Universal Registration Document

Banco Bilbao Vizcaya Argentaria, S.A.

This Universal Registration Document, drafted under Appendix 2 of the Commission Delegated Regulation (EU) 2019/980 of March 14, 2019, of the European Commission, has been Registered in the Spanish Exchange Securities Commission (Comisión Nacional del Mercado de Valores, hereinafter "CNMV") as of June 10, 2021.

This Universal Registration Document is only one of the parts composing the Prospectus, according to Regulation (EU) 2017/1129, and will be completed with the corresponding values notes and if applicable, the synthesis note that, during its term, may be registered in the CNMV official registries, and that will be available on BBVA corporate website, www.bbva.com*[1] and on CNMV website, www.cnmv.es*.

Explanatory note

The information required by Appendix 2 of Commission Delegated Regulation (EC) No. 980/2019, of the European Parliament and the Council is collected in the specifically developed chapters of this Universal Registration Document, in the Audit Report, the audited consolidated Financial Statements and the Management Report of the BBVA Group (hereinafter, "the Group" or "BBVA Group"), as well as in the Corporate Governance Annual Report that forms an integral part of the Management Report, for the year ended December 31, 2020. In addition, the Quarterly Report for the three month period from January 1, to March 31, 2021 is also included. Likewise, Audit Reports, the consolidated Financial Statements and the Management Reports of BBVA Group for the years ended December 31, 2019 and 2018 are included. The above mentioned Consolidated Financial Statements and Management Report, together with the corresponding independent auditors' report, as well as the consolidated interim financial statements are recorded in the CNMV's official records.

A copy of the Audit Report, the audited Consolidated Financial Statements and the Management Report, including the Annual Corporate Governance Report, for the year ended December 31, 2020 and the Quarterly Report for the three month period from January 1, to March 31, 2021 are included in this document in order to facilitate the location of the information. Additionally, the Index below shows detailed correspondence (via shortcuts for links) between the information required by Regulation (EU) No. 980/2019, of the European Parliament and of the Council, and the location of such information in this document.

The following documents are incorporated by reference, they are not included as attached documents, and they can be accessed from the Group's website www.bbva.com, and from the CNMV website, www.cnmv.es. The links to these documents are included below:

- Consolidated Financial Statements, management report and auditor's report of BBVA Group 2019.
- Consolidated Financial Statements, management report and auditor's report of BBVA Group 2018.

* The information contained in this website is not part of this Universal Registration Document, and has not been examined nor approved by CNMV except for that information specifically included by reference to this Universal Registration Document.

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(*) Title of the documents comprising this Universal Registration Document:
URD: Universal Registration Document,
FS: Consolidated Financial Statements and auditors' report for the year ended December 31, 2020,
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ACGR: Annual Corporate Governance Report for the year ended December 31, 2020.
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RISK FACTORS

The description of the risks inherent to the activity of the BBVA Group, its businesses and its operations, as well as the quantitative information on the different risks, based on data referring to the 2020, 2019 and 2018 financial years, and/or data referring to the three-month period ended March 31, 2021, are described in this section and it complements what is included in the Consolidated Annual Accounts and Consolidated Management Report for the year ended December 31, 2020, 2019 and 2018 and the quarterly report for the three-month period ended March 31, 2021.

In the Chapter of "Risk Management" of the Consolidated Management Report attached to the Consolidated Annual Accounts for the year ended December 31, 2020, the risk principles and policies of the BBVA Group are described, as well as the corporate governance scheme on risk management, the internal control model and the tools, circuits and relevant procedures. In addition, some of the main risks the Group faces have an economic or regulatory background, and in Section 5.3 (*Important events in the development of the issuer's business - Deterioration of the macroeconomic environment) and Section 9.1 (Regulation*) give more information on some of the current challenges. BBVA Group states that the information contained in this Universal Registration Document has taken into account the instructions and recommendations received, where appropriate, from prudential supervisors (European Central Bank and Bank of Spain) which may have some type of material impact on the consolidated financial statements and the risks set forth below.

Below are detailed the risk factors, arranged by categories according to their nature, which BBVA considers may affect the entity, its activity, the sector in which it develops such activity or the environment in which it operates, and which could adversely affect its business, its results, its financial, economic or patrimonial situation, or its ability to fulfill its obligations.

