas	Chairman	Independent
Belén Garijo López	Member	Independent
José Maldonado Ramos	Member	Other external
Juan Pi Llorens	Member	Independent
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	60%
% of other external directors	40%

Explain the functions assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Appointments and Corporate Governance Committee is to assist the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors; the assessment of their performance; the drafting of succession plans; the Bank's Corporate Governance System; and the oversight of the conduct of directors and any conflicts of interest that may affect them.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Appointments and Corporate Governance Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board of Directors, the Appointments and Corporate Governance Committee is entrusted with the following functions:

1. Submit proposals to the Board of Directors for the appointment, re-appointment or removal of independent directors and report on proposals for the appointment, re-appointment or removal of the remaining directors.

   To this end, the Committee will evaluate the balance of knowledge, skills and experience on the Board of Directors, as well as the conditions that the candidates must meet to cover any vacancies that arise, evaluating the time commitment considered necessary so that they can adequately carry out their duties, according to the needs of the corporate bodies at any given time.

   The Committee will ensure that selection procedures are not implicitly biased in such a way that involves any kind of discrimination or, in particular, hinders the selection of members of the underrepresented gender, endeavouring to ensure that members of this gender who match the professional profile sought are included amongst potential candidates.

   When formulating its proposals for the appointment of directors, the Committee will take into consideration, if it considers them to be suitable, any requests that may be made by any member of the Board of Directors of potential candidates to fill the vacancies that have arisen.

2. Propose to the Board of Directors the selection and diversity policies for members of the Board.

3. Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.

4. Analyse the structure, size and composition of the Board of Directors, at least once per year, when assessing its operation.

5. Analyse the suitability of the members of the Board of Directors.

6. Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.

7. Report on proposals for the appointment of Chairman and Secretary and, where appropriate, Deputy Chair and Deputy Secretary, as well as the Chief Executive Officer.

8. Submit to the Board of Directors proposals for the appointment, removal or re-appointment of the Lead Director.

9. Determine the procedure for assessing the performance of the Chairman of the Board of Directors, the Chief Executive Officer, the Board of Directors as a whole and the Board committees, and oversee its implementation.

10. Report on the operational quality and efficiency of the Board of Directors.

11. Report on the performance of the Chairman of the Board of Directors and of the Chief Executive Officer, incorporating for the latter the assessment made in this regard by the Executive Committee, for the purpose of periodic evaluation of both by the Board.

12. Study and arrange the succession of the Chairman of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chair, in conjunction with the Lead Director in the case of the Chairman, and, where appropriate, draft proposals to the Board of Directors to ensure that the succession takes place in a planned and orderly manner.

13. Review the Board of Directors' policy on the selection and appointment of members of the Group's Senior Management, and file recommendations with the Board when applicable.

14. Report on proposals for the appointment and removal of senior managers.

15. Regularly review and assess the Company's Corporate Governance System and, where applicable, propose to the Board of Directors, for approval or submission at the General Shareholders' Meeting, any amendments and updates that would facilitate its implementation and continuous improvement.

16. Ensure compliance with the provisions applicable to directors contained in the Regulations of the Board of Directors or in the applicable regulations, as well as with the rules relating to conduct on the securities markets, and inform the Board of these if it deems it necessary.

17. Report, prior to any decisions that may be made by the Board of Directors, on all matters within its remit as provided for by law, the Bylaws, the Regulations of the Board and the Regulations of the Committee, and in particular on situations of conflict of interest of the directors.

The organisational and operational rules and the most significant actions carried out by the Appointments and Corporate Governance Committee in the 2020 financial year are detailed in Section H of this Report.

REMUNERATIONS COMMITTEE

Name	Position	Category
Belén Garijo López	Chair	Independent
Lourdes Máiz Carro	Member	Independent
Ana Cristina Peralta Moreno	Member	Independent
Carlos Vicente Salazar Lomelín	Member	Other external
Jan Paul Marie Francis Verplancke	Member	Independent

% of proprietary directors	0%
% of independent directors	80%
% of other external directors	20%

Explain the functions assigned to this committee, including, where appropriate, any that are in addition to those provided for by law, and describe both the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Remunerations Committee is to assist the Board of Directors in remuneration matters within its remit and, in particular, those relating to the remuneration of directors, senior managers and those employees whose professional activities have a significant impact on the risk profile of the Group (hereinafter, the Identified Staff), ensuring that the established remuneration policies are observed.

More specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Remunerations Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board, the Remunerations Committee broadly performs the following functions:

1. Propose to the Board of Directors, for submission to the General Meeting, the remuneration policy for directors, and also submit its corresponding report, all in accordance with the terms established by applicable regulations.

2. Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, and submit the corresponding proposals to the Board of Directors.

3. Determine the extent and amount of individual remunerations, rights and other economic rewards, as well as other contractual conditions for executive directors, so that these can be contractually agreed, in accordance with the remuneration policy for directors, and submit the corresponding proposals to the Board.

4. Determine and propose to the Board the objectives and criteria for measuring the variable remuneration of the executive directors, and evaluate their degree of achievement.

5. Analyse, where appropriate, the need to make ex-ante or ex-post adjustments to variable remuneration, including the application of malus and clawback arrangements for variable remuneration, and submit the corresponding proposals to the Board, prior reports from the relevant committees in each case.

6. Annually submit the proposal of the annual report on the remuneration of the Bank's directors to the Board of Directors, which will be submitted to the Annual General Shareholders' Meeting, in accordance with the provisions of the applicable law.

7. Propose to the Board of Directors the remuneration policy for senior managers and rest of Identified Staff. Likewise, oversee its implementation, including oversight of the process for identifying such employees.

8. Propose to the Board of Directors, and oversee the implementation of, the remuneration policy for the Group, which may include the policy for senior managers and other members of the Identified Staff, stated in the previous paragraph.

9. Submit to the Board of Directors the proposed basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination.

10. Directly oversee the remuneration of senior managers and, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring variable remuneration of the heads of the Regulation & Internal Control area and the Internal Audit area, submitting the corresponding proposals to the Board of Directors, based on those submitted to it in turn by the Risk and Compliance Committee and the Audit Committee, respectively.

11. Ensure compliance with the remuneration policies established by the Company and review them periodically, proposing, where appropriate, any modifications that it deems necessary to ensure, amongst other things, that they are adequate for the purposes of attracting and retaining the best professionals, and that they contribute to the creation of long-term value and adequate control and management of risks, and address the principle of equal pay. In particular, the Committee shall ensure that the remuneration policies established by the Company are subject to internal, central and independent review at least once a year.

12. Verify information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.
13. Supervise the selection of external advisers, whose advice or support is required for the performance of its functions in remuneration matters, ensuring that any conflicts of interest do not impair the independence of the advice provided.

The organisational and operational rules and the most significant actions carried out by the Remunerations Committee in the 2020 financial year are detailed in Section H of this Report.

RISK AND COMPLIANCE COMMITTEE

Name	Position	Category
Juan Pi Llorens	Chairman	Independent
Jaime Félix Caruana Lacorte	Member	Independent
Raúl Catarino Galamba de Oliveira	Member	Independent
Ana Leonor Revenga Shanklin	Member	Independent
Susana Rodríguez Vidarte	Member	Other external

% of proprietary directors	0%
% of independent directors	80%
% of other external directors	20%

Explain the functions assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Risk and Compliance Committee is to assist the Board of Directors in the determination and monitoring of the Group's risk control and management policy, including internal risk control and non-financial risks, with the exception of those related to internal financial control, which are the responsibility of the Audit Committee; those related to technological risk, which are the responsibility of the Technology and Cybersecurity Committee; and those related to business and reputational risk, which are the responsibility of the Executive Committee. It also assists the Board in monitoring the Compliance function and implementing a risk and compliance culture in the Group.

More specifically, in accordance with Article 5 of the Regulations of the Risk and Compliance Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board, the Risk and Compliance Committee performs the following functions:

1. Analyse, on the strategic bases established by the Board of Directors or the Executive Committee, and submit proposals on the Group's strategy, control and risk management to the Board, including the Group's risk appetite; and the level of acceptable risk in terms of the risk profile and risk capital broken down between the Group's businesses and areas of activity, on the basis of the strategic and financial approaches determined by the Board of Directors and the Executive Committee.

2. Define, in a manner consistent with the Risk Appetite Framework established by the Board of Directors, the control and management policies for the various risks faced by the Group within its remit.

3. Supervise the effectiveness of the Regulation & Internal Control function (which include Supervisors, Regulation and Compliance, Internal Risk Control and Non-Financial Risk), and in particular will: (i) propose to the Board of Directors the appointment and removal of the function; (ii) analyse and establish the objectives for the function, and carry out an evaluation of their performance; (iii) ensure that function has the resources necessary for the effective performance of its functions; (iv) analyse and/or approve the annual work plan for the function, and monitor compliance with it.

4. Receive monthly information from the Head of Regulation & Internal Control regarding their activities carried out, as well as regarding any incidents that may arise, and verify that the Group's Senior Management takes into account the conclusions and recommendations of their reports.

5. Monitor the evolution of the risks faced by the Group and their compatibility with established strategies and policies, and with the Group's Risk Appetite Framework, and monitor risk-measurement procedures, tools and indicators established to obtain a global view of the risks faced by the Group; monitor compliance with prudential regulation and supervisory requirements regarding risks; analyse the measures to mitigate the impact of identified risks, should these materialise, to be adopted.

6. Analyse, within its remit, risks associated with strategic projects or those associated with corporate transactions to be submitted to the Board of Directors or to the Executive Committee and, where necessary, submit the corresponding report.

7. Analyse risk operations that will be submitted to the Board of Directors or Executive Committee for consideration.

8. Examine whether the prices of the assets and liabilities offered to customers take into account the Bank's business model and risk strategy and, if not, submit a plan to the Board of Directors aimed at rectifying the situation.

9. Participate in the process of establishing the remuneration policy, checking that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated.

10. Check that the Group has means, systems, structures and resources that are consistent with best practices to implement their risk management strategy, ensuring that the risk management mechanisms are adequate in relation thereto.

11. Report, prior to any decisions that may be made by the Board of Directors, on all matters within its remit as provided for by law or internal regulations.

12. Ensure compliance with applicable regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, and ensure that any requests for action or information made by official authorities on these matters are dealt with in due time and in an appropriate manner.

13. Obtain information on all violations of regulations and any significant events detected by the areas reporting to it during its monitoring and control operations. The Committee shall also be notified about significant issues relating to legal risks that may arise during the Group's operations.

14. Examine draft codes of ethics and conduct and their modifications prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be made to the corporate bodies.

15. Have knowledge of the reports, submissions or communications from external supervisory bodies, and confirm that the instructions, requirements and recommendations received from the supervisory bodies are implemented in order to correct any irregularities, deficiencies or inadequacies detected.

16. Ensure the promotion of the risk culture across the Group.

17. Supervise the Group's criminal risk prevention model.

18. Review and supervise the systems under which employees may report any irregularities in terms of financial information or other matters.

The organisational and operational rules and the most significant actions carried out by the Risk and Compliance Committee in the 2020 financial year are detailed in Section H of this Report.

TECHNOLOGY AND CYBERSECURITY COMMITTEE

Name	Position	Category
Carlos Torres Vila	Chairman	Executive
Raúl Catarino Galamba de Oliveira	Member	Independent
Sunir Kumar Kapoor	Member	Independent
Juan Pi Llorens	Member	Independent
Jan Paul Marie Francis Verplancke	Member	Independent

% of executive directors	20%
% of proprietary directors	0%
% of independent directors	80%
% of other external directors	0%

Explain the functions assigned to this committee and describe both the procedures and organisational and operational rules of the committee. For each of these functions, indicate its most significant actions during the financial year and how it has, in practice, exercised each of the functions attributed to it, whether in law, in the bylaws or in other corporate resolutions.

The main task of the Technology and Cybersecurity Committee is to assist the Board of Directors in overseeing technological risk, in managing cybersecurity and in monitoring the Group's technological strategy.

Specifically, in accordance with the powers assigned to it by Article 5 of the Regulations of the Technology and Cybersecurity Committee, and notwithstanding any other functions assigned to it by law, by the Bank's internal regulations or by resolution of the Board, the Technology and Cybersecurity Committee performs the following functions, which fall into two categories:

- Functions relating to monitoring technological risk and managing cybersecurity, such as:
  - Reviewing the Bank's main technological risks, including risks related to information security and cybersecurity, as well as the procedures adopted by the executive area for monitoring and controlling these exposures.
  - Reviewing the policies and systems for assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyberattacks.
  - Being informed of business continuity plans regarding technology and technological infrastructure matters.
  - Being informed, as appropriate, about: (i) compliance risks associated with information technology; (ii) the procedures established for identifying, assessing, overseeing, managing and mitigating these risks.
  - Being informed about any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either individually or as a whole, may cause significant impact or harm to the Group's equity, results or reputation.
  - Being informed, as required, by the Head of the Technological Security area regarding the activities it carries out, as well as any incidents that may arise.
- Functions related to the Technology Strategy:
  - Being informed, as appropriate, of the technology strategy and trends that may affect the Bank's strategic plans, including through monitoring general trends in the sector.
  - Being informed, as appropriate, of the metrics established by the Group for management and control in the technological area, including the Group's developments and investments in this area.
  - Being informed, as appropriate, of issues related to new technologies, applications, information systems and best practices that may affect the Group's technological plans or strategy.
  - Being informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering Area.
  - Reporting to the Board of Directors and, where appropriate, to the Executive Committee, on matters related to information technologies falling within its remit.

The organisational and operational rules and the most significant actions carried out by the Technology and Cybersecurity Committee during the 2020 financial year are detailed in Section H of this Report.

C.2.2 Fill in the following table with information on the number of female directors sitting on the committees of the board of directors at the close of the last four financial years:

	Number of female directors							
	Financial year 2020		Financial year 2019		Financial year 2018		Financial year 2017	
	Number	%	Number	%	Number	%	Number	%
Executive Committee	1	16.66%	1	16.66%	1	16.66%	1	16.66%
Audit Committee	3	60%	3	60%	3	60%	2	40%
Appointments and Corporate Governance Committee	2	40%	2	40%	3	60%	2	40%
Remunerations Committee	3	60%	3	60%	3	60%	2	40%
Risk and Compliance Committee	2	40%	1	20%	1	20%	1	20%
Technology and Cybersecurity Committee	-	-	-	-	-	-	-	-

C.2.3 Indicate, where applicable, if there are regulations for the board committees, where they can be consulted and any amendments made to them during the financial year. Indicate whether an annual report on the activities of each committee has been prepared voluntarily.

All the committees of the Board of Directors have their own regulations, approved by the Board and available on the Bank's corporate website (www.bbva.com), under “Shareholders and Investors”, “Corporate Governance and Remuneration Policy”, in the “Board Committees” section. The regulations were not amended during the 2020 financial year.

In addition, within the framework of the annual performance process, all the committees of the Board have prepared and submitted a report to the Board of Directors detailing the activity carried out by each of them in the exercise of their functions during the 2020 financial year, which are described in Sections C.1.17 and C.2.1 above.

D. RELATED-PARTY TRANSACTIONS AND INTRA-GROUP TRANSACTIONS

D.1 Explain the procedure and competent bodies, if any, for approving related-party and intra-group transactions.

Article 17.1.e) (iii) of the Regulations of the Board of Directors establishes that the Board is responsible for approving, where applicable, transactions conducted by the Company or Group companies with directors or with shareholders that, individually or together with others, hold a significant stake, including shareholders represented in the Board of Directors of the Company or of other Group companies or with individuals related to them, with the exceptions provided for by law.

Moreover, Article 8.6 of the Regulations of the Board of Directors establishes that approval of the transactions conducted by the Company or by Group companies with directors, the approval of which is the responsibility of the Board of Directors, will be granted subject to a prior report by the Audit Committee, where appropriate. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications: (i) they are carried out under contracts with standard terms and are applied en masse to a large number of customers; (ii) they are executed at market rates or prices set in general by the party acting as supplier of the goods or services; and (iii) they are worth less than 1% of the Company's annual revenues.

D.2 Detail transactions deemed to be significant given their amount or content carried out between the company or its group companies and the company's significant shareholders:

Name or corporate name of the significant shareholder	Name or corporate name of the company or group company	Nature of the relationship	Type of transaction	Amount (thousands of euro)

D.3 Detail any transactions deemed to be significant for their amount or content carried out between the company or its group companies and the directors or executives of the company:

Name or corporate name of the directors or executives	Name or corporate name of the company or group company	Relationship	Nature of the transaction	Amount (thousands of euro)

Remarks

D.4 Detail the significant transactions in which the company has engaged with other companies belonging to the same group, except those that are eliminated in the process of drawing up the consolidated financial statements and that do not form part of the company's usual trade with respect to its objects and conditions.

In any event, provide information on any intra-group transactions with companies established in countries or territories considered tax havens:

Corporate name of the Group Company	Brief description of the transaction	Amount (thousands of euro)
BBVA GLOBAL FINANCE LTD.	Current account deposits	2,356
BBVA GLOBAL FINANCE LTD.	Term account deposits	5,542
BBVA GLOBAL FINANCE LTD.	Issue-linked subordinated liabilities	163,178

D.5 Detail any significant transactions between the company or its group companies and other related parties, which have not been listed in the previous entries.

Corporate name of the related party	Brief description of the transaction	Amount (thousands of euro)

D.6 Detail the mechanisms established to detect, determine and resolve possible conflicts of interest between the company and/or its group, and its directors, executives or significant shareholders.

Articles 7 and 8 of BBVA's Regulations of the Board of Directors regulate issues relating to possible conflicts of interest, in summary, as follows:

Article 7: Directors must adopt necessary measures to avoid incurring in situations where their interests, whether on their own account or for that of others, may enter into conflict with the corporate interest and with their duties with respect to the Company, unless the Company has granted its consent under the terms established in applicable legislation and in the Regulations of the Board of Directors.

Likewise, they must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these decisions relate to the appointment or removal of positions on the management body.