Within each of the categories, the risks are listed according to the probability of their occurrence and the expected magnitude of their negative impact.

If any of the risks described materialize, the business, the results and the financial situation of the Bank, or of any of the Group's entities, could be adversely and significantly affected.

These are not the only risks that the Bank could face, and it may be the case that other risks materialize in the future, currently unknown or not considered relevant at the present time. For the purposes of the risk factors described below, all references made to the Bank should also be understood as made to all those companies that make up the Group.

1. MACROECONOMIC RISKS AND COVID-19 CONSEQUENCES

1.1 Risk associated with the COVID-19 pandemic

The COVID-19 (coronavirus) pandemic has affected and is expected to continue to adversely affect the world economy, having led many of the countries in which the Group operates to economic recession in 2020. This recession is expected to be followed by high but uneven activity growth across sectors and geographies in 2021. Among other challenges, the countries in which the Group operates have experienced widespread increases in unemployment levels and declines in production, while public debt has significantly increased due to the support and spending measures implemented by authorities. Furthermore, an increase in loan losses by both companies and individuals is expected, which has so far been slowed down by the impact of government and sector support measures, including bank payment deferrals and direct aid measures. In addition, volatility in the financial markets may continue, affecting exchange rates and the value of assets and investments, all of which has adversely affected the Group's results in 2020 and is expected to continue to affect them in the future.

Furthermore, the Group has been and may continue to be affected by the specific measures or recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments (see Section 2.5 on risk factors "*The Group faces risks derived from its international geographic diversification and its significant presence in emerging countries. The Group's ability to distribute dividends depends, in part, on the perception of dividends from its subsidiaries*"), the deferral of monthly installments for certain loans and the implementation of credit lines with public guarantees, especially to companies and self-employed individuals, as well as any changes in financial assets purchase programs by the ECB. As of March 31, 2021, the amounts of payment deferrals and financing granted with a public guarantee reached 3 million customers at the Group level and amounted to €43,954 million, equivalent to 12.9% of the lending portfolio of which 62% are payment deferrals and 38% financing with public guarantee. Although as of March 31, 2021, 80%, of the payment deferrals granted due to the COVID-19 pandemic have already expired and, therefore, it has been possible to observe the payment behavior for many customers, there are still existing transactions that will be due for the first time before the end of the first semester of 2021. Hence, as of March 31, 2021, it is not possible to anticipate the payment behavior for these customers since it cannot yet be assured that economic conditions will improve during that period.

Since the outbreak of the COVID-19 pandemic, the Group has experienced a decline in its activity. For example, the granting of new loans to individuals has decreased since mobility restriction measures were approved in certain countries in which the Group operates. In addition, the Group faces various risks, such as a greater risk of impairment of 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, an even further increase in non-performing loans and risk-weighted assets, as well as a negative impact on the Group's financing cost and its access to financing (especially in an environment where credit ratings are affected, (see Section 3.2 on risk factors "*The Group and some of its subsidiaries depend on their credit ratings and sovereign debt ratings, especially the Spanish one*"). As of March 31, 2021 and December 31, 2020, 8% and 9%, respectively, of the Group's exposure is placed in sectors identified as most vulnerable to the current environment, especially leisure, residential real estate, commercial real estate, nonfood retailers and air transportation.

Since the beginning of the crisis in the first quarter of 2020, security, business continuity and public support measures have been adopted in the countries in which the Group operates, most of which have consisted of public guarantees for new loans to companies and SMEs, moratoria and deferral of payments in certain home loans.There has been an operational network of offices with dynamic management and reinforcement of digital channels, in addition to promoting remote work, prioritizing health protection. Once these measures are completed, the Group may have to carry out deterioration or write-offs in its lending portfolios as a result of the deterioration of the credit quality of its clients, especially SMEs. Such impairments or write-offs could have a significant adverse effect on the Group's business, financial situation and operating results (see Section 2.1 on Risk Factors "*The Group's activities are subject to inherent risks to the credit quality of its borrowers and counterparties and the value of collaterals that strengthen its lending portfolio, particularly in Spain, where adverse changes in the Spanish economy could have an adverse effect on the Group*").