Directors must notify the Board of Directors of any situation of direct or indirect conflict that they or parties related to them may have with respect to the Company's interests.

Article 8: The duty of avoiding situations of conflicts of interest referred to in Article 7 above obliges the directors to refrain from, in particular:

- Carrying out transactions with the Company, unless these relate to ordinary business, performed under standard conditions for customers and of insignificant quantity. Such transactions are deemed to be those whose information is not necessary to provide a true picture of the Company's equity, financial situation and results.
- Using the name of the Company or invoking their position as director to unduly influence the performance of private transactions.
- Making use of corporate assets, including the Company's confidential information, for private ends.
- Taking advantage of the Company's business opportunities.
- Obtaining advantages or remuneration from third parties other than the Company and its Group, associated with the performance of their role, unless they are mere tokens of courtesy.
- Engaging in activities on their own account or on behalf of third parties that involve effective actual or potential competition with the Company or that, in any other way, bring them into permanent conflict with the Company's interests.

The above provisions will also apply should the beneficiary of the prohibited acts or activities described in the previous sections be a related party to the director.

However, the Company may dispense with the aforementioned prohibitions in specific cases, authorising a director or a related party to carry out a certain transaction with the Company, to use certain corporate assets, to take advantage of a specific business opportunity or to obtain an advantage or remuneration from a third party.

When the authorisation is intended to dispense with the prohibition against obtaining an advantage or remuneration from third parties, or affects a transaction whose value is over 10% of the corporate assets, it must necessarily be agreed by the General Shareholders' Meeting.

The obligation not to compete with the Company may only be dispensed with when no damage is expected to the Company or when any damage that is expected is compensated by the benefits that are foreseen from the dispensation. The dispensation will be conferred under an express and separate resolution of the General Shareholders' Meeting.

In other cases, the authorisation may also be resolved by the Board of Directors, provided that the independence of the members conferring it is guaranteed with respect to the director receiving the dispensation. Moreover, it will be necessary to ensure that the authorised transaction will not do harm to the corporate equity or, where applicable, that it is carried out under market conditions and that the process is transparent.

Approval by the Board of Directors of the transactions of the Bank or companies within its Group with directors will be granted, where appropriate, after receiving a report from the Audit Committee. The only exceptions to this approval will be transactions that simultaneously meet the three following specifications:

1) they are carried out under contracts with standard terms and are applied en masse to a large number of customers;

2) they are executed at market rates or prices set in general by the party acting as supplier of the goods or services; and

3) they are worth less than 1% of the Company's annual revenues.

Since BBVA is a credit institution, it is subject to the provisions of Spanish Act 10/2014 of 26 June, on the regulation, supervision and solvency of credit institutions (the LOSS), whereby the directors and general managers or similar may not obtain credits, bonds or guarantees from the Bank on whose board or management they work, above the limit and under the terms established in Article 35 of Royal Decree 84/2015, implementing the LOSS, unless expressly authorised by the Bank of Spain.

Continued in Section H of this Report.

D.7 Indicate whether the company is controlled by another entity within the meaning of Article 42 of the Spanish Commercial Code, whether listed or not, and has, directly or through its subsidiaries, business relations with said entity or one of its subsidiaries (other than those of the listed company) or engages in activities related to those of any one of them.

No

E. RISK CONTROL AND MANAGEMENT SYSTEMS

E.1 Explain the scope of the company's Risk Control and Management System, including risks of a tax-related nature.

The BBVA Group has a general risk management and control model (hereinafter, the Model) adapted to its business model, its organisation, the countries in which it operates and its Corporate Governance System. This allows the BBVA Group to operate within the framework of the risk control and management strategy and policy defined by the Bank's corporate bodies and to adapt to the changing economic and regulatory environment, addressing risk management on a global level in a manner adapted to the circumstances at any moment.

This Model, which is the responsibility of the Chief Risk Officer (CRO) and which must be updated or reviewed at least annually, is applied comprehensively in the Group and is made up of the basic elements set out below:

I. Governance and organisation

II. Risk Appetite Framework

III. Evaluation, monitoring and reporting

IV. Infrastructure

The Group promotes the development of a risk culture that ensures consistent application of the Model within the Group, and that guarantees that the risk function is understood and internalised at all levels of the organisation.

The Model applies to the management and control of all financial and non-financial risks of the Group, including tax risks, without prejudice to the fact that, with regard to tax, in addition to the management of this type of risk as a non-financial risk, BBVA has a tax risk management policy based on an adequate control environment, a risk identification system and a process for the monitoring and continuous improvement of the effectiveness of the established controls. This management model is revised and assessed by an independent expert.

For more information on the basic elements of the Model, see "General risk management and control model" in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2020.

E.2 Identify the corporate bodies responsible for drawing up and enforcing the Risk Control and Management System, including tax-related risks.

With regard to risks, the Board of Directors' responsibilities are those relating to establishing the policy for controlling and managing risk and the oversight and control of its implementation.

In addition, and for a proper discharge of its functions, the Board of Directors is assisted by the Risk and Compliance Committee in the matters specified below. It is also assisted by the Executive Committee, which focuses on strategy, finance and business-related matters in an integrated manner, in order to monitor the Group's risks.

In particular, the Board of Directors establishes the Group's risk strategy and, in the discharge of this function, determines the risk control and management policy, which is set out in: the BBVA Group's Risk Appetite Framework, which includes the Group's risk appetite statement, containing the general principles of the Group's risk strategy and its target profile, as well as a set of quantitative metrics (core metrics—with their respective statements—and metrics by type of risk) originating from said statement that reflect the Group's risk profile; the management policy framework for the different types of risk to which the Bank is or may be exposed, which contains the basic principles for managing and controlling risks consistently throughout the Group and in accordance with the Model and the Risk Appetite Framework; and the Model.

Furthermore, in parallel with the function of defining the risk strategy and within the scope of its risk monitoring, supervision and control functions, the Board of Directors monitors the evolution of the BBVA Group's risks as well as the risks of each of its main geographical and/or business areas, ensuring their compliance with the BBVA Group's Risk Appetite Framework, and also overseeing internal information and control systems.

At the executive level, the Group's Chief Risk Officer (the Head of Global Risk Management) is responsible for managing all of the Group's financial risks with the independence, authority, rank, experience, knowledge and resources required. They are responsible for ensuring, within their scope of functions, that the BBVA Group's risks are managed according to the established model.

For decision-making, the Group's Chief Risk Officer has a governance structure for the role that culminates in a support forum, the Global Risk Management Committee (GRMC), which is established as the main executive-level committee on the risks within its remit. Its purpose is to develop the strategies, policies, regulations and infrastructures needed to identify, assess, measure and manage the material risks within its remit that the Group faces in its business activity.

In addition, the chief risk officers of the geographical and business areas report functionally to the Group's Chief Risk Officer and report operationally to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risk management function from the operating functions, and enable its alignment with the Group's risk-related general policies and goals.

With regard to non-financial risks and internal control, the Group has a Regulation & Internal Control area that is independent from the other units. This area is under the responsibility of the Global Head of Regulation & Internal Control, who is also appointed by the BBVA Board of Directors and reports directly to the corporate bodies, providing updates on the performance of its functions. This area is responsible for proposing and implementing policies related to non-financial risks and the Group's internal control model. It also includes, amongst others, the Non-Financial Risk, Compliance and Internal Risk Control units.

For more information on the bodies responsible for risk management and control at BBVA, see "Governance and organisation" in the "General risk management and control model" section in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2020.

As far as tax risk is concerned, the Tax function of the BBVA Group is responsible for establishing the control mechanisms and internal rules necessary to ensure compliance with current tax regulations, as well as proposing tax strategy to the Board of Directors for their consideration and approval, where appropriate. In addition, the Audit Committee is responsible for overseeing the tax risks in the process of preparing and presenting financial information, which is evidenced by the reports made by the Head of the BBVA Group's Tax function to the Committee.

E.3 Indicate the primary risks, including tax-related risks and, where significant, risk derived from corruption (the latter can be understood to be within the scope of Royal Decree Law 18/2017) that could prevent business targets from being met.

BBVA has processes to identify risks and analyse scenarios, enabling dynamic and advance risk management. These processes are forward-looking to ensure the identification of emerging risks, and take into account the concerns of both the business and corporate areas, as well as those of Senior Management.

Risks are identified and measured in a consistent manner and in line with approved methodologies. Their measurement includes scenario analyses and stress testing, and considers the controls to which the risks are subject.

In this regard, there are a number of emerging risks that could impact the Group's business performance. These risks are organised into the following large blocks:

- Macroeconomic and geopolitical risks
- Regulatory and reputational risks
- Business, legal and operational risks

For more information on these risks, see "Risk factors" in the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2020, and "Other non-financial risks" chapter of the Non-Financial Information Statement, included in said Management Reports.

Likewise, amongst the possible crimes included in the criminal prevention model are those related to corruption and bribery, since there are a number of risks that could manifest in a company with characteristics such as those of BBVA. For more information, see "Other standards of conduct" and “Criminal prevention model” in the "Compliance system" section, which is included in the "Ethical behaviour" chapter of the Non-Financial Information Statement in the individual and consolidated Management Reports for the 2020 financial year.

On the other hand, and not having the consideration of significant risk referred to in this section, the Spanish judicial authorities are investigating the activities of the company *Centro Exclusivo de Negocios y Transacciones, S.L.* (Cenyt). The investigation includes services provided to the Bank.

In relation to this, on 29 July 2019, the Bank was served the notice from Central Magistrates Court No. 6 of the Spanish High Court, citing the Bank as an investigated legal entity in the preliminary proceedings 96/2017 — investigation piece number 9 — for alleged events that could be constitutive of bribery, revelation of secrets and corruption in business. On 3 February 2020, the Bank was notified that the Central Magistrates Court No. 6 of the Spanish High Court lifted the secrecy of the proceedings. Certain Group managers and employees, both current and former, as well as some former directors, are also under investigation in relation to this case. The Bank has been and continues to proactively cooperate with judicial authorities and has shared with them the relevant documentation arising from the forensic investigation hired by the Bank in 2019 to help to clarify the events. As of the date of this document, no indictment has been filed against BBVA for any crime.

The above-mentioned criminal proceedings are in the pre-trial phase. It is therefore impossible at this time to predict their scope or duration, their possible outcome or the possible implications for the Group, including potential fines and losses and damage to the Group's reputation.

Continued in Section H of this Report.

E.4 Identify whether the company has risk tolerance levels, including for tax-related risks.

The Group's Risk Appetite Framework, approved by the Board of Directors, determines the risks and the associated risk levels that the Group is prepared to assume to achieve its objectives, considering the organic development pattern of the business. These are expressed in terms of solvency, liquidity and funding, and profitability and recurrence of revenue, which are reviewed not only periodically but also if there are any substantial changes in the business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk Appetite Statement: This contains the general principles of the Group's risk strategy and the target risk profile.

- Statements and core metrics: Derived from the appetite statement, these statements set out the general risk management principles in terms of solvency, liquidity and funding, profitability and recurrence of revenue.

- Statement and metrics by type of risk: The general principles for managing each risk are established based on the core metrics and their thresholds for each type of risk. A series of metrics are also determined, and adherence to these ensures compliance with the core metrics and the Group's Risk Appetite Statement.

In addition to this Framework, there is a level of management limits that is defined and managed by the areas responsible for managing each type of risk. This is to ensure that anticipatory risk management respects this structure and, in general, the established Risk Appetite Framework.

Each significant geographical area has its own Risk Appetite Framework consisting of its local Risk Appetite statement, core metrics and statements, statements and metrics by type of risk, which should be consistent with those set at the Group level, but adapted to their reality and approved by the corresponding corporate bodies of each entity. This Risk Appetite Framework has a limit structure in line and consistent with the above.

The corporate Risk area works together with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with and integrated into the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Also, for local monitoring purposes, the Chief Risk Officer for the geographical and/or business area will periodically report on the evolution of the local Risk Appetite Framework metrics to its corporate bodies, as well as, where appropriate, to the appropriate local top-level committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

For more information on the Risk Appetite Framework described above and on its monitoring and management integration, see "Risk Appetite framework" in the "General Risk management and control model" section within the "Risk management" chapter of the individual and consolidated Management Reports for financial year 2020.

E.5 State what risks, including tax-related risks, have occurred during the financial year.

Risk is inherent to financial activity, and the occurrence of minor and major risks is therefore an inseparable part of the Group's activities. BBVA therefore offers detailed information on the evolution of risks which, by their nature, continuously affect the Group in carrying out its activity. This information is provided in its annual financial statements (notes 7 and 19 on risk management and tax risks, respectively, in the BBVA Group's Consolidated Annual Financial Statements; and notes 5 and 17, on the same subject matters, in BBVA's Individual Annual Financial Statements, both for financial year 2020) and in the individual and consolidated Management Reports, both for financial year 2020 (the "Risk management" chapter and "Other non-financial risks" chapter of the Non-Financial Information Statement).

E.6 Explain the response and oversight plans for the primary risks faced by the company, including tax-related risks, and the procedures followed by the company to ensure that the board of directors responds to any new challenges.

The BBVA Group's internal control system for operational risks is based on the best practices developed both in the COSO (Committee of Sponsoring Organizations of the Treadway Commission) Enterprise Risk Management — Integrated Framework and in the Framework for Internal Control Systems in Banking Organisations drawn up by the Basel Bank for International Settlements (BIS).

The control model has a system comprising three lines of defence:

- The Group's business and support units constitute the first line of defence. They are responsible for primary management of current and emerging risks, and implementing control procedures for risk mitigation. They are also responsible for reporting to their business/support unit.

- The second line of defence is comprised of specialised control units in different areas of risk: Compliance, Legal, Finance, People, Physical security, Technological security, Information and Data Security, Suppliers, Internal Risk Control and Processes. This line defines the control frameworks in its specialist field, across the entire Entity, and provides training to areas exposed to risk. It also checks the identification of current and emerging risks carried out by the different business and support units, and assesses the adequacy and effectiveness of the control environments implemented by them.

With regard to operational risk, the control activity of the first and second lines of defence is coordinated by the Non-Financial Risks Unit, which is responsible for providing the units with a common internal control methodology and global tools. This second line of defence is in place in all geographical areas in which the Group is present and acts in accordance with standardised practices that come from the corporate units in each of the fields.

The Group's Head of Non-Financial Risks is responsible for the function and, together with the Chief Compliance Officer and the Head of Internal Risk Control, reports on its activity to the Global Head of Regulation & Internal Control and to the Risk and Compliance Committee, assisting the latter in any matters where requested.

- The third line of defence is made up of the Internal Audit unit, for which the Group assumes the guidelines of the Basel Committee on Banking Supervision and of the Institute of Internal Auditors. Its function is to independently and objectively assess the first and second lines of defence, evaluating the efficiency and effectiveness of internal control policies and systems, risk management and the governance processes and policies established by the Group.

As part of the second line of defence, the Group has a specific Internal Risk Control unit, within the area of Regulation & Internal Control, which, among other tasks, independently checks and monitors regulations and governance structure, in terms of financial risks, and the application and operation thereof in the area of Global Risk Management, as well as checking the development and implementation of financial risk management and control processes. It is also responsible for the validation of risk models.

The Group's Head of Internal Risk Control is responsible for the function and reports on its activities and work plans to the Head of Regulation & Internal Control and to the Risk and Compliance Committee, assisting the Committee in any matters where requested, and in particular checking that the GRM reports presented to the Committee comply with the established criteria at all times.

In addition, the Internal Risk Control function is global and transversal, covering all types of financial risks and having specific units in all geographical and/or business areas, with functional dependency on the Group's Head of Internal Risk Control.

As far as tax risk is concerned, the Tax Department, located within the Finance area, is responsible for establishing the policies and controls necessary to ensure compliance at all times with the current tax regulations and the tax strategy approved by the Board of Directors. The Internal Financial Control Unit, as a second line of defence against financial, accounting and tax risks, is responsible for assessing the quality of the design and effectiveness of the control model operating in tax processes, as detailed in Section F of this document.

In order to meet the new challenges that arise, the BBVA Group has a governance system that allows the Board of Directors to be informed of the real and potential risks that affect or may affect the Group at any time. Thus, in addition to the work carried out by the Bank's different areas of control (Risk, Regulation & Internal Control and Internal Audit), as well as other areas of the Bank, such as the legal and finance areas, and the corresponding Board committees (such as the Risk and Compliance Committee or the Audit Committee), there is also the monitoring and supervision carried out by the Technology and Cybersecurity Committee. Its work allows the Board of Directors to be informed of the main technological risks to which the Group is exposed—including those relating to information security risks, information technology compliance risks and cybersecurity risks—as well as of current technological trends and strategies, business continuity plans in matters of technology and relevant cybersecurity events affecting the Group or which might affect it in the future, among other functions.

F. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEMS OVER FINANCIAL REPORTING (ICFR)

Describe the mechanisms comprising the risk management and control systems for financial reporting (ICFR) in your entity.

F.1 The entity's control environment

Give information on the key features of at least:

F.1.1. Which bodies and/or functions are responsible for: (i) the existence and maintenance of an adequate and effective ICFR; (ii) its implementation and (iii) its supervision.

Pursuant to Article 17 of its Regulations, the Board of Directors approves the financial information that BBVA is required to publish periodically as a listed company. The Board of Directors has an Audit Committee whose main task, among others, is to assist the Board in monitoring the preparation of financial statements and public information, as well as monitoring internal financial control.

In this regard, the Rules of Procedure of BBVA's Audit Committee establish that one of the Committee's functions is to monitor the effectiveness of the Company's internal control and the risk management systems in the process of drawing up and presenting financial information, including tax risks, as well as discussing with the statutory auditor the significant weaknesses of the internal control system detected during the audit.

The BBVA Group complies with the requirements imposed by the Sarbanes Oxley Act (SOX) for each financial year's consolidated annual financial statements due to its status as a publicly traded company listed with the United States Securities Exchange Commission (SEC). The main Group executives are involved in the design, compliance and maintenance of an effective internal control model that guarantees the quality and veracity of the financial information. The Finance area has been responsible during 2020 for producing the consolidated annual financial statements and maintaining the control model for financial information generation. Specifically, this function is performed by the Financial Internal Control area, which is integrated within the Group's general internal control model, which is briefly outlined below:

The BBVA Group works continuously to bolster its internal control model, which comprises two key elements. The first is the control structure organised into three lines of defence, which is described in Section E.6 above; and the second is a governance scheme called Corporate Assurance, which establishes a framework for monitoring the internal control model and bringing the main aspects of the Group's internal control to the attention of Senior Management.

Corporate Assurance establishes a committee structure, both at the local and corporate levels, that provides Senior Management with a comprehensive and homogeneous view of the main non-financial risks and relevant situations as regards the control environment. The aim is to facilitate fast and proactive decision-making in relation to the mitigation or assumption of major risks. These committees are formed by the main executives responsible for the business and support areas, as well as those responsible for the second line of defence (RCS).

The effectiveness of this internal control system is assessed periodically for those risks that may affect the correct compilation of the Group's financial statements. The assessment is coordinated by the Internal Financial Control area and involves risk control specialists (RCS), as the second line of defence, and risk control assurers (RCA) for the main processes, in both business areas and support areas. The Group's Internal Audit area also performs its own assessment of the internal control system with regard to the generation of financial information. In addition, the external auditor of the BBVA Group issues an opinion every year on the effectiveness of internal control over financial reporting based on criteria established by COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in accordance with PCAOB (the US Public Company Accounting Oversight Board) standards. This opinion appears in Form 20-F, which is filed every year with the SEC.

The result of the annual internal assessment of the System of Internal Control over Financial Reporting, conducted by Internal Audit and Internal Financial Control, is reported to the Audit Committee by the heads of Internal Financial Control.

F.1.2 Whether, especially in the process of drawing up financial information, the following elements exist:

- Departments and/or mechanisms responsible for: (i) the design and review of the organisational structure; (ii) the clear definition of lines of responsibility and authority, with an adequate distribution of tasks and functions; and (iii) ensuring that sufficient procedures exist for their correct dissemination within the entity.

  Financial information is produced in the local Financial Management Units of the BBVA Group banks in the different countries where it maintains a presence. The consolidation work is carried out in the Corporate Centre, in the Finance Department, which has overall responsibility for the preparation and issuance of the Group's financial and regulatory information.

BBVA's organisational structure clearly defines lines of action and responsibility for the areas involved in the generation of financial information, both at the individual entity level and consolidated Group level; provides the channels and circuits necessary for the proper communication of the financial information; and provides a procedure for the dissemination of the annual financial statements. The units responsible for drawing up these financial statements have a suitable distribution of tasks and the necessary segregation of functions to draw up these statements in an appropriate operational and control framework.

Additionally, there is an accountability model aimed at extending the culture of, and commitment to, internal control. Those in charge of the design and operation of the processes that have an impact on financial reporting certify that all the controls associated with its operation under their responsibility are sufficient and have worked correctly.

- Code of conduct, approval body, degree of dissemination and instruction, principles and values included (indicating whether there are specific mentions of recording transactions and drawing up financial information), body in charge of analysing non-compliance and proposing corrective measures and sanctions.

BBVA has a Code of Conduct that is approved by the Board of Directors and reflects BBVA's concrete commitments with regard to one of the principles of its Corporate Culture: Integrity in the consideration and undertaking of its business. This Code likewise establishes the corresponding whistleblowing channel regarding possible infringements of the Code. It is the subject of training and refresher programmes that include key personnel in the financial function.

Following the update to the Code in 2015, communication campaigns to share its new content have been in place since 2016, making use of new formats and digital channels. In addition, a training plan has been developed at a global level, reaching the entire workforce of the Group.

The Code of Conduct can be accessed on the Bank's website (www.bbva.com) and on the employees' website (Intranet). Additionally, Group members undertake personally and individually to observe its principles and rules in an express declaration of awareness and adhesion.

One of the functions of the Risk and Compliance Committee is to examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and give its opinion in advance of the proposals to be drafted to the corporate bodies.

Additionally, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable). Their joint scope of action covers all the Group businesses and activities and their main function is to ensure effective application of the Code of Conduct. There is also a Corporate Integrity Management Committee, whose scope of responsibility extends throughout BBVA. The main mission of this committee entails ensuring uniform application of the Code in BBVA.

The Compliance Unit in turn independently and objectively promotes and supervises to ensure that BBVA acts with integrity, particularly in areas such as money-laundering prevention, conduct with customers, security market conduct, corruption prevention, and other areas that could entail a reputational risk for BBVA. The unit's duties include fostering the knowledge and application of the Code of Conduct, promoting the drafting and distribution of its implementing standards, assisting in the resolution of any concern that may arise regarding the interpretation of the Code, and managing the Whistleblowing Channel.

- Whistleblowing channel, which allows financial and accounting irregularities to be communicated to the audit committee, as well as possible breaches of the code of conduct and irregular activities in the organisation, reporting where applicable if this is confidential in nature.

Preservation of the Corporate Integrity of BBVA transcends merely personal accountability for individual actions, it calls for all employees to have zero tolerance for activities that do not comply with the Code of Conduct or that could harm the reputation or good name of BBVA. This attitude is reflected in everyone's commitment to whistle-blowing, by timely communication, of situations that, even when unrelated to their activity or area of responsibility, could be infringe regulations or contradict the values and guidelines of the Code.

The Code of Conduct itself and contemplates a Whistleblowing Channel, whereby BBVA employees, as well as other parties not part of BBVA, may communicate, in a confidential manner and, if they wish, anonymously, any behaviours that may not comply with the Code or that may infringe applicable regulation. Complaints are handled promptly and diligently, guaranteeing the confidentiality of the investigations and the prohibition of retaliation or adverse consequences in light of communications made in good faith.

Telephone lines and email inboxes have been set up in each jurisdiction for these communications. The Whistleblowing Channel is available 24 hours 365 days.

As described in the previous section, BBVA has adopted a structure of Corporate Integrity Management Committees (with individual powers at jurisdiction or Group entity levels, as applicable), whose joint scope of action covers all the Group businesses and activities and whose functions and responsibilities (explained in greater detail in their corresponding regulations) include:

- Driving and monitoring global initiatives to foster and promote a culture of ethics and integrity among members of the Group.
- Ensuring the uniform application of the Code.
- Promoting and monitoring the functioning and effectiveness of the Whistleblowing Channel.
- In cases where they are not already included among the members of the Committee, informing Senior Management and/or the person responsible for preparing the financial statements of any events and circumstances from which significant risks might arise for BBVA.

Also, through the Compliance area, periodic reports are made to the Risk and Compliance Committee, which, pursuant to its own Regulations, monitors and controls the proper functioning of the Whistleblowing Channel.

- Periodic training and refresher courses for employees involved in preparing and revising financial information, and in ICFR assessment, covering at least accounting standards, audit, internal control and risk management.

The Finance area has a specific programme of courses and seminars, run in both its classroom and virtual campus, which complement the general training of all employees of the BBVA Group, in line with their roles and responsibilities. Specific training and periodic refresher courses are given on accounting and tax regulations, internal control and risk management, particularly for teams in the areas involved in preparing and reviewing the financial and tax-related information and in evaluating the internal control system, to help them perform their functions correctly. These courses are taught by professionals from the area and renowned external providers.

Additionally, the BBVA Group has a personal development plan for all employees, which forms the basis of a personalised training programme to deal with the areas of knowledge necessary to perform their functions.

F.2 Financial reporting risk assessment

Give information on at least:

F.2.1. The key features of the risk identification process, including error and fraud risks, with respect to:

- Whether the process exists and is documented.

  The ICFR was developed by the Group Management in accordance with international standards set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), which establishes five components on which the effectiveness and efficiency of internal control systems must be based:

  - Establishing an adequate control environment for monitoring all these activities.
  - Assessing the risks that may be incurred by an entity in drawing up its financial information.
  - Designing the necessary controls to mitigate the most critical risks.
  - Establishing the adequate information circuits to detect and communicate the system's weaknesses or inefficiencies.
  - Monitoring such controls to ensure that they are operational and to guarantee their effectiveness over time.

  In order to identify the risks with a greater potential impact on the generation of financial information, the processes through which such information is generated are analysed and documented, and an analysis of the risks, errors or inaccuracies that may arise in each is later conducted.

  Based on the corporate internal control methodology, the risks are categorised by type, including process errors and fraud, and their probability of occurrence and possible impact are analysed.

  The process of identifying risk in the preparation of Financial Statements, including risks of error, falsehood or omission, is carried out by the first line of defence: those responsible for each of the processes that contribute to the preparation of financial information and those responsible for their control. This risk identification is performed taking into account the theoretical risk model and the mitigation and control framework previously defined by the specialists for each type of risk (within the second line of defence) which, in the case of Finance, is the Internal Financial Control unit (tax and financial reporting risk specialist), who, in addition, challenges the functioning and effectiveness of the controls implemented.

  Whether the assessment of their controls is annual, quarterly or monthly is determined based on the significance of the risks, this ensuring coverage of the risks considered critical for the financial statements.

  The assessment of the aforementioned risks and the design and effectiveness of their controls begins with the understanding of and insight into the analysed operating process, considering criteria of quantitative materiality, likelihood of occurrence and economic impact, in addition to qualitative criteria associated with the type, complexity and nature of the risks or of the business or process structure itself.

  The system for identifying and assessing the risks of internal control over financial reporting is dynamic. It evolves continuously, always reflecting the reality of the Group's business, changes in operating processes, the regulations applicable at all times, the risks affecting them and the controls that mitigate them.

  All this is documented in a corporate management tool developed and managed by the Non-Financial Risk area (STORM). This tool documents all the risks and controls, by process, that are managed by the different risk specialists, including the Financial Internal Control unit.

- Whether the process covers all of the objectives of financial reporting (existence and occurrence; completeness; valuation; presentation, breakdown and comparability; and rights and obligations), whether the information is updated and how frequently.

  Each of the processes identified in the BBVA Group for drawing up financial information aim to record all financial transactions, value the assets and liabilities in accordance with applicable accounting regulations and provide a breakdown of the information in accordance with regulatory requirements and market needs.

  The financial information control model analyses each of the phases of the processes mentioned above (from procedural governance, documentation, criteria setting, decision making, information provision, application operation, monitoring generated information, and reporting), in order to ensure that the risks identified in each process are adequately covered by controls that operate efficiently. The control model is updated when changes arise in the relevant processes or support tools for producing financial information.

- The existence of a process for identifying the consolidation perimeter, taking into account aspects including the possible existence of complex corporate structures, or instrumental or special purpose vehicles.

  The Finance area includes a department responsible for the Group's financial consolidation, which carries out a monthly process of identification, analysis and updating of the perimeter of the Group's consolidated companies.

  In addition, the information from the consolidation department on new companies set up by the Group's different units and the changes made to existing companies is compared with the data analysed by a specific committee at corporate level, whose objective is to analyse and document the changes in the composition of the corporate group and optimise its corporate structure (Corporate Structure Committee — CSC).

  In addition, the Finance area of the Bank, in controlling special purpose entities, makes a periodic report to the Audit Committee on the structure of the Group of companies.

- Whether the process takes into account the effects of other types of risks (operational, technological, financial, legal, tax-related, reputational, environmental etc.) insofar as they impact the financial statements.

  The model of internal control over financial reporting applies to processes for directly drawing up such financial information and to all operational or technical processes that could have a relevant impact on the financial, accounting, tax-related or management information.

  As mentioned above, the Group has an internal control model coordinated by the Regulation & Internal Control area, which uses a single methodology to assess all the Group's non-financial risks (mainly operational, technological, financial, legal, tax-related, reputational, third party and compliance). All the specialist risk areas and heads of control use a common tool (STORM) to document the identification of the risks, the controls that mitigate those risks and the assessment of their effectiveness.

  There are control assurers in all the operational or support areas, and therefore any type of risk that may affect the Group's operations is analysed under that methodology and is included in the ICFR insofar as it may have an impact on the financial information.

- Which of the entity's governing bodies supervises the process.

  The process for identifying risks and assessing the design, effectiveness and suitability of the controls for generating financial information is documented at least once a year, and is overseen by the Internal Audit area.

  Moreover, the Group's head of Internal Financial Control reports annually to the Audit Committee on analysis work that has been carried out, on the conclusions of the assessment of the control model relating to the generation of financial information, and on the process for downstream certification of the effectiveness of the control model. This process is undertaken by the financial officers of the main entities and holding control specialists. This work follows the SOX methodology in compliance with the legal requirements, under the regulation, on systems of internal control over financial reporting, and is included in Form 20-F, submitted annually to the SEC, as indicated in Section F.1 above.

F.3 Control activities

Give information on the main features, if at least the following exist:

F.3.1. Procedures for review and authorisation of financial information and the description of the ICFR, to be published on the stock markets, indicating who is responsible for it, and the documentation describing the activity flows and controls (including those concerning risk of fraud) for the different types of transactions that may materially impact the financial statements, including the procedure for closing the accounts and the specific review of the relevant judgements, estimates, valuations and projections.

All of the processes relating to the generation of financial information are documented, as is the corresponding control model, including potential risks associated with each process and the controls put in place to mitigate them. As explained in Section F.2.1, the aforementioned risks and controls are recorded in the corporate tool STORM, which also includes the result of the assessment of the effectiveness of the controls and the degree of risk mitigation.

In particular, the main processes relating to the generation of financial information are found in the Finance area, and they are: accounting, consolidation, financial reporting, financial planning and monitoring, and financial and tax management. The analysis of these processes, their risks and their controls is also supplemented by that of all other critical risks, in the processes of the various business areas or other support areas, that may have a financial impact on the financial statements.

In the aforementioned review procedures, special attention is paid, from a control point of view, to the financial and tax-related information disseminated to the securities markets, including the specific review of controls on relevant judgements, estimates and projections used in the preparation of the above-mentioned information.

As noted in the annual financial statements themselves, it is occasionally necessary to make estimates to determine the amount at which some assets, liabilities, income, expenses and commitments should be recorded. These estimates are mainly related to:

- The value corrections of certain financial assets.
- The assumptions used to quantify certain provisions and in the actuarial calculation of liabilities and commitments for post-employment and other obligations.
- The useful life and impairment losses of tangible and intangible assets.
- The appraisal of goodwill and assignments of the price paid in business combinations.
- The fair value of certain unlisted assets and liabilities.
- The recoverability of deferred tax assets.

These estimates are made based on the best information available on the financial statement closing date and, together with the other relevant issues for the closing of the annual and six-monthly financial statements, are analysed and authorised by a Technical Committee.

F.3.2. Internal control procedures and policies for information systems (among others, access security, change control, their operation, operational continuity and segregation of functions) that support the relevant processes in the entity with respect to drawing up and publishing financial information.

The Group's current internal control model has expanded the catalogue of technological risks managed as non-financial risks to three distinct categories:

- ✓ Physical Security: Covers risks from inadequate management of the physical security of assets (including technology) and individuals due to the damage and deterioration of such assets.

- ✓ Technological Security: Covers risks from inadequate management of technology changes, IT system failures, risk from low IT availability and performance, IT system integrity risk, application tampering fraud, and logical impersonation.

- ✓ Information and Data Security: Covers risks from unauthorised access, modification or destruction of data infrastructure, loss, theft or misuse of information and cyber attacks that affect the privacy, confidentiality, availability and integrity of information.

The internal control models therefore include procedures and controls regarding the operation of information and access security systems, the segregation of functions, and the development and modification of computer applications used to generate financial information.

Both types of control are identified in the model of internal control over financial reporting and are analysed and assessed periodically, in order to guarantee the integrity and reliability of the information drawn up.

With all these mechanisms, the BBVA Group can confirm that adequate management of access control is maintained, the correct and necessary steps are taken to put applications into production as well as ensuring their subsequent support, the creation of backup copies, and assurance of continuity in the processing and recording of operations.

In summary, the entire process of preparing and publishing financial information has established and documented the procedures and control models for technology and IT systems necessary to provide reasonable assurance of the correctness of the BBVA Group's public financial information.

F.3.3. Internal control procedures and policies designed to supervise the management of activities subcontracted to third parties and those aspects of evaluation, calculation and assessment outsourced to independent experts which may materially impact the financial statements.

The internal control model sets out specific controls and procedures for the management of subcontracted activities or those aspects of evaluation, calculation and assessment of assets or liabilities outsourced to independent experts.

There is a specialist area of risk arising in third-party operations, a standard and a committee for non-financial risk admission, which also analyses outsourcing operations and which establishes and supervises the requirements to be fulfilled at the Group level for the activities to be subcontracted.

There are procedural manuals for the outsourced financial processes that identify the procedures to be followed and the controls to be applied by the service provider units and outsourcing units. The controls established in the outsourced processes concerning the generation of financial information are also tested by the Internal Financial Control area.

The valuations from independent experts used for matters relevant for generating financial information are included within the standard circuit of review procedures executed by internal control, internal auditing and external auditing.

F.4 Information and communication

Give information on the main features, if at least the following exist:

F.4.1. A specific function in charge of defining and maintaining accounting policies (accounting policy department or area) and resolving queries or conflicts stemming from their interpretation, ensuring fluent communication with those in charge of operations in the organisation, and an up-to-date manual of accounting policies, communicated to the units through which the entity operates.

The Finance area and in particular the Accounting & Regulatory Reporting area have robust governance systems which include two Technical Committees: one for Accounting and one for Capital. The purpose of these committees is to analyse, study and issue standards that may affect the compilation of the Group's financial and regulatory information, to determine the accounting and solvency criteria required to ensure that transactions are booked correctly, and to calculate capital requirements within the framework of the applicable standards.

The Group also has an Accounting Policies Manual, which is updated and made available to all Group units by means of the Intranet. This Manual is the tool that guarantees that all the decisions related to accounting policies or specific accounting criteria to be applied in the Group are supported and are standardised. This Manual is approved by the Technical Accounting Committee and is continuously documented and updated for use and analysis by all the Group's entities.