In addition, in several of the countries in which the Group operates, including Spain, the Group closed the branches and reduced opening hours of working with the public, depending on the confinement measures established in each geography, and the teams that provide central services have had to work remotely. While these measures were progressively reversed in most regions, it is unclear how long it will take before they can be fully reversed due to the persistence of the COVID-19 pandemic. Furthermore, 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.

Therefore, the COVID-19 pandemic has had an adverse effect on the Group's results and capital base.

In 2020, the COVID-19 pandemic had an extraordinary adverse effect, causing an increase in the cost of risk associated with the lending portfolio, mainly due to the deterioration of the macroeconomic environment, which in the Group as a whole had a negative impact registered in the first semester of 2020 which amounts to €2,009 million (including the initial adverse effect of the payment deferrals) and provisions for impairment of credit risks and contingent commitments for €95 million, as well as a deterioration on the goodwill of the Group's subsidiary in the United States (see Section 2.4 on risk factors "The Group faces risks related to its acquisitions and divestitures").

The COVID-19 pandemic has also exacerbated, and is likely to continue to exacerbate, other risks disclosed in this section, including, but not limited to, risks associated the credit quality of the Group's borrowers and counterparties or collateral, any withdrawal of ECB funding (of which the Group has made and continues to make significant use), the Group's exposure to sovereign debt and rating downgrades, the Group's ability to comply with its regulatory requirements, including MREL (as defined in this document) and other capital requirements, and the deterioration of economic conditions or changes in the institutional environment (see Section 1.2 of Risk *Factors "A deterioration in economic conditions or the institutional environment in the countries where the Group operates could adversely affect on the Group's business, financial condition and results of operations"* and 4.2 *"Increasingly onerous capital and liquidity requirements may have a material adverse effect on the Group's business, financial condition and results of operations"*).

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

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

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey, which respectively represented 54.9%, 15.3 % and 8.2% of the Group's assets as of March 31, 2021 (55.1%, 15.0%, 8.1% as of December 31, 2020). As of March 31, 2021 and December 31, 2020, the Group's attributable profit amounted to €1,210 and €1,305 million, respectively, (€1,033 and €3,084 million adjusted attributable profit), being the percentage on the adjusted attributable profit of Spain, Mexico, Turkey and South America, 36.9%, 47.7%, 18.5% and 10.0%; and 19.7%, 57.0%, 18.3% and 14.5%, respectively. As of March 31, 2021 and December 31, 2020, the balances of assets corresponding to the companies for sale in the United States that have been reclassified from their corresponding accounting headings to the headings "Non-current assets and disposal groups classified as held for sale", represents 12.3% and 11.7%, respectively (see Section 2.4 on risk factors *"The Group faces risks related to its acquisitions and divestitures"*). Additionally, the Group is exposed to sovereign debt, particularly sovereign debt related to these geographies. See Section 3.2 of risk factors *"The Group and some of its subsidiaries depend on their credit ratings and sovereign debt ratings, especially the Spanish one"* for summarized information on some of the challenges that these countries are currently facing and that, therefore, could significantly affect the Group.

Currently, the world economy is facing several exceptional challenges. In particular, the crisis derived from the COVID-19 pandemic has abruptly and significantly deteriorated the economic conditions of the countries in which the Group operates, leading many of them to an economic recession in 2020. Furthermore, this crisis could lead to a deglobalization of the world economy, produce an increase in protectionism or barriers to immigration, fuel the trade war between the United States and China and result in a general withdrawal of international trade in goods and services, as well as having other effects of long duration that transcend the pandemic itself. Added to this is the uncertainty regarding the United Kingdom's (the "UK") exit from the EU ("Brexit"). The long-term effects of Brexit will depend on the relationship between the UK and the EU after its complete exit from the European Single Market, which took place last December 31, 2020, and the implementation of the trade agreement ratified by the European Parliament on April 28, 2021. Furthermore, in a scenario as uncertain as the current one, emerging economies (to which the Group is significantly exposed, particularly in the case of Mexico and Turkey) could be particularly vulnerable to a trade war or if there were changes in the financial risk appetite. Likewise, the possible triggering of a disorderly deleveraging process in China would pose a significant risk to these economies.