F.4.2. Mechanisms to capture and prepare financial reporting in standardised formats, for application and use by all of the units of the entity or the group, that support the main financial statements and the notes, and the detailed information on ICFR.

The BBVA Group's Finance area and the countries' financial management units are responsible for the processes for preparing financial statements in accordance with the current accounting and consolidation manuals. There is also a consolidation computer application that collects the accounting information of the various companies within the Group and performs the consolidation processes, including the standardisation of accounting criteria, aggregation of balances and consolidation adjustments.

Control measures have also been implemented in each of the aforementioned processes, both locally and at consolidated level, to ensure that all the data supplying the financial information is collected in a comprehensive, exact and timely manner. There is also a single and standardised financial reporting system that is applicable to and used by all the Group units and supports the main financial statements and the explanatory notes. There are also control measures and procedures to ensure that the information disclosed to the markets contains a breakdown that is tailored to regulatory requirements and sufficient so as to enable investors and other users of the financial information to understand and interpret it.

F.5 Supervision of the system's operation

Give information on the key features of at least:

F.5.1. The ICFR supervision activities carried out by the audit committee and whether the entity has an internal audit function with powers that include providing support to the audit committee in its task of supervising the internal control system, including the ICFR. Likewise, information will be given on the scope of the ICFR assessment carried out during the financial year and of the procedure by which the person in charge of performing the assessment communicates its results, whether the entity has an action plan listing the possible corrective measures, and whether its impact on financial reporting has been considered.

The internal control units of the business areas and of the support areas conduct a preliminary assessment of the internal control model, assess the risks identified in the processes, the effectiveness of controls, and the degree of mitigation of the risks, as well as identifying possible weaknesses and designing, implementing and monitoring the mitigation measures and action plans.

The first assessment of the effectiveness of the risk controls for the financial information preparation process is carried out by the RCA (Risk Control Assurer), who is responsible for control in the first line of defence, and layer by the RCS (Risk Control Specialist — second line of defence) who must challenge the design and operation of the controls in order to issue a conclusion on the operation of the control model on the risks covered by his field of expertise.

BBVA also has an Internal Audit unit that supports the Audit Committee with regard to the independent supervision of the internal financial information control system. The Internal Audit function is entirely independent of the units that draw up the financial information.

All the weaknesses in controls, mitigation measures and specific action plans are documented in the corporate tool STORM and submitted to the internal control and operational risk committees of the areas, as well as to the local or global Corporate Assurance Committees, based on the significance of the detected issues.

Both the weaknesses identified by the internal control units and those detected by the internal or external auditor have an action plan in place to correct or mitigate risk.

During the 2020 financial year, the areas responsible for Internal Control conducted a full assessment of the system for internal control over financial reporting, and, to date, no material or significant weakness having any impact on the preparation of financial information have been revealed therein.

Additionally, in compliance with the SOX, the Group's Internal Control and Internal Auditing areas annually assesses the effectiveness of the model of internal control over financial reporting on a group of risks (within the perimeter of SOX companies) that could affect the drawing up of financial statements at local and consolidated levels. This perimeter incorporates risks and controls in Finance and other specialisms that are not directly financial (technology, risks, operational processes, human resources, procurement, legal etc.). The results of this assessment are reported annually to the Audit Committee.

F.5.2. Whether there is a discussion procedure via which the auditor (in line with the auditing technical standards), the internal audit function and other experts can inform senior management and the audit committee or the entity's directors of significant weaknesses in the internal control encountered during the review processes for the annual financial statements or any others within their remit. Also provide information on whether there is an action plan to try to correct or mitigate the weaknesses observed.

As described in section (F.5.1) above, the Group has a procedure in place whereby the internal auditor and the heads of Internal Financial Control report to the Audit Committee any significant internal control weaknesses detected in the course of their work. Any significant or material weaknesses, if present, will likewise be reported. Similarly, there is a procedure whereby the external auditor reports to the Audit Committee the result of their work assessing the system for internal control over financial information.

Since BBVA is listed with the SEC, the BBVA Group's external auditor annually issues its opinion on the effectiveness of the internal control over financial reporting contained in the Group's consolidated annual financial statements on 31 December each year, under PCAOB (Public Company Accounting Oversight Board) standards, with a view to filing the financial information with the SEC on Form 20-F. The latest report issued on the financial information for the 2019 financial year is available at www.sec.gov and www.bbva.com.

All control weaknesses detected by the Internal Control, Internal Audit and External Audit areas have an action plan for resolution and are reported to the Internal Control Committees of each area, to the Corporate Assurance Committees (local or global, depending on the severity of the weaknesses) and also to the Audit Committee.

The internal control oversight carried out by the Audit Committee, described in the Regulations of the Audit Committee published on the Group website, www.bbva.com, includes the following activities:

- Analyse, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial information and related non-financial information. For this purpose, the Committee will have the support it needs from the Group's Senior Management, especially that of the area responsible for accounting functions, and from the Company and Group auditor, as well as all the necessary information made available to it with the level of aggregation deemed appropriate.
- Review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and the presentation of the financial statements.
- Monitor the effectiveness of the Company's internal control as well as its risk management systems, in terms of the process of preparing and reporting financial information, including tax-related risks, and discuss with the auditor any significant weaknesses detected in the internal control system during the audit, without undermining its independence. For such purposes, and where appropriate, the Committee may submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.
- Analyse and, where appropriate, approve the annual work plan for the Internal Audit area, as well as any other occasional or specific plans to be implemented as a result of regulatory changes or as required for organisation of the Group's business.
- Be aware of the audited units' degree of compliance with corrective measures previously recommended by the Internal Audit area and inform the Board of those cases that may involve a significant risk for the Group.

The external auditor and the head of Internal Audit attend all regular meetings of the Audit Committee to report on the matters dealt with within their respective remits.

F.6 Other relevant information

F.7 External auditor report

Report on:

F.7.1. Whether the ICFR information disclosed to the markets has been submitted by the external auditor for review, in which case the entity must attach the corresponding report as an annex. Otherwise, explain the reasons why it was not.

The information related to the BBVA Group's internal control over financial reporting described in this report is reviewed by the external auditor, which issues its opinion on the control system and on its effectiveness in relation to the accounts published at the close of each financial year.

On 28 February 2020, the BBVA Group, as a private foreign issuer in the United States, filed the Annual Report (Form 20-F) for the financial year ending on 31 December 2019, which was published on the SEC website on that same date.

In accordance with the requirements set out in Section 404 of the Sarbanes-Oxley Act of 2002 by the Securities and Exchange Commission (SEC), the aforementioned Annual Report (Form 20-F) included certification of the Group's executive principles with regard to the establishment, maintenance and assessment of the Group's system of internal control over financial reporting. The Form 20-F report also included the opinion of the external auditor regarding the effectiveness of the Company's system of internal control over financial reporting at the close of the 2019 financial year.

G. DEGREE OF COMPLIANCE WITH CORPORATE GOVERNANCE RECOMMENDATIONS

Indicate the extent of the company's compliance with the recommendations of the Good Governance Code of Listed Companies.

If any recommendations are not being followed or are only being followed in part, a detailed explanation of the reasons for this should be given so that shareholders, investors and the market in general have sufficient information to assess the actions of the company. General explanations will not be acceptable.

1. **The bylaws of listed companies should not place an upper limit on the votes that can be cast by a single shareholder, or impose other obstacles to the takeover of the company by means of share purchases on the market.**

✓ **COMPLIANT**

2. **When the listed company is controlled, pursuant to the meaning established in Article 42 of the Commercial Code, by another listed or non-listed entity, and has, directly or through its subsidiaries, business relationships with that entity or any of its subsidiaries (other than those of the listed company) or carries out activities related to the activities of any of them, this is reported publicly, with specific information about:**

   a) **The respective areas of activity and possible business relationships between, on the one hand, the listed company or its subsidiaries and, on the other, the parent company or its subsidiaries.**

   b) **The mechanisms established to resolve any conflicts of interest that may arise.**

NOT APPLICABLE

3. **During the annual general meeting the chairman of the board of directors should verbally inform shareholders in sufficient detail of the most relevant aspects of the company's corporate governance, supplementing the written information circulated in the annual corporate governance report. In particular:**

   a) **Changes that have occurred since the previous annual general meeting.**

   b) **The specific reasons for the company not following a given Corporate Governance Code recommendation, and any alternative procedures followed in its stead.**

✓ **COMPLIANT**

4. **The company should define and promote a policy for communication and contact with shareholders and institutional investors within the framework of their involvement in the company, as well as with proxy advisors, that complies in full with the rules on market abuse and gives equal treatment to shareholders who are in the same position. The company should make said policy public through its website, including information regarding the way in which it has been implemented and the parties involved or those responsible its implementation.**

   Further, without prejudice to the legal obligations of disclosure of inside information and other regulated information, the company should also have a general policy for the communication of economic-financial, non-financial and corporate information through the channels it considers appropriate (media, social media or other channels) that helps maximise the dissemination and quality of the information available to the market, investors and other stakeholders.

✓ COMPLIANT

5. **The board of directors should not make a proposal to the general meeting for the delegation of powers to issue shares or convertible securities without pre-emptive subscription rights for an amount exceeding 20% of capital at the time of such delegation.**

When a board of directors approves the issuance of shares or convertible securities without pre-emptive subscription rights, the company should immediately post a report on its website explaining the exclusion as envisaged in company legislation.

PARTIALLY COMPLIANT

The General Shareholders' Meeting on 17 March 2017 delegated to the Board of Directors a power to increase share capital and issue convertible securities, along with the power to wholly or partially exclude pre-emptive subscription rights in respect of capital increases and issues of convertible securities carried out using such delegated power. The power to exclude pre-emptive subscription rights is limited, overall, to 20% of share capital as it stood at the time of the delegation, except for the issuance of contingently convertible securities, the conversion of which is intended to satisfy regulatory solvency requirements as to eligibility as capital instruments in accordance with applicable regulations, because such instruments do not dilute the interests of shareholders.

6. **Listed companies drawing up the following reports on a voluntary or compulsory basis should publish them on their website well in advance of the annual general shareholders' meeting, even if their distribution is not obligatory:**

   a) **Report on auditor independence.**

   b) **Reports on the operation of the audit committee and the nomination and remuneration committee.**

   c) **Audit committee report on related-party transactions.**

✓ COMPLIANT

7. **The company should broadcast its general shareholders' meetings live on its website.**

The company should have mechanisms that allow the delegation and exercise of votes by electronic means and even, in the case of large-cap companies and, to the extent that it is proportionate, attendance and active participation in the general shareholders' meeting.

PARTIALLY COMPLIANT

The Company broadcasts, live on its website, its General Shareholders' Meetings; and has mechanisms that allow for proxy voting and remote voting by its shareholders. It is also expected that, for the 2021 General Shareholders' Meeting, mechanisms will be in place to allow remote attendance and active participation by shareholders.

8. **The audit committee should strive to ensure that the financial statements that the board of directors presents to the general shareholders' meeting are drawn up in accordance to accounting legislation. And in those cases where the auditors includes any qualification in its report, the chairman of the audit committee should give a clear explanation at the general meeting of their opinion regarding the scope and content, making a summary of that opinion available to the shareholders at the time of the publication of the notice of the meeting, along with the rest of proposals and reports of the board.**

✓ COMPLIANT

9. **The company should disclose its conditions and procedures for admitting share ownership, the right to attend the general shareholders' meeting and the exercise or delegation of voting rights, and display them permanently on its website.**

Such conditions and procedures should encourage shareholders to attend and exercise their rights and be applied in a non-discriminatory manner.

✓ COMPLIANT

10. **When an accredited shareholder exercises the right to supplement the agenda or submit new proposals prior to the general shareholders' meeting, the company should:**

    a) **Immediately circulate the supplementary items and new proposals.**

    b) **Disclose the model of attendance card or proxy appointment or remote voting form duly modified so that new agenda items and alternative proposals can be voted on in the same terms as those submitted by the board of directors.**

    c) **Put all these items or alternative proposals to the vote applying the same voting rules as for those submitted by the board of directors, with particular regard to presumptions or deductions about the direction of votes.**

    d) **After the general shareholders' meeting, disclose the breakdown of votes on such supplementary items or alternative proposals.**

NOT APPLICABLE

11. **In the event that a company plans to pay for attendance at the general shareholders' meeting, it should first establish a general, long-term policy in this respect.**

NOT APPLICABLE

12. **The board of directors should perform its duties with unity of purpose and independent judgement, according the same treatment to all shareholders in the same position. It should be guided at all times by the company's best interest, understood as the creation of a profitable business that promotes its sustainable success over time, while maximising its economic value.**

In pursuing the corporate interest, it should not only abide by laws and regulations and conduct itself according to principles of good faith, ethics and respect for commonly accepted customs and good practices, but also strive to reconcile its own interests with the legitimate interests of its employees, suppliers, clients and other stakeholders, as well as with the impact of its activities on the broader community and the natural environment.

✓ COMPLIANT

13. **The board of directors should have an optimal size to promote its efficient functioning and maximise participation. The recommended range is accordingly between five and fifteen members.**

✓ COMPLIANT

14. **The board of directors should approve a policy aimed at promoting an appropriate composition of the board of directors and that:**

- **a)** **Is concrete and verifiable;**
- **b)** **Ensures that appointment or re-election proposals are based on a prior analysis of the competences required by the board; and**
- **c)** **Favours s diversity of knowledge, experience, age and gender. Therefore, measures that encourage the company to have a significant number of female senior managers are considered to favour gender diversity.**

The results of the prior analysis of competences required by the board should be written up in the nomination committee's explanatory report, to be published when the general shareholders' meeting is convened that will ratify the appointment and re-election of each director.

The appointments committee should run an annual check on compliance with the policy and set out its findings in the annual corporate governance report.

✓ COMPLIANT

15. **Proprietary and independent directors should constitute an ample majority on the board of directors, while the number of executive directors should be the minimum practical bearing in mind the complexity of the corporate group and the ownership interests they control.**

Further, the number of female directors should account for at least 40% of the members of the board of directors before the end of 2022 and thereafter, and not less than 30% previous to that.

✓ COMPLIANT

16. **The percentage of proprietary directors out of all non-executive directors should be no greater than the proportion between the ownership stake of the shareholders they represent and the remainder of the company's capital.**

This criterion can be relaxed:

- **a)** **In large cap companies where few or no equity stakes attain the legal threshold for significant shareholdings.**
- **b)** **In companies with a plurality of shareholders represented on the board of directors but not otherwise related.**

✓ COMPLIANT

17. **Independent directors should be at least half of all board members.**

However, when the company is not highly capitalised or is highly capitalised but has one or more shareholders acting in concert and controlling more than 30% of the share capital, the minimum number of independent directors should be at least one third of the total.

✓ COMPLIANT

18. **Companies should disclose the following director particulars on their websites and keep them regularly updated:**

- **a)** **Background and professional experience.**

b) Directorships held in other companies, listed or otherwise, and other paid activities they engage in, of whatever nature.

c) Statement of the director class to which they belong, in the case of proprietary directors indicating the shareholder they represent or have links with.

d) Date of their first appointment as a board member and subsequent re-appointments.

e) Shares held in the company, and any options on the same.

✓ COMPLIANT

19. Following verification by the nomination committee, the annual corporate governance report should disclose the reasons for the appointment of proprietary directors at the urging of shareholders controlling less than 3% of capital; and explain any rejection of a formal request for a board place from shareholders whose equity stake is equal to or greater than that of others applying successfully for a proprietary directorship.

NOT APPLICABLE

20. Proprietary directors should resign when the shareholders they represent dispose of their ownership interest in its entirety. If such shareholders reduce their stakes, thereby losing some of their entitlement to proprietary directors, the latter number should be reduced accordingly.

NOT APPLICABLE

21. The board of directors should not propose the removal of independent directors before the expiry of their tenure as mandated by the bylaws, except where they find just cause, based on a proposal from the nomination committee. In particular, just cause will be presumed when directors take up new posts or responsibilities that prevent them allocating sufficient time to the work of a board member, or are in breach of their fiduciary duties or come under one of the disqualifying grounds for classification as independent enumerated in the applicable legislation.

The removal of independent directors may also be proposed when a takeover bid, merger or similar corporate transaction alters the company's capital structure, provided the changes in board membership ensue from the proportionality criterion set out in recommendation 16.

✓ COMPLIANT

22. Companies should establish rules obliging directors to disclose any circumstance that might harm the organisation's name or reputation, related or not to their actions within the company, and tendering their resignation as the case may be, and, in particular, to inform the board of any criminal charges brought against them and the progress of any subsequent trial.

When the board is informed or becomes aware of any of the situations mentioned in the previous paragraph, the board of directors should examine the case as soon as possible and, attending to the particular circumstances, decide, based on a report from the nomination and remuneration committee, whether or not to adopt any measures such as opening of an internal investigation, calling on the director to resign or proposing his or her dismissal. The board should give a reasoned account of all such determinations in the annual corporate governance report, unless there are special circumstances that justify otherwise, which must be recorded in the minutes. This is without prejudice to the information that the company must disclose, if appropriate, at the time it adopts the corresponding measures.

✓ COMPLIANT

23. Directors should express their clear opposition when they feel a proposal submitted for the board's approval might damage the corporate interest. In particular, independents and other directors not subject to potential conflicts of interest should strenuously challenge any decision that could harm the interests of shareholders lacking board representation.

When the board makes material or reiterated decisions about which a director has expressed serious reservations, then he or she must draw the pertinent conclusions. Directors resigning for such causes should set out their reasons in the letter referred to in the next recommendation.

The terms of this recommendation also apply to the secretary of the board, even if he or she is not a director.

✓ COMPLIANT

24. Directors who give up their position before their tenure expires, through resignation or resolution of the general meeting, should state the reasons for this decision, or in the case of non-executive directors, their opinion of the reasons for the general meeting resolution, in a letter to be sent to all members of the board.

This should all be reported in the annual corporate governance report, and if it is relevant for investors, the company should publish an announcement of the departure as rapidly as possible, with sufficient reference to the reasons or circumstances provided by the director.

✓ COMPLIANT

25. **The nomination committee should ensure that non-executive directors have sufficient time available to fulfil their responsibilities effectively.**

The board of directors' regulations should lay down the maximum number of company boards on which directors can serve.

✓ **COMPLIANT**

26. **The board should meet with the necessary frequency to properly perform its functions, eight times a year at least, in accordance with a calendar and agendas set at the start of the year, to which each director may propose the addition of initially unscheduled items.**

✓ **COMPLIANT**

27. **Director absences should be kept to a strict minimum and quantified in the annual corporate governance report. In the event of absence, directors should delegate their powers of representation with the appropriate instructions.**

✓ **COMPLIANT**

28. **When directors or the secretary express concerns about some proposal or, in the case of directors, about the company's performance, and such concerns are not resolved at the meeting, they should be recorded in the minute book if the person expressing them so requests.**

✓ **COMPLIANT**

29. **The company should provide suitable channels for directors to obtain the advice they need to carry out their duties, extending if necessary to external assistance at the company's expense.**

✓ **COMPLIANT**

30. **Regardless of the knowledge directors must possess to carry out their duties, they should also be offered refresher programmes when circumstances so advise.**

✓ **COMPLIANT**

31. **The agendas of board meetings should clearly indicate on which points directors must arrive at a decision, so they can study the matter beforehand or gather together the material they need.**

For reasons of urgency, the chairman may wish to present decisions or resolutions for board approval that were not on the meeting agenda. In such exceptional circumstances, their inclusion will require the express prior consent, duly minuted, of the majority of directors present.

✓ **COMPLIANT**

32. **Directors should be regularly informed of movements in share ownership and of the views of major shareholders, investors and rating agencies on the company and its group.**

✓ **COMPLIANT**

33. **The chairman, as the person charged with the efficient functioning of the board of directors, in addition to the functions assigned by law and the company's bylaws, should prepare and submit to the board a schedule of meeting dates and agendas; organise and coordinate regular evaluations of the board and, where appropriate, the company's chief executive officer; exercise leadership of the board and be accountable for its proper functioning; ensure that sufficient time is given to the discussion of strategic issues, and approve and review refresher courses for each director, when circumstances so advise.**

✓ **COMPLIANT**

34. **When a lead independent director has been appointed, the bylaws or board of directors regulations should grant him or her the following powers over and above those conferred by law: chair the board of directors in the absence of the chairman or vice chairmen give voice to the concerns of non-executive directors; maintain contacts with investors and shareholders to hear their views and develop a balanced understanding of their concerns, especially those to do with the company's corporate governance; and coordinate the chairman's succession plan.**

✓ **COMPLIANT**

35. **The board secretary should strive to ensure that the board's actions and decisions are informed by the governance recommendations of the Good Governance Code of relevance to the company.**

✓ **COMPLIANT**

36. **The board in full should conduct an annual evaluation, adopting, where necessary, an action plan to correct weakness detected in:**

a) **The quality and efficiency of the board's operation.**

b) **The performance and membership of its committees.**

c) **The diversity of board membership and competences.**

d) The performance of the chairman of the board of directors and the company's chief executive.

e) The performance and contribution of individual directors, with particular attention to the chairmen of board committees.

The evaluation of board committees should start from the reports they send the board of directors, while that of the board itself should start from the report of the nomination committee.

Every three years, the board of directors should engage an external facilitator to aid in the evaluation process.

Any business dealings that the facilitator or members of its corporate group maintain with the company or members of its corporate group should be detailed in the annual corporate governance report.

The process followed and areas evaluated should be detailed in the annual corporate governance report.

✓ COMPLIANT

37. When there is an executive committee, there should be at least two nonexecutive members, at least one of whom should be independent; and its secretary should be the secretary of the board of directors.

✓ COMPLIANT

38. The board should be kept fully informed of the business transacted and decisions made by the executive committee. To this end, all board members should receive a copy of the committee's minutes.

✓ COMPLIANT

39. All members of the audit committee, particularly its chairman, should be appointed with regard to their knowledge and experience in accounting, auditing and risk management matters, both financial and non-financial.

✓ COMPLIANT

40. Listed companies should have a unit in charge of the internal audit function, under the supervision of the audit committee, to monitor the effectiveness of internal reporting and control systems. This unit should report functionally to the board's non-executive chairman or the chairman of the audit committee.

✓ COMPLIANT

41. The head of the unit handling the internal audit function should present an annual work programme to the audit committee, for approval by this committee or the board, inform it directly of any incidents or scope limitations arising during its implementation, the results and monitoring of its recommendations, and submit an activities report at the end of each year.

✓ COMPLIANT

42. The audit committee should have the following functions over and above those legally assigned:

1. With respect to internal control and reporting systems:

a) Monitor and evaluate the preparation process and the integrity of the financial and non-financial information, as well as the control and management systems for financial and non-financial risks related to the company and, where appropriate, to the group – including operating, technological, legal, social, environmental, political and reputational risks or those related to corruption – reviewing compliance with regulatory requirements, the accurate demarcation of the consolidation perimeter, and the correct application of accounting principles.

b) Monitor the independence of the unit handling the internal audit function; propose the selection, appointment and removal of the head of the internal audit service; propose the service's budget; approve or make a proposal for approval to the board of the priorities and annual work programme of the internal audit unit, ensuring that it focuses primarily on the main risks the company is exposed to (including reputational risk); receive regular report-backs on its activities; and verify that senior management are acting on the findings and recommendations of its reports.

c) Establish and supervise a mechanism that allows employees and other persons related to the company, such as directors, shareholders, suppliers, contractors or subcontractors, to report irregularities of potential significance, including financial and accounting irregularities, or those of any other nature, related to the company, that they notice within the company or its group. This mechanism must guarantee confidentiality and enable communications to be made anonymously, respecting the rights of both the complainant and the accused party.

d) In general, ensure that the internal control policies and systems established are applied effectively in practice.

2. With regard to the external auditor:

a) Investigate the issues giving rise to the resignation of the external auditor, should this come about.

b) **Ensure that the remuneration of the external auditor does not compromise its quality or independence.**

c) **Ensure that the company notifies any change of external auditor to the CNMV as a material event, accompanied by a statement of any disagreements arising with the outgoing auditor and the reasons for the same.**

d) **Ensure that the external auditor has a yearly meeting with the board in full to inform it of the work undertaken and developments in the company's risk and accounting positions.**

e) **Ensure that the company and the external auditor adhere to current regulations on the provision of non-audit services, limits on the concentration of the auditor's business and other requirements concerning auditor independence.**

PARTIALLY COMPLIANT

Certain functions contained in this recommendation, in particular in paragraph 1(a), on the monitoring of risk control and management systems; paragraph 1(c), on the monitoring of a mechanism for the reporting of irregularities of particular importance; and paragraph 1(d), on the monitoring of the implementation of internal control policies and systems, are assigned, in accordance with the provisions of the Regulations of the Board of Directors, to the Risk and Compliance Committee, composed exclusively of non-executive directors, most of them being independent directors, as well as its Chairman.

Within the framework of BBVA's Corporate Governance System, this Committee assists the Board in determining and monitoring the policy for control and management of all risks (financial and non-financial) of the Group, with the exception of the functions that correspond to internal financial control, that are the responsibility of the Audit Committee; those of technological risk, which correspond to the Technology and Cybersecurity Committee; and those of business and reputational risk, which correspond to the Executive Committee. It also carries out monitoring of the information and internal control systems, the Regulation & Internal Control function (which includes, among other units, the Compliance Unit) and implementation within the Group of risk and compliance culture.

Notwithstanding the foregoing, the Audit Committee may, where appropriate, receive information on the above, within the framework of its responsibilities and under the inter-committee coordination mechanism provided for in the Regulations of the Board, for the best exercise of its functions.

43. **The audit committee should be empowered to meet with any company employee or manager, even ordering their appearance without the presence of another senior officer.**

✓ COMPLIANT

44. **The audit committee should be informed of any fundamental changes or corporate transactions the company is planning, so the committee can analyse the operation and report to the board beforehand on its economic conditions and accounting impact and, when applicable, the exchange ratio proposed.**

✓ COMPLIANT

45. **Risk control and management policy should identify at least:**

a) **The different types of financial and non-financial risk the company is exposed to (including operational, technological, financial, legal, social, environmental, political and reputational risks, and risks relating to corruption), with the inclusion under financial or economic risks of contingent liabilities and other off-balance-sheet risks.**

b) **A risk control and management model based on different levels, of which a specialised risk committee will form part when sector regulations provide or the company deems it appropriate.**

c) **The level of risk that the company considers acceptable.**

d) **The measures in place to mitigate the impact of identified risk events should they occur.**

e) **The internal control and reporting systems to be used to control and manage the above risks, including contingent liabilities and off-balance sheet risks.**

✓ COMPLIANT

46. **Companies should establish a risk control and management function in the charge of one of the company's internal department or units and under the direct supervision of the audit committee or some other dedicated board committee. This function should be expressly charged with the following responsibilities:**

a) **Ensure that risk control and management systems are functioning correctly and, specifically, that major risks the company is exposed to are correctly identified, managed and quantified.**

b) **Participate actively in the preparation of risk strategies and in key decisions about their management.**

c) **Ensure that risk control and management systems are mitigating risks effectively in the frame of the policy drawn up by the board of directors.**

✓ COMPLIANT

47. Appointees to the nomination and remuneration committee – or of the nomination committee and remuneration committee, if separately constituted – should have the right balance of knowledge, skills and experience for the functions they are called on to discharge. The majority of their members should be independent directors.

✓ **COMPLIANT**

48. Large cap companies should operate separately constituted nomination and remuneration committees.

✓ **COMPLIANT**

49. The nomination committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors.

When there are vacancies on the board, any director may approach the nomination committee to propose candidates that it might consider suitable.

✓ **COMPLIANT**

50. The remuneration committee should operate independently and have the following functions in addition to those assigned by law:

- **a) Propose to the board the standard conditions of senior management contracts.**
- **b) Monitor compliance with the remuneration policy established by the company.**
- **c) Periodically review the remuneration policy for directors and senior officers, including share-based remuneration systems and their application, and ensure that their individual compensation is proportionate to the amounts paid to other directors and senior officers in the company.**
- **d) Ensure that conflicts of interest do not undermine the independence of any external advice the committee engages.**
- **e) Verify the information on director and senior officers' pay contained in corporate documents, including the annual directors' remuneration statement.**

✓ **COMPLIANT**

51. The remuneration committee should consult with the company's chairman and chief executive, especially on matters relating to executive directors and senior officers.

✓ **COMPLIANT**

52. The rules of performance and membership of supervision and control committees should be set out in the board of directors' regulations and aligned with those governing legally mandatory board committees as specified in the preceding sets of recommendations. They should include:

- **a) Committees should be formed exclusively by non-executive directors, with a majority of independents.**
- **b) They should be chaired by independent directors.**
- **c) The board should the members of such committees with regard to the knowledge, skills and experience of its directors and each committee's terms of reference; discuss their proposals and reports; and provide report-backs on their activities and work at the first board plenary following each committee meeting.**
- **d) They may engage external advice, when they feel it necessary for the discharge of their functions.**
- **e) Meeting proceedings should be minuted and a copy made available to all board members.**

✓ **COMPLIANT**

53. The task of supervising compliance with the policies and rules of the company in the environmental, social and corporate governance areas, and internal rules of conduct, should be assigned to one board committee or split between several, which could be the audit committee, the nomination committee, a committee specialised in sustainability or corporate social responsibility, or a dedicated committee established by the board under its powers of selforganisation. Such a committee should be made up solely of non-executive directors, the majority being independent and specifically assigned the following minimum functions.

PARTIALLY COMPLIANT

The responsibility of supervising compliance with the Bank's policies and rules in the area of environmental, social and corporate governance, as well as internal codes of conduct, and other matters referred to in Recommendation 54, is shared between several Board Committees: namely, the Appointments and Corporate Governance Committee, the Audit Committee and the Risk and Compliance Committee, composed exclusively of non-executive directors; and also the Executive Committee.

In particular, regarding environmental and social matters, the Executive Committee and the Risk and Compliance Committee play a more active role in assisting the Board on such matters, each within the limits of their powers.

The Executive Committee, which is comprised of a majority non-executive directors, is established to support the Board in the area of strategy and finance and oversees, on a recurrent basis, the integration of sustainability into the Group's business processes and activity, in line with the strategic priorities set out by the Bank. This Committee also oversees the implementation of the Bank's Sustainability Policy, approved by the Board, as well as the implementation of the Corporate Social Responsibility Policy, also approved by the Board.

In turn, the Risk and Compliance Committee, composed of a large majority of independent directors and without the presence of executive directors, monitors and supervises the integration of sustainability into the Group's risk analysis and management, from the perspectives of both risk planning and risk management. This Committee's functions also include to examine draft codes of ethics and conduct and their respective modifications, and matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition.

Finally, the Appointments and Corporate Governance Committee, composed of a majority of independent directors, is responsible for regularly reviewing and assessing BBVA's corporate governance system; and the Audit Committee, composed exclusively of independent directors, is responsible for overseeing the process of preparing and reporting financial and related non-financial information.

54. The minimum functions referred to in the above recommendation are as follows:

- **a) Monitor compliance with the company's internal codes of conduct and corporate governance rules, and ensure that the corporate culture is aligned with its purpose and values.**
- **b) Monitor the implementation of the general policy regarding the disclosure of economic-financial, non-financial and corporate information, as well as communication with shareholders and investors, proxy advisors and other stakeholders. Similarly, the way in which the entity communicates and relates with small and medium-sized shareholders should be monitored.**
- **c) Periodically evaluate the effectiveness of the company's corporate governance system and environmental and social policy, to confirm that it is fulfilling its mission to promote the corporate interest and catering, as appropriate, to the legitimate interests of remaining stakeholders.**
- **d) Ensure the company's environmental and social practices are in accordance with the established strategy and policy.**
- **e) Monitor and evaluate the company's interaction with its stakeholder groups.**

✓ **COMPLIANT**

55. Environmental and social sustainability policies should identify and include at least:

- **a) The principles, commitments, objectives and strategy regarding shareholders, employees, clients, suppliers, social welfare issues, the environment, diversity, fiscal responsibility, respect for human rights and the prevention of corruption and other illegal conducts.**
- **b) The methods or systems for monitoring compliance with policies, associated risks and their management.**
- **c) The mechanisms for supervising non-financial risk, including that related to ethical aspects and business conduct.**
- **d) Channels for stakeholder communication, participation and dialogue.**
- **e) Responsible communication practices that prevent the manipulation of information and protect the company's honour and integrity.**

✓ **COMPLIANT**

56. Director remuneration should be sufficient to attract individuals with the desired profile and compensate the commitment, abilities and responsibility that the post demands, but not so high as to compromise the independent judgement of non-executive directors.

✓ **COMPLIANT**

57. Variable remuneration linked to the company and the director's performance, the award of shares, options or any other right to acquire shares or to be remunerated on the basis of share price movements, and membership of long-term savings schemes such as pension plans, retirement schemes and other savings schemes, should be confined to executive directors.

The company may consider the share-based remuneration of non-executive directors provided they retain such shares until the end of their mandate. This condition, however, will not apply to shares that the director must dispose of to defray costs related to their acquisition.

✓ COMPLIANT

58. **In the case of variable awards, remuneration policies should include limits and technical safeguards to ensure they reflect the professional performance of the beneficiaries and not simply the general progress of the markets or the company's sector, or circumstances of that kind.**

And, in particular, variable remuneration items should meet the following conditions:

a) **Be subject to predetermined and measurable performance criteria that factor the risk assumed to obtain a given outcome.**

b) **Promote the long-term sustainability of the company and include nonfinancial criteria that are relevant for the company's long-term value creation, such as compliance with its internal rules and procedures and its risk control and management policies.**

c) **Be focused on achieving a balance between the delivery of short, medium and long-term objectives, such that performance-related pay rewards ongoing achievement, maintained over sufficient time to appreciate its contribution to long-term value creation. This will ensure that performance measurement is not based solely on one-off, occasional or extraordinary events.**

✓ COMPLIANT

59. **The payment of the variable components of remuneration is subject to sufficient verification that previously established performance, or other, conditions have been effectively met. Entities should include in their annual directors' remuneration report the criteria relating to the time required and methods for such verification, depending on the nature and characteristics of each variable component.**

Additionally, entities should consider establishing a reduction clause ('malus') based on deferral for a sufficient period of the payment of part of the variable components that implies total or partial loss of this remuneration in the event that prior to the time of payment an event occurs that makes this advisable.

✓ COMPLIANT

60. **Remuneration linked to company earnings should bear in mind any qualifications stated in the external auditor's report that reduce their amount.**

✓ COMPLIANT

61. **A major part of executive directors' variable remuneration should be linked to the award of shares or financial instruments whose value is linked to the share price.**

✓ COMPLIANT

62. **Following the award of shares, options or financial instruments corresponding to the remuneration schemes, executive directors should not be able to transfer their ownership or exercise them until a period of at least three years has elapsed.**

Except for the case in which the director maintains, at the time of the transfer or exercise, a net economic exposure to the variation in the price of the shares for a market value equivalent to an amount of at least twice his or her fixed annual remuneration through the ownership of shares, options or other financial instruments.

The foregoing shall not apply to the shares that the director needs to dispose of to meet the costs related to their acquisition or, upon favourable assessment of the nomination and remuneration committee to address an extraordinary situation.

✓ COMPLIANT

63. **Contractual arrangements should include provisions that permit the company to reclaim variable components of remuneration when payment was out of step with the director's actual performance or based on data subsequently found to be misstated.**

✓ COMPLIANT

64. **Termination payments should not exceed a fixed amount equivalent to two years of the director's total annual remuneration and should not be paid until the company confirms that he or she has met the predetermined performance criteria.**

For the purposes of this recommendation, payments for contractual termination include any payments whose accrual or payment obligation arises as a consequence of or on the occasion of the termination of the contractual relationship that linked the director with the company, including previously unconsolidated amounts for long-term savings schemes and the amounts paid under post-contractual non-compete agreements.

✓ **COMPLIANT**

H. OTHER POINTS OF INTEREST

1. If there is any other aspect relevant to the corporate governance in the company or in the group entities that has not been addressed in the rest of the sections of this report, but is necessary to include to provide more comprehensive and well-grounded information on the corporate governance structure and practices in the Bank or its group, give a brief description of them.

2. This section may also include any other information, clarification or detail related to previous sections of the report if it is relevant and not reiterative.

   In particular, indicate whether the company is subject to corporate governance legislation from a country other than Spain and, if so, include the mandatory information to be provided, if different from that required by this report.

3. The company may also indicate if it has voluntarily signed up to other international, industry-wide or any other codes of ethical principles or best practices. Where applicable, identify the code in question and the date of signing. In particular, indicate whether it has signed up to the Code of Good Tax Practices of 20 July 2010.

The data in this report refers to the financial year ending 31 December 2020, except in those cases when another reference date is specifically stated.

Further to Section A.3, BBVA has a fixed remuneration system with deferred share delivery for its non-executive directors, as approved by the General Meeting. This consists of the annual allocation to each non-executive director of a number of BBVA “theoretical shares” equivalent to 20% of the total cash compensation received by each non-executive director in the previous year. This will be delivered as appropriate, after their termination as a director for any reason other than serious dereliction of duties. Details on the annual allocation made by the Board and the accumulated theoretical shares can be found in Notes 54 and 49 on “Remuneration and other benefits to the Board of Directors and to members of the Bank's Senior Management” within the notes to the annual financial statements corresponding to BBVA's Consolidated and Individual Annual Accounts for the 2020 financial year, respectively, as well as in BBVA's Annual Report on the Remuneration of Directors.

The remuneration system for executive directors includes, among other elements, an annual variable remuneration whose settlement and payment system includes a share portion and deferral periods. The details of the shares that correspond to each executive director as part of this remuneration are also set out in Notes 54 and 49 on “Remuneration and other benefits to the Board of Directors and to members of the Bank's Senior Management” of the notes to the annual financial statements for the BBVA Consolidated and Individual Annual Accounts the 2020 financial year, respectively, and in BBVA's Annual Report on the Remuneration of Directors.

Further to Section A.9, relating to income from treasury-share trading, Rule 21 of Circular 4/2017 and IAS 32, Paragraph 33, expressly prohibit the recognition, in the income statement, of gains or losses made through transactions carried out with own capital instruments, including their issuance and redemption. Said profits and losses are directly booked against the company's net equity. In the table of significant variations, the date of entry of CNMV Model IV into the registries of that body. This model is related to communications with treasury shares and contains the reason for such communication.

For the purpose of clarifying the information contained in Section C.1.2, it is indicated that Jaime Félix Caruana Lacorte accepted his appointment on 4 June 2018; Ana Cristina Peralta Moreno accepted her appointment on 8 May 2018; Ana Leonor Revenga Shanklin and Carlos Vicente Salazar Lomelín accepted their appointments on 1 April 2020, with the date of appointment by the corresponding General Meeting set out in Section C.1.2.

Further to section C.1.7, the Committee observed that independent directors contribute to the suitable composition of both the Board of Directors and its committees and, in particular, those that assist the Board in its supervision and control functions. These Committees must have a significant number of independent directors, from among which the chairs of these committees must also be appointed.

Finally, the current composition of the Board complies with the provisions of the applicable legislation, the Regulations of the corporate bodies and the objectives of the Selection Policy in this regard. In addition to the foregoing paragraphs, it is worth noting that:

i. there is adequate balance between the different types of director;

ii. non-executive directors comprise 86.67% of the total directors (thus meeting the objective of there being a majority of non-executive directors);

iii. independent directors make up two thirds of the Board (thus meeting the objective of having at least 50% independent directors); and

iv. women currently represent one third of directors (thus meeting the specific target for 2020 of having at least 30% female directors).

In light of the above, it is the view of the Committee that the Board of Directors as a whole has an adequate and diverse composition, with extensive knowledge of the environment, strategy, activities, business and risks of the Bank and its Group, and which is balanced and suited to current needs, thus helping the corporate bodies to perform their functions in the Bank's best corporate interest.

Further to Section C.1.9, the various Board Committees with oversight and control functions also have certain functions delegated by the Board of Directors, which are set forth in their corresponding regulations and are available on the Bank's website.

Further to the information included in section C.1.13:

The amount included in the item "Remuneration of the Board of Directors accrued during the financial year" corresponds, based on the instructions of this Report, with the amount declared as total remuneration accrued according to Table C) "Summary of remunerations" of section 3.4 (Statistical appendix) of BBVA's Annual Report on the Remuneration of Directors, which includes: the fixed and in-kind remuneration of the executive and non-executive directors received during the 2020 financial year; the payment of the deferred portion of the Annual Variable Remuneration for the 2017 financial year, in cash and monetised shares, together with its corresponding update, payable in 2021 if the corresponding conditions are met; as well as the remuneration paid as a result of the non-compete agreement to the former executive director Head of Global Economics & Public Affairs, who ceased as director on 13 March 2020, and the consolidated amounts of rights to savings system corresponding to this director. The consolidated amount of rights to savings system indicated in the Annual Report of Remunerations for Directors corresponds to the total of the accumulated funds to meet the retirement commitments made by the Bank to the former executive director Head of Global Economics & Public Affairs, which, in accordance to BBVA Directors' Remuneration Policy and the conditions established in his contract, he will be entitled to receive, paid as a lump sum or in instalments, when he reaches the legally established retirement age, without the Bank having to make any additional contributions since the termination.

The amount included in the item "Remuneration of the Board of Directors accrued during the financial year" does not include the initial portion of the Annual Variable Remuneration of the executive directors for the 2020 financial year since it has not accrued due to the executive directors waiving its generation in light of the exceptional circumstances arising from the COVID-19 crisis.

These concepts are detailed, individually for each director, in Notes 54 and 49 of the notes to the annual financial statements corresponding to BBVA's Annual Consolidated and Individual Accounts for the 2020 financial year, respectively.

For the purposes of calculating the cash value of the shares corresponding to the Deferred Portion of the 2017 Annual Variable Remuneration, to be paid in 2021, and bearing in mind that these shares had not yet been delivered to their beneficiaries as of the date of this report, the average closing price of BBVA's share price for the stock exchanges between 15 December 2020 and 15 January 2021 inclusive has been taken as a reference. This price stood at EUR 4.12 per share. The price used to initially determine the number of shares of the deferred part of the 2017 Annual Variable Remuneration in accordance with the policy applicable in that financial year was the average closing price of BBVA's share for trading sessions between 15 December 2017 and 15 January 2018, which was EUR 7.254 per share.

With regard to the "Amount of entitlements accrued by current directors in regard to pensions" indicated in section C.1.13 of this Report, during the 2020 financial year, the Bank made pension commitments to the Chairman to cover the contingencies of retirement, disability and death in accordance with the provisions of the Bylaws, the BBVA Directors' Remuneration Policy and his contract entered into with the Bank. For the Chief Executive Officer, the Bank has no pension commitments, although it does have commitments to cover the contingencies for disability and death, in accordance with the BBVA Directors' Remuneration Policy and the contract entered into with the Bank.

The main characteristics of the pension system of the Chairman to cover the retirement contingency are detailed in the BBVA Directors' Remuneration Policy, and include, inter alia, the following: it is a defined contribution system; no provision for receiving the retirement pension in advance; and 15% of the agreed contribution is considered "discretionary pension benefits", in accordance with the requirements of the applicable regulations. They are also included in Notes 54 and 49 of the Annual Report corresponding to the annual financial statements for BBVA's Consolidated and Individual Annual Financial Statements for the 2020 financial year, respectively, which include the amounts of the entitlements accrued by the Chairman as at 31 December 2020.

The balance of the item "Provisions — Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2020 includes EUR 73 million as post-employment provision commitments maintained with former members of the Board of Directors.

Further to the information included in section C.1.14:

The item "Total remuneration of Senior Management" includes the remuneration of the members of Senior Management (15 members as at 31 December 2020, excluding the executive directors), which includes: the annual and in-kind fixed remuneration received during the 2020 financial year; the payment of the Deferred Portion of the Annual Variable Remuneration for the 2017 financial year, in cash and monetised shares, together with its corresponding update, payable in 2021, if the corresponding conditions are met. The monetised shares stood at the same value as that indicated in the case of the executive directors (i.e. EUR 4.12 per share; see Section C.1.13). As in the case of the executive directors, this item does not include the Annual Variable Remuneration for the 2020 financial year as it has not been accrued since the members of the Senior Management waived its generation in light of the exceptional circumstances arising from the COVID-19 crisis.

The main characteristics of the pension systems for this group are, inter alia, the following: defined contributions; no provision for receiving the retirement pension in advance; and 15% of the agreed contributions are considered "discretionary pension benefits", in accordance with the requirements of the applicable regulations.

The above concepts are detailed in Notes 54 and 49 of the annual financial statements corresponding to BBVA's Consolidated and Individual Annual Financial Statements for the 2020 financial year, respectively.

The balance of the item "Provisions — Funds for pensions and similar obligations" on the Group's consolidated balance sheet at 31 December 2020 includes EUR 282 million as post-employment provision commitments maintained with former members of the Bank's Senior Management.

In addition, it is indicated that, on 22 December 2020, José Luis Elechiguerra was appointed Head of Engineering & Organization; as at the date of this report, his position as Senior Manager of Banco Bilbao Vizcaya Argentaria, S.A. was pending registration in the Bank of Spain's Register of Senior Officers, in accordance with the applicable regulations.

Further to Section C.1.17, set out below is the assessment carried out by the Board of Directors of its committees' operation, based on reports submitted by their respective Chairs:

- The various committees have regularly reported to the Board of Directors on the activities carried out and the resolutions adopted by each of the committees, as part of their functions. This has ensured that all directors have a full understanding of the work being undertaken by the various Board committees, and has reinforced coordination among the corporate bodies.

- In addition to the above, at its meeting held on 25 November 2020, the Board received the report by the Chairman on the Technology and Cybersecurity Committee's activity for the 2020 financial year in the various areas within its remit, such as the technology and cybersecurity strategy, the plans, policies and management of cybersecurity, or the monitoring and control of technological risks, among other matters.

- At its meeting held on 22 December 2020, the Board received the report by the Chairman of the Risk and Compliance Committee on its activities throughout the 2020 financial year. The report detailed the tasks executed by the Committee in its ongoing monitoring and oversight of the risks faced by the Group and the extent to which consistency is maintained with certain strategies and policies, as well as the monitoring of regulation & internal control and compliance.

- At its meeting held on 28 January 2021, the Board of Directors received the Chairman's report on the activity carried out by the Executive Committee during the 2020 financial year. The report detailed, among other activities, the Committee's work in support of the Board of Directors in decision-making in the areas of strategy and finance, development or implementation of decisions taken by the Board in the areas of strategy, budgets and finance, supervision and monitoring of activity and results, strategic-forward information, as well as selected projects, transactions and Group policies.

- At its meeting of 28 January 2021, the Board received the report by the Chair of the Audit Committee on the activities of the Committee during the 2020 financial year. This included its role of overseeing the preparation of financial statements and the application of accounting criteria, the sufficient, adequate and effective operation of internal control systems in the preparation of financial data, and the planning, progression and depth of external auditor tasks.

- At its meeting held on 28 January 2021, the Committee received the report by the Chair of the Appointments and Corporate Governance Committee on the activities undertaken by the Committee throughout the 2020 financial year in terms of its assigned functions, including its tasks relating to the appointment and re-appointment of directors, assessment of the Board of Directors, the Chairman of the Board and Chief Executive Officer, the review of Policies within its remit, and the monitoring of developments in the Corporate Governance System, among others.

- Lastly, at its meeting held on 28 January 2021, the Board received the report by the Chair of the Remunerations Committee on the activities undertaken by this Committee throughout the 2020 financial year, reporting on, among other matters, the tasks performed by the Committee relating to the preparation and implementation of the proposed resolutions submitted to the Board regarding remuneration matters, particularly those relating to the remuneration of directors, Senior Management, Identified Staff and the BBVA Group.

All of which has been taken into consideration by the Board of Directors during the assessment process carried out in respect of the 2020 financial year described in the preceding paragraphs.

With regard to Section C.1.27, as BBVA shares are listed on the New York Stock Exchange, it is subject to the supervision of the Securities and Exchange Commission (SEC) and, thus, to compliance with the Sarbanes Oxley Act and its implementing regulations, and for this reason each year the Group Executive Chairman, the Chief Executive Officer and the executive tasked with preparing the Accounts sign and submit the certifications described in sections 302 and 906 of this Act, related to the content of the Annual Financial Statements. These certificates are contained in the annual registration statement (Form 20-F) which the Company files with this authority for the official record.

Further to Section C.2.1, the following is a brief indication of what the regulations establish with regard to the composition and functions of each of the remaining Board Committees:

- **Executive Committee:** Article 30 of the Regulations of the Board and the Regulations of the Executive Committee establishes that the Board of Directors may, in accordance with the Bylaws and with the favourable vote of two-thirds of its members, appoint an Executive Committee, composed of a minimum of four directors appointed by the Board of Directors, ensuring that there is a majority of non-executive directors over executive directors. The Chairman of the Board of Directors will be an ex-officio member of the Committee. The Secretary of the Board of Directors will hold the same position on the Committee. If absent, the Secretary will be replaced by the Deputy Secretary or the person appointed by the attendees of the relevant meeting.

- **Audit Committee:** The Regulations of the Audit Committee establish that it shall consist of a minimum of four directors, all of them independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. In any event, at least one member will be appointed taking into account their knowledge and experience in accounting, auditing or both. As a whole, the Committee members will possess relevant technical expertise in the financial sector. The Board will, from amongst its members, appoint the Chair of this Committee, who must be replaced every four years and may be re-appointed one year after the end of their term of office. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Appointments and Corporate Governance Committee:** The Regulations of the Appointments and Corporate Governance Committee establish that it shall consist of a minimum of three directors, all of them non-executive and most of them independent, as well as its Chairman. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Remunerations Committee:** The Regulations of the Remunerations Committee establishes that it must be comprised of a minimum of three non-executive directors and the majority, including the Chair, must be independent directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board of Directors will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Risk and Compliance Committee:** The Regulations of the Risk and Compliance Committee establishes that it will consist of a minimum of three directors, appointed by the Board of Directors, who possess the appropriate knowledge, skills and experience to understand and control the Bank's risk strategy. All the members of the Committee must be non-executive directors, with its Chair and a majority of members being independent directors. The Board will appoint the Chair of the Committee from amongst its independent members. When the Chair cannot be present, meetings will be chaired by the longest-serving independent director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

- **Technology and Cybersecurity Committee:** The Regulations of the Technology and Cybersecurity Committee establish that the Committee shall consist of a minimum of three directors, most of whom shall be non-executive directors. Committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their roles. The Board will appoint the Chair of the Committee from amongst its members. When the Chair cannot be present, meetings will be chaired by the longest-serving director on the Committee, and, where multiple directors have equal length of service, by the eldest. The Secretary of the Board of Directors or, on behalf thereof, the Deputy Secretary of the Board of Directors, will act as Secretary for the Committee.

Also, following the most important activities of the Board Committees and their organisational and operational rules as set out in paragraph C.2.1:

- **Executive Committee:** The most noteworthy actions carried out by the Committee during the 2020 financial year included the monitoring of the monthly evolution of the Group and its business areas' activity and results, its crucial role in ensuring the integrity, coordination, consistency and coherence of the Group's strategic and prospective processes, such as the Strategic Plan, the RAF, the ICAAP, the ILAAP, the Budget and planning of capital, liquidity and funding, taking into account aspects common to all processes, and driving the integration of the strategic bases established by the Board into all processes.

  In addition, the Committee has played a key role in monitoring and controlling the measures implemented in BBVA for the management of the health and economic crisis caused by COVID-19, with intensive monitoring of the Bank's businesses and activities adapted to the needs of the Bank and the environment, in a changing and uncertain context, and prioritising matters that required increased monitoring and control as well as those with the greatest impact on BBVA, including the Bank's main management measures, the impacts of the crisis on activity, results and organisation, the capital situation, liquidity and solvency, and the development of risk management.

  Furthermore, the Committee has ensured the coherence and alignment of RAF with the strategy established by the Board of Directors and has reviewed and proposed the bases for the proposals upon which RAF has been drafted, which were submitted to the Board by the Risk and Compliance Committee. The Committee has also supported the Board in analysing and monitoring the drafting of the Budget, the Capital Plan and the Liquidity and Funding Plan prior to submission to the Board.

  The Committee also undertook work to oversee, monitor and control the Group's risk management. It monitored the evolution of the risk profile and metrics; the most significant aspects relating to changes in the macroeconomic environment and other factors that impacted the Group's management and activities over the course of the financial year; as well as any developments in BBVA share prices.

In addition, it has analysed progress in the corporate transaction processes, the competence to decide on which rested with the Board, including their strategic and financial aspects, in advance of their consideration by the Board, as well as other issues and projects relating to the development of the Strategic Plan, like the Group's progress in terms of sustainability (including in environmental and social matters), or the day-to-day management of business.

Finally, particularly noteworthy is the work carried out by the Committee on the prior reporting of policies submitted to the Board, except for policies relating to issues handled by other Board committees; as well as the Group's authorisation to appoint directors in subsidiaries or investee companies, and the granting of the powers vested in the Group.

- **Audit Committee:** Regarding organisational and operational rules, the operational principles of the Audit Committee are indicated in its Regulations, which lay down the basic rules of its organisation and operation. In particular, the Audit Committee's Regulations stipulate that, inter alia, the Committee shall meet whenever it is called by its Chair, who is empowered to convene the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, in particular Accounting and Internal Auditing areas, and, at the request of the heads of these, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

  The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee will be subject to the Regulations of the Committee. All matters not provided for in the aforementioned Regulations will adhere to the Regulations of the Board of Directors, insofar as they are applicable.

  In terms of the most significant actions carried out by the Audit Committee during the 2020 financial year, in the performance of the functions established to it by law, it has analysed the following matters, submitting the corresponding reports and proposals to the Board for approval, where appropriate.

  In relation to overseeing the financial statements and public information, it analysed and oversaw the process of preparing and presenting financial and non-financial information related to the Bank as well as its consolidated Group from the annual, half-yearly and quarterly reports, in order to determine its accuracy, reliability, adequacy and clarity, prior to its submission to the Board.

  These financial information supervision functions were performed through a continuous process throughout the year, in which it has monitored the monthly development of the balance sheet and income statement, the quarterly and semi-annual financial reports, the closing results of each period and the preparation process for the corresponding financial information, paying special attention to the accounting criteria applied and any changes therein, as well as accounting regulations and the changes in the Group's scope of consolidation.

  In addition, following the health crisis caused by COVID-19, the Committee has continuously monitored and analysed the impacts that would affect the business, balance sheet and income statement of the Bank and its Group from an accounting perspective. Particularly noteworthy are the analysis and monitoring performed on (i) the extraordinary update made to the macroeconomic information required for the calculation of expected losses due to credit risk in application of the accounting standard IFRS 9; (ii) the results corresponding to the impairment test carried out on the goodwill recorded in the Group's accounts, in compliance with International Accounting Standard (IAS) 36, and the methodology used for this assessment; (iii) the scope and impact of the moratorium measures agreed upon, whether by public initiative or initiative of the Group itself; (iv) the extraordinary provisions applied as a result of the COVID-19 crisis; and (v) changes made to policies or the accounting criteria applied, among others.

Hence, prior to their drafting and/or approval by the Board, the Committee oversaw the preparation of the individual and consolidated annual financial statements for the financial year, the half-yearly and quarterly financial statements, as well as other relevant financial information, including the CNMV Universal Registration Document, US SEC Form 20-F of the Securities and Exchange Commission (SEC), and the Prudential Relevance Report, among others, submitting to the Board the corresponding reports and/or opinions of the Committee on the financial information of the Bank and its Group.

In addition, within the financial information monitoring process, the Committee oversaw the sufficiency, suitability and effective functioning of the internal control systems established for the preparation of financial information, including tax-related systems, as well as learning from the internal reports and the reports by the executive areas of the Bank and the external auditor on the effectiveness of the internal financial control, submitting to the Board the Committee's reports on the sufficiency of the internal control systems established by the Group for the generation of financial information.

Similarly, at the same time as overseeing the main financial information of the Bank and its Group, the Committee analysed the Group's main tax figures, monitoring, inter alia, the real tax rate, total tax risk, the tax position on capital, as well as the main criteria used, the main decisions adopted and the impact on the financial information.

With regards to activities related to the external audit, the Committee has maintained appropriate relationships with the heads of the external auditor, during each of the monthly meetings it has held, in order to ascertain the planning, stage and progress of the Annual Plan established for performing its work in connection with the audit of the Bank and Group annual financial statements, of the interim financial statements, and of other financial information subject to review during the account auditing.

It also received and analysed the opinion reports and communications required by account auditing legislation, from the external auditor, among which: the work carried out on the Group's financial information, other regulatory work of the External Auditor, such as the supplementary report to the Bank's Annual Financial Statements, as well as confirmations of its independence with regard to the Bank and other companies within its group.

Similarly, in relation to the independence of the external auditor, the Committee has ensured that internal procedures are implemented to safeguard against situations that may give rise to independence conflicts. It has also opposed declarations made by the external auditor concerning confirmation of its independence with regard to BBVA and its Group, and issued the corresponding reports in accordance with applicable legislation.

In addition, the Committee has analysed the proposal for External Auditor's fees for the 2020 financial year, prior to it being submitted to the Board for consideration, as well as the quality of the work carried out by the external auditor during the financial year. It agreed to submit to the Board of Directors the proposal for the re-appointment of KPMG Auditors S.L. as auditor of the Bank and its Group for the 2021 financial year, which is submitted for approval by the next 2021 General Meeting.

With regards to Internal Audit tasks, the Committee has ensured that the Internal Audit area has the necessary material and human resources for effective performance of its functions, overseeing the efficiency and operation of the role as well as its independence from other areas of the Bank for such purpose.

As such, the Committee analysed and approved the Annual Internal Audit Plan for the 2020 financial year, overseeing its development and regularly monitoring the activity and reports issued by the area during its monthly meetings. It was also notified of the result of its most relevant work, weaknesses and opportunities for improvement identified, and the recommendations made by the Internal Audit as a result of its review work.

The Committee has also been made aware of the adjustments made to the Annual Internal Audit Plan for the financial year, resulting from the contingency situation caused by COVID-19. It has analysed the extraordinary measures taken in the area to ensure the continuity of its activity in all geographies, changes made to the working methodology, the re-planning of work and the design of new alternative work based on the risk analysis review, which had the prior agreement of the Committee.

Similarly, the Committee has analysed the proposed update to the regulations of the Group's Internal Audit Function Charter, evaluating the main envisaged changes to its regulations and content, having expressed its agreement with the proposed amendments prior to the Charter's submission to the Board of Directors for consideration.

With regard to the Strategic Plan established by the Internal Audit Area for the 2020–2024 period, the Committee was informed of and monitored its progress during the financial year, analysing the development of all projects established for each of the strategic priorities defined, as well as the degree of implementation of the improvements identified following the review process of the Internal Audit function by an independent external expert.

The Committee also reviewed the changes to the structure of the Group of companies over the financial year, as well as the Group's governance for the control, oversight and management of its corporate structure.

Similarly, the Committee has been informed of major corporate operations planned by the Group, monitoring the economic conditions and the main accounting impacts foreseen in the Group's financial statements, and issuing, prior to the decisions that the Board should take, the Committee's report on the operation.

The Committee also analysed, prior to submission for consideration by the Board, the Bank's general policy for the disclosure of economic-financial, non-financial and corporate information, drawn up in accordance with the new recommendation set out in June 2020 by the CNMV's new Good Governance Code of Listed Companies.

Lastly, during the Bank's General Shareholders' Meeting held in 2020, the Committee informed shareholders of the main issues related to the matters within its remit, including overseeing the process of preparing Bank and Group financial information, which had been provided to shareholders for their approval, the result of the account auditing and of the function that it had carried out in this matter, as well as the main issues related to the matters described in this section and other issues that were handled by the Committee.

- **Appointments and Corporate Governance Committee:** The Regulations of the Appointments and Corporate Governance Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. The Regulations of the Appointments and Corporate Governance Committee specifically provide that the Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, and set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Group employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they are called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be subject to the Regulations of the Committee. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  With respect to the Appointments and Corporate Governance Committee's most significant actions in 2020, in performing the functions assigned to it, of particular note were: the Committee's continuous analysis of the structure, size and composition of the Board of Directors, ensuring that they are suitable for the corporate bodies to best perform their functions; and the analysis of the directors' compliance with the independence and suitability criteria and the absence of any conflicts of interest for the performance of their duties, among other matters.

  Taking this analysis into account, and the process of ongoing refreshment of the Board described above and the director selection processes led by the Committee, the Committee carried out the corresponding proposals and reports on the appointment and re-appointment of directors to the Board, for subsequent submission to the Company's General Meeting in 2020.

The committee also carried out an analysis of the assessment of the operation of the Board and the performance of the functions of the Chairman of the Board and the Chief Executive Officer, submitting the corresponding reports for consideration by the Board.

In addition, in 2020 the Committee reviewed and proposed an update to the Selection Policy, including, among many other matters, the new target for representation of the underrepresented gender, as indicated above.

Furthermore, following Committee's assumption of new functions relating to the Bank's Corporate Governance System in 2019, it worked intensively on this matter in 2020, and in this regard, has monitored and supervised the progress made in the Bank's Corporate Governance System during the financial year, reviewed the draft annual corporate governance report for 2019 and the amendments to certain recommendations of the CNMV Good Governance Code. It has also received information on the result of the Corporate Governance Roadshow, where meetings were held with the Bank's main institutional investors and proxy advisors over the last months of 2020.

In light of the foregoing, the Committee analysed and reviewed the proposed new Corporate Governance General Policy for the BBVA Group, which sets out the general principles, objectives and main characteristics of corporate governance for the Group and its internal organisation, including the relationship model between BBVA and the entities comprising its Group; issuing its favourable opinion prior to submission to the Board for approval.

The Committee verified that the circumstances set out in the BBVA Directors’ Remuneration Policy for the application of malus and clawback clauses elated to the conduct of executive directors, had not occurred, for the purpose of payment of the variable remuneration accrued in previous years.

Finally, the Committee analysed the appointment and dismissal of senior managers that were proposed during the 2020 financial year, in view of the selection and appointment policy of the members of the Senior Management; The Committee reviewed and verified the suitability of the proposed new senior managers, submitting their corresponding reports to the Board.

- **Remunerations Committee:** The Regulations of the Remunerations Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and functioning. The Regulations of the Remunerations Committee specifically provide, amongst other things, that the Remunerations Committee will meet whenever it is called to do so by its Chair, who is empowered to call the Committee and to set the agenda for its meetings, and set out the procedure for calling ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call any other Group employee or manager, and even arrange for them to appear without the presence of any other manager. It will, however, seek to ensure that the presence of persons outside the Committee during its meetings be limited to those cases where it is necessary and to the items on the agenda for which they had been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be subject to the Regulations of the Committee. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  With regard to the most important activities carried out by the Remunerations Committee during the 2020 financial year, the activity of the Committee has been focused on performing the functions assigned to it by Article 5 of its Regulations, as well as the development of the framework established in the BBVA Directors Remuneration Policy, approved by the General Meeting held in March 2019, and in the BBVA

Group Remuneration Policy, approved by the Board of Directors in November 2017, which is generally applicable to all BBVA staff and which includes the Remuneration Policy for the Identified Staff. These policies focus on the recurring generation of value for the Group, and also seek to align the interests of its employees and shareholders with prudent risk management.

Therefore, the Remunerations Committee carried out the actions detailed below during the 2020 financial year to perform its functions and implement the aforementioned remuneration policies, submitting the corresponding proposals to the Board of Directors for approval, where appropriate.

However, as detailed below, the activities of the Remunerations Committee in the 2020 financial year have been affected by the crisis caused by the COVID-19 pandemic, as has the activity of the other corporate bodies of the Bank.

During the first few months of the 2020 financial year, the Committee carried out its usual activity in the area of remuneration. Thus, the Committee submitted necessary proposals to the Board for determining the amount of the Annual Variable Remuneration of executive directors for the 2019 financial year, as well as the scales of achievement for the multi-year performance indicators that would apply to the Deferred Portion of 2019 Annual Variable Remuneration and the TSR (Total Shareholder Return) indicator reference group; determining the amount of the Deferred Portion of the Annual Variable Rate for the 2016 financial year, which was to be paid to executive directors in 2020, and the updated amount; and determining the annual and multi-year performance indicators, and their corresponding weightings, used for the calculation of the Annual Variable Remuneration of executive directors for the 2020 financial year.

The Remunerations Committee was informed of the remuneration conditions for directors as established in 2019, in accordance with the BBVA Directors' Remuneration Policy, and resolved not to submit a proposal to the Board for their amendment.

With regard to those matters relating to Senior Management, the Committee established, for its proposal to the Board and in line with the basic contractual framework for Senior Management, the basic contractual conditions applicable to members of the Bank's Senior Management who were appointed by the Board on 19 December 2019, effective from 1 January 2020; as well as the salary review of certain senior managers, also within said contractual framework. Similarly, the Committee reviewed the Annual Variable Remuneration of members of Senior Management for the 2019 financial year, as well as the Deferred Portion of the 2016 Annual Variable Remuneration for Senior Managers who receive such remuneration, both to be paid in 2020.

Similarly, the Committee determined the 2019 Annual Variable Remuneration for the heads of Regulation & Internal Control and Internal Audits (under the direct authority of the Board) , for its proposal to the Board, on the basis of the approach taken by the Risk and Compliance and Audit Committees, respectively, in relation to the assessment of their objectives.

Regarding matters relating to the Identified Staff, which includes Senior Management, the Committee established that the scales of achievement for the multi-year indicators for the deferred 2019 Annual Variable Remuneration, as well as the TSR indicator reference group, were the same as those set for the executive directors. The Committee also established that the multi-year indicators for the 2020 Annual Variable Remuneration determined for the executive directors were also applicable to the Identified Staff.

Also in 2020, as in every year, the Committee submitted to the Board, for its approval and subsequent submission to a vote at the General Meeting: The Annual Report on the Remuneration of Directors for the 2019 financial year, which was finally approved with 92.46% of the votes; and the resolution to increase the maximum variable remuneration level of up to 200% of the fixed component applicable to a specific number of members of the Identified Staff, which was approved with 97.23% of the votes.

In March 2020, after the General Meeting, the health crisis caused by COVID-19 began, which largely determined the activity of the Remunerations Committee for the remainder of the financial year. In particular, at this time, in view of the exceptional circumstances arising from the COVID-19 crisis and as a gesture of responsibility and commitment toward customers, shareholders, employees and society in general, 330 members of the Identified Staff, including the executive directors and members of the Senior Management, waived generation of the Annual Variable Remuneration for the 2020 financial year.

In this context, the Remunerations Committee analysed the waiver of the Annual Variable Remuneration for the 2020 financial year by the executive directors and the consequences thereof in terms of resolutions previously adopted by the corporate bodies of the Bank for the generation of the same, which were mostly ineffective.

Likewise, the Remunerations Committee analysed the minimum thresholds for Attributable Profit and Capital Ratio established by the executive area for determining the 2020 Annual Variable Remuneration, if applicable, both for those members of the Identified Staff who had not fully waived said Annual Variable Remuneration as well as for the rest of the Group's staff, all of which the Board was informed of.

With regard to the function of the Committee in ensuring compliance with the remuneration policies established by the Company, the Remunerations Committee carried out a review of the implementation, in the 2019 financial year, of the approved remuneration policies (the Directors' Remuneration Policy and the BBVA Group's Remuneration Policy, which includes the Remuneration Policy for the Identified Staff), based on the annual Internal Audit Area Report. In addition, the Committee has been informed of the development and outcome of identifying the BBVA Group Identified Staff in 2020.

During 2020 the Committee has also verified the information about the remuneration of directors and senior managers contained in the Financial Statements and in the Annual Report on the Remuneration of Directors for the 2019 financial year.

- **Risk and Compliance Committee:** The Regulations of the Risk and Compliance Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Risk and Compliance Committee's Regulations stipulate, inter alia, that the Committee shall meet whenever it is called by its Chair, who is empowered to call the Committee and to set the agenda for its meeting. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, including the Regulation & Internal Control area and the Risks area, and, at the request of the heads of these, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Bank employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they have been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be subject to the Regulations of the Committee. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  With regard to the most important activities carried out by the Risk and Compliance Committee during the 2020 financial year, the Committee analysed in several of its meetings and submitted a proposal for the BBVA Group's Risk Appetite Framework for the 2021 financial year (on the basis of the approach taken by the Executive Committee), as well as an update to the BBVA Group's General Risk Management and Control Model. These were submitted to the Board of Directors for its consideration and, where appropriate, its approval.

  During the 2020 financial year, the Committee reviewed reports on the internal capital adequacy assessment process (ICAAP) and the internal liquidity adequacy assessment process (ILAAP), as well as regulatorily required adequacy proposals for capital and liquidity. This review was carried out to monitor the development of stress scenarios and verify their alignment with the approved Risk Appetite Framework, with assistance from the Risk, Finance and Regulation & Internal Control areas, amongst others. This made it possible to ensure that these reports and proposals faithfully reflected the Group's situation in the areas analysed prior to them being submitted for consideration by the Executive Committee and the Board of Directors.

The Risk and Compliance Committee has participated in the annual review and updating of the Group's general risk management and control policies, both financial and non-financial, ensuring they are consistent with the Group's General Risk Management and Control Model.

The Risk and Compliance Committee also confirmed that the model is adequate and that the Group has structural risk-management areas both at corporate level and in each geographical and/or business area. They added that these function correctly and provide the Committee with the information required to understand the Group's risk exposure at all times, thus enabling the Committee to fulfil its monitoring, supervision and control functions.

The Risk and Compliance Committee has monitored the effectiveness of the Regulation & Internal Control area, involving itself in matters related to the Head of the area and ensuring that the area has the resources necessary to carry out its functions.

The Risk and Compliance Committee has received monthly information from the Head of Regulation & Internal Control regarding the activity carried out by each of the units that comprise that area, with a focus on the work carried out to tackle the impact of the pandemic. In addition, the Committee has received periodic reports directly from the heads of Compliance, Non-Financial Risks and Internal Risk Control, all of which fall under the Regulation & Internal Control area.

Throughout the 2020 financial year, the Risk and Compliance Committee monitored the evolution of the different risks to which the Group is exposed—both financial (e.g. credit risk, structural risks, market risk, insurance risk) and non-financial (mainly operational risks)—as part of the BBVA Group's General Risk Management and Control Model and in accordance with the Risk Appetite Framework approved by the Board of Directors.

The Risk and Compliance Committee therefore received and analysed information from the Risk and Regulation & Internal Control areas suitably frequently, and had the support of the Group's Chief Risk Officer, the Head of Regulation & Internal Control, those in charge of each type of risk in the corporate field and the risk directors of the Group's main geographical and/or business areas, and spoke directly with each one to discuss this topic.

All of this afforded the Risk and Compliance Committee direct knowledge of the Group's risks, both globally and locally, allowing it to perform its function of monitoring the evolution of the Group's risks, regardless of the type of risk, the geographical or business area in which it originates, and even the sector or portfolio to which it belongs.

In the performance of this function, the Risk and Compliance Committee also regularly monitored the compliance of the metrics established for the 2020 financial year, with the necessary frequency and level of detail to ensure adequate monitoring of said indicators. To further enhance its monitoring of the Risk Appetite Framework, the Committee received information about key internal and external variables that do not directly form part of the Risk Appetite Framework but affect its compliance. All of this prior to its follow-up by the other corporate bodies with risk functions.

In particular, and since the outbreak of the COVID-19 pandemic, the Committee has been continuously monitoring those risks most affected by the pandemic, with a focus on the behaviour of those credit portfolios which has been subject to legal or sectoral moratoria, as well as new lending operations granted with public guarantees.

In addition, the credit committees of Global Risk Management (GRM) informed the Risk and Compliance Committee periodically of the main credit risk operations in their respective areas of competency, as well as the Group's most significant cases of credit exposure. Each month, the Risk and Compliance Committee was also provided with information about the qualitative risk operations authorised by the committees of Global Risk Management.

The Risk and Compliance Committee has analysed, in advance, the financial and non-financial risks of corporate operations submitted for consideration by the Board of Directors.

In 2020, the Committee received recurring information on the evolution of metrics and analysis in terms of profitability and capital, which evaluate the alignment of the resulting pricing in the financing and credit activity against the risk strategy and risk transfer in the Group.

Additionally, the Committee monitored the profitability of portfolios and businesses and the performance of the profitability indicators incorporated into the Bank's Risk Appetite Framework. All of this enabled the Committee to confirm that the prices of the assets and liabilities offered to customers were aligned with the Bank's business model and risk strategy.

The Committee was involved in establishing the multi-year performance indicators for the 2020 Annual Variable Remuneration, as well as the scales of achievement for the multi-year performance indicators for the 2019 Annual Variable Remuneration, analysing their alignment with appropriate, effective and prudent risk management, prior to their submission to the Board by the Remunerations Committee.

The Committee was informed of the Risk area's structure, resources and incentive scheme as well as its means, systems and tools (including those in development stage), having verified that the Group has adequate resources in relation to its strategy.

The Risk and Compliance Committee participated in the review of the Group's Recovery Plan with a view to assessing its alignment with the Risk Appetite Framework approved by the Group and analysing the risk scenarios used, with the help of the Risk and Finance areas, inter alia, before being submitted to the Executive Committee and subsequently the Board of Directors for consideration.

Regarding the functions of the Committee in relation to compliance, it should be noted first and foremost that during the 2020 financial year, the Committee analysed each of the policies prepared by the executive areas in this regard (e.g. conflicts of interest, anti-corruption), issuing its favourable opinion prior to their submission to the board to be approved or updated. Before being approved by the Board of Directors, the Committee also examined the new Charter of the Compliance Function, which was updated in 2020 to ensure its alignment with new regulations, supervisory expectations and the BBVA Group's organisational structure.

The Committee also regularly monitored information received by the Compliance Unit over the course of the financial year regarding the Group's compliance with applicable internal and external regulations. The Committee examined the findings of the independent review processes carried out both internally within the Group and externally by the competent authorities, as well as the degree of progress in implementing planned measures within the various areas of activity (e.g. conduct, prevention of money laundering and terrorist financing, data protection). It also specifically monitored the activity of the Compliance Unit in relation to the MiFID regulations and bank transparency.

Moreover, the Committee was informed, as often as appropriate, of the findings of external audits and any other reviews carried out by external experts on compliance-related matters, including existing internal control measures concerning the prevention of money laundering and terrorist financing.

Similarly, the Committee also monitored the main legal risks deriving from litigation to which the Group is exposed. Furthermore, regarding compliance with applicable internal regulations, the Committee was informed by the heads of the relevant executive areas of any pertinent compliance-related issues concerning the implementation of internal regulation (e.g. general policies, procedures) approved by the Group.

Regarding BBVA's Crime Prevention and Criminal Risk Management Model, the Committee was informed of its development over the course of the financial year and the main lines of work involved in relation to the model's various elements.

The Committee was also informed by the head of the Compliance Unit—the unit responsible for promoting and ensuring, in an independent and objective manner, that BBVA acts with integrity, particularly in areas such as anti-money laundering, conduct with clients, security market conduct, anti-corruption and other aspects of corporate conduct—of the functioning of the whistleblowing channel, as well as of the noteworthy aspects of the area.

Finally, the Committee analysed the degree of implementation of the Compliance Unit's Annual Plan for the 2019 financial year. It also examined the Annual Plan set out for 2020, as well as monitoring its progress in terms of implementation, which was impacted by the crisis and extraordinary activity carried out following the outbreak of the pandemic.

Regarding communications and recommendations from supervisors, the Committee was made aware of the major communications and inspections carried out by the Group's supervisory bodies, whether national or foreign, being informed, where appropriate, of the recommendations, weaknesses or areas of improvement identified, as well as the action plans and other measures established by the relevant executive areas in order to overcome them in time.

Finally, during the 2020 financial year, the Risk and Compliance Committee verified the progress and effectiveness of the various actions and initiatives drawn up by the Risk and Regulation & Internal Control areas to strengthen the risk and compliance culture in the Group, so as to enable employees to perform their duties in a secure environment, and to encourage the mitigation of risks, both financial and non-financial, to which their activities are exposed.

- **Technology and Cybersecurity Committee:** The Regulations of the Technology and Cybersecurity Committee set out the operational principles of the Committee and lay down the basic rules of its organisation and operation. In particular, the Technology and Cybersecurity Committee's Regulations stipulate, inter alia, that the Committee shall meet whenever it is convened by its Chair, who is empowered to call the Committee and set the agenda of its meetings. The Regulations contain the procedure for the calling of ordinary and extraordinary meetings.

  Executives responsible for the areas that manage matters within their remits may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed appropriate. The Committee may also call on any other Bank employee or manager, and even arrange for them to appear without the presence of any other manager, while ensuring that the presence of non-Committee members at its meetings is limited to those cases where it is necessary and to the items of the agenda for which they have been called.

  The Committee may also, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be properly provided by experts or technical staff within the Group on grounds of specialisation or independence.

  Other aspects of the organisation and operation of the Committee shall be subject to the Regulations of the Committee. All other matters not provided for in the aforementioned Regulations will be subject to the Regulations of the Board of Directors, insofar as they are applicable.

  With regard to the most relevant actions carried out by the Technology and Cybersecurity Committee during the 2020 financial year, the Committee has received information on the Group's technology strategy from the heads of the Engineering and Organization Area, regarding the main strategic projects and plans defined by that Area, with a focus on those related to resilience, cloud infrastructure, banking functionalities and the development of engineering solutions for the areas and the data platform. Additionally, the input of external advisers was made available to the Committee in order to strengthen the Committee's independence in the performance of this function.

  Within the context of these plans and projects, the Committee has been informed of technological trends and of other issues pertaining to new technologies, applications, IT systems and best practices that affect or may affect the Group's technology strategy or plans.

  The Committee has received recurring updates on the metrics established by the Group for management and control in the technological field.

  In relation to the Committee's functions in the area of technological risk supervision and cybersecurity management for the Group, firstly, since the beginning of the crisis caused by COVID-19, the Committee was informed about (a) the management of business continuity from an operational point of view; (b) the move to remote working by the vast majority of staff; and (c) the strengthening of the Group's operational capabilities and other cybersecurity and fraud management measures during the pandemic.

  Also, the Committee received information about the updated framework of technological risks to which the Group is exposed, as well as the measures for identifying, managing, monitoring and mitigating such risks.

  In particular, the Committee has been provided with further detail on identification, management, monitoring and mitigation of IT-related risks faced by the Group as a result of services that are contracted to suppliers; along with the main risks associated with the use of shadow IT elements.

Additionally, the Committee has been informed of how the Bank complies with the EBA's ICT guidelines in relation to IT and security risk management.

The Committee was also informed of progress made in relation to the business continuity strategy and lessons learnt as a result of the pandemic.

The Committee has reviewed the main programmes in the field of cybersecurity and was informed about progress made, the implementation of artificial intelligence solutions, the evolution of the established metrics and future plans.

Finally, at each of its meetings, the Committee also received information on the main cybersecurity-related events at industry level and on those that are relevant to the BBVA Group. This information was provided by the head of the Corporate Security unit, who explained how the Group is prepared to deal with attacks of a similar nature, as well as how it has dealt with attacks and, where applicable, mitigated their consequences for the Group.

With respect to Section D (Related-party and Intragroup Transactions), see Notes 53 and 48 within the BBVA Consolidated and Individual Annual Financial Statements for the 2020 financial year, respectively. Section D.4 details the transactions conducted by Banco Bilbao Vizcaya Argentaria, S.A. at the close of the financial year, with the company issuing securities on international markets, carried out as part of ordinary trading related to the management of outstanding issuances, guaranteed by BBVA. Moreover, with respect to Section D.4, please refer to the section entitled 'Offshore financial centres' in the BBVA Consolidated Management Report for the 2020 financial year.

Furthermore, with respect to Section D.6, all members of the Board of Directors and BBVA Senior Management are subject to the provisions of the BBVA Code of Conduct, the Group's General Policy on Conflicts of Interest and the Internal Standards of Conduct in the Securities Markets, which establish principles and guidelines to identify, prevent and manage potential conflicts of interest. In particular, the Internal Standards of Conduct in the Securities Markets establishes that all persons subject to them must notify the head of their area or the Compliance unit of situations that could potentially and under specific circumstances may entail conflicts of interest that might compromise their impartiality, before they engage in any transaction or conclude any business in the securities market in which such may arise.

To complement Section E.3 of this report, and in relation to Preliminary Proceeding No. 96/2017 – Piece No. 9- regarding the provision of services by *Centro Exclusivo de Negocios y Transacciones, S.L.* (Cenyt) to the Bank, since 2019 this issue was reported on a recurrent basis to the Bank's corporate bodies, namely to the Board of Directors and also to its committees that have functions in relation to this matter (the Audit Committee and the Risk and Compliance Committee). These bodies have driven and overseen internal investigation procedures, ensuring that the Bank fully cooperates with the judicial authorities and develops a policy of transparency.

In addition to the above, the Bank's management bodies have continued to adopt various measures to strengthen the Bank's internal monitoring systems, outlined in the Compliance System section of the Non-Financial Information Statement included in the Individual and Consolidated Management Reports for the 2020 financial year, which include this Annual Corporate Governance Report. These measures include the approval of new policies and other internal developments, improvements in internal control processes and the strengthening of the crime prevention model.

It is also worth noting that relevant documentation obtained from the forensic investigation hired in 2019 to help to clarify the events does not indicate any implication by any of the current members of the Board of Directors nor the Executive Chairman of the Bank, and it has not been proven that the Bank has committed any criminal activity. BBVA sustains that no criminal responsibility for the Entity is derived from the investigated events.

It must also be stressed that, to date, the case has not impacted the development of the Bank's business, nor has it negatively impacted the Bank's reputation indices, which are subject to recurrent monitoring by both the executive team and by its management bodies.

BBVA has created a specific area on its corporate web page with information on issues related to the Cenyt case (https://www.bbva.com/en/specials/the-cenyt-case/).

To supplement Recommendation 64 included in Section G, it is expressly noted that, in accordance with BBVA Directors’ Remuneration Policy, approved by the 2019 General Shareholders’ Meeting, the Bank has no commitments to pay severance indemnity to executive directors.

As detailed in said Remuneration Policy, the contractual framework defined for executive directors establishes a post-contract non-compete agreement for a two-year period after they cease as BBVA executive directors, provided that said leave is not due to retirement, disability or serious breach of duties. As compensation for this agreement, executive directors will receive remuneration of an amount equivalent to one annual fixed remuneration per year of duration, which shall be paid monthly over the course of the two-year duration of the non-compete agreement.

As described in Section C.1.3 above, the Bank has undertaken welfare commitments to cover retirement, disability and death contingencies with the Group Executive Chairman, which conditions are described in the BBVA Directors' Remuneration Policy. With regard to the pension commitment, this is established as a defined-contribution scheme, according to which the annual contributions to be made to cover retirement are set in advance. Pursuant to this commitment, the Group Executive Chairman is entitled to a retirement benefit when he reaches the legally established retirement age, which amount shall result from the sum of the contributions made by the Bank and their corresponding yields up to said date, provided that his leave is not due to serious breach of his duties. The system do not provide for the possibility of receiving the retirement pension in advance.

Regarding adherence to codes of ethics or good practice, the BBVA Board of Directors approved in 2011 the Bank's adhesion to the *Código de Buenas Prácticas Tributarias* (Code of Good Tax Practices) approved by the Large Corporations Forum according to the wording proposed by the Spanish Tax Agency (AEAT). The Group meets the obligations assumed as a result of this adherence and, during the 2020 financial year, voluntarily prepared and submitted to the Spanish Tax Agency the Annual Fiscal Transparency Report for companies adhering to this Code. In this vein, the BBVA Group has adhered since 2013 to the Code of Practice on Taxation for Banks promoted by British tax authorities, and has met its obligations in this regard.

Furthermore, BBVA is committed to implementing the provisions of the Universal Declaration of Human Rights and is a member of all major international initiatives for sustainable development, such as the Principles of United Nations Global Compact, the Equator Principles, the United Nations Principles for Responsible Investment, the United Nations Environment Programme Financial Initiative, the Green Bond Principles, the Social Bond Principles, the Green Loan Principles, the Thun Group of Banks on Human Rights, the Carbon Disclosure Project (CDP), the RE100 initiatives, the Science Based Targets, *Grupo Español para el Crecimiento Verde* (Spanish Green Growth Group) initiatives, the World Economic Forum (WEF)'s Alliance of CEO Climate Leaders, as well as others conventions and treaties of international organisations such as the Organization for Economic Co-operation and Development and the International Labour Organization. Also noteworthy is the fact that in 2019 BBVA signed, as a founding signatory, the Principles for Responsible Banking and joined the Collective Commitment to Climate Action as part of this year's UN Climate Action Summit. Moreover, BBVA is firmly committed to the United Nations Sustainable Development Goals (SDGs) and the Paris Agreement on Climate Change, and, since 2017, the Bank has been part of the pilot group of banks committed to implementing the recommendations regarding financing and climate change published in July by the Financial Stability Board of the G20.

This Annual Corporate Governance Report was approved by the company's Board of Directors during its meeting on 8 February 2021.

List whether any directors voted against or abstained from voting on the approval of this report.

No

KPMG Auditores, S.L.
Pº de la Castellana, 259 C
28046 Madrid

Independent Assurance Report on the Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. for the year 2020

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the shareholders of Banco Bilbao Vizcaya Argentaria, S.A.:

Pursuant to article 49 of the Spanish Code of Commerce, we have provided limited assurance on the Non-Financial Information Statement (hereinafter NFIS) for the year ended 31th December 2020, of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the Bank) which forms part of the 2020 Bank's Directors' Report.

The Directors' Report includes additional information to that required by prevailing mercantile legislation on which it is not possible to provide assurance as it was not prepared using adequate criteria. In this regard, our assurance work was limited only to providing assurance on the information contained in table "Contents of Law 11/2018" of the accompanying Directors' Report.

Directors' responsibilities

The Bank´s Board of Directors is responsible for the preparation and presentation of the NFIS included in the Bank's Directors' Report. The NFIS has been prepared in accordance with prevailing mercantile legislation and selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI Standards), in accordance with that mentioned for each subject area in table "Contents of Law 11/2018" of the aforementioned Bank's Directors' Report.

This responsibility also encompasses the design, implementation and maintenance of internal control deemed necessary to ensure that the NFIS is free from material misstatement, whether due to fraud or error.

The Bank's directors are also responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for preparing the NFIS was obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including international independence standards) issued by the International Ethics Standards Board for Accountants (IESBA), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

Our firm applies International Standard on Quality Control 1 (ISQC1) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The engagement team was comprised of professionals specialised in reviews of non-financial information and, specifically, in information on economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed.

We conducted our review engagement in accordance with International Standard on Assurance Engagements, "Assurance Engagements other than Audits or Reviews of Historical Financial Information" (ISAE 3000), issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC), and with the Performance Guide on assurance engagements on the Non-Financial Information Statement issued by the Spanish Institute of Registered Auditors (ICJCE).

The procedures performed in a limited assurance engagement vary in nature and timing from, and are less in extent than for, a reasonable assurance engagement, and consequently, the level of assurance provided is also lower.

Our work consisted of making inquiries of management, as well as of the different units of the Bank that participated in the preparation of the NFIS, in the review of the processes for compiling and validating the information presented in the NFIS and in the application of certain analytical procedures and sample review testing described below:

- Meetings with the Bank personnel to gain an understanding of the business model, policies and management approaches applied, the principal risks related to these questions and to obtain the information necessary for the external review.
- Analysis of the scope, relevance and completeness of the content of the NFIS based on the materiality analysis performed by the Bank and described in the section "Materiality" considering the content required in prevailing mercantile legislation.
- Analysis of the processes for compiling and validating the data presented in the NFIS for 2020.
- Review of the information relative to the risks, policies and management approaches applied in relation to the material aspects presented in the NFIS for 2020.
- Corroboration, through sample testing, of the information relative to the content of the NFIS for 2020 and whether it has been adequately compiled based on data provided by internal and external information sources or third party reports.
- Procurement of a representation letter from the Directors and management.

Conclusion

Based on the assurance procedures performed and the evidence obtained, nothing has come to our attention that causes us to believe that the Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. for the year ended 31th December 2020 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and the content of the selected GRI Standards, in accordance with that mentioned for each subject area in the table "Contents of Law 11/2018" of the aforementioned Directors' Report.

Use and distribution

This report has been prepared in response to the requirement established in prevailing mercantile legislation in Spain, and thus may not be suitable for other purposes and jurisdictions.

KPMG Auditores, S.L.

(*Signed on original in Spanish*)

Luis Martin Riaño

10 February 2021