Thus, the Group faces, among others, the following general risks to the economic and institutional environment in which it operates: a deterioration in economic activity in the countries in which it operates, which could lead to further economic recession in some or all of those countries; more intense deflationary pressures or even deflation; variations in exchange rates; a very low interest rate environment, or even a long period of negative interest rates in some regions where the Group operates; an unfavorable evolution of the real estate market, to which the Group remains significantly exposed; very low oil prices could particularly affect producing regions such as Venezuela, Mexico or Colombia, while a rise in oil prices could have a negative impact on the levels of income available in areas that are purely oil consuming, such as Spain or Turkey, where the Group is especially exposed; changes in the institutional environment in the countries in which the Group operates that could lead to sudden and sharp falls in GDP and/or regulatory changes; a growing public deficit that could lead to downgrades in sovereign debt credit ratings and even a possible default or restructuring of such debt; and episodes of volatility in markets, such as those currently being experienced, which could lead the Group to register significant losses.

2. BUSINESS RISKS

2.1 The Group's businesses are subject to inherent risks concerning borrowers and counterparties credit quality and the value of collaterals that strengthen its lending portfolio, particularly in Spain, where adverse changes in the Spanish economy could have an adverse effect on the Group

The total maximum credit risk exposure of the Group as of March 31, 2021 was €754,123 million (€749,524 million, €809,786 million and €763,082 million as of December 31, 2020, 2019 and 2018, respectively). The maximum exposure of loans and advances to customers at amortized cost at March 31, 2021 and December 31, 2020 is €322,866 and €323,252 million, respectively, of which Spain, Mexico and Turkey represent 60%, 17% and 12% and 61%, 16% and 12% respectively. The accumulated loss allowances of loans and advances to customers at amortized cost at March 31, 2021 and December 31, 2020 amount to €12,183 and €12,105 million, respectively, of which Spain, Mexico and Turkey represent 47%, 18% and 20% and 47%, 18% and 19% respectively. The Group has exposures to many different products, counterparties and obligors and the credit quality of its exposures can have a significant effect on the Group's earnings. Adverse changes in the credit quality of the Group's borrowers and counterparties or collateral, or in their behavior or businesses, may reduce the value of the Group's assets, and materially increase the Group's write-downs and loss allowances. Credit risk can be affected by a range of factors, including an adverse economic environment, reduced consumer, corporate or government spending, changes in the rating of individual contractual counterparties, their debt levels and the environment in which they operate, increased unemployment, reduced asset values, increased retail or corporate insolvency levels, reduced corporate profits, changes (and the timing, quantum and pace of these

changes) in interest rates, counterparty challenges to the interpretation or validity of contractual arrangements or provisions and legal and regulatory developments.

Non-performing or impaired customer loans have been adversely affecting, and are expected to continue to adversely affect, the Group's results given the increasing economic uncertainty. As of March 31, 2021 and December 31, 2020, the Group had a NPL ratio[1] of 4.3% and 4.2% respectively, compared to 3.8% and 3.9% as of December 31, 2019 and 2018, respectively. Prior to the COVID-19 pandemic, NPL ratio had progressively improved due in part to the low interest rates, which improved clients' ability to pay. However, NPLs are expected to significantly increase once payment deferrals schemes adopted by governments are lifted due to the effects of the COVID-19 pandemic.

Historically, the Group has developed its lending activity mainly in Spain, which continues to be one of its fundamental business areas, so that, as of December 31, 2020, the total risk in financial assets in Spain amounted to €236,016 of a total of €563,964 million at Group level, which was equivalent to 42% of the Group's total risk in financial assets at that date. Total loans and advances at amortized cost March 31, 2021 and December 31, 2020 amounted to €327,646 and €331,931 million, respectively. Although the increase in unemployment has been limited by the application of records of temporary employment regulation (ERTEs), an increase in unemployment is expected when these measures are withdrawn in 2021. On the other hand, although the economic recovery is expected to be driven by the implementation of initiatives by the European Union, in particular the financial support linked to the Next Generation EU (NGEU)[2] plan, there are risks regarding the ability of the Spanish economy to absorb EU funds and translate that support into productive investments. Additionally, the Spanish economy is especially sensitive to the economic conditions of the Eurozone, this being the main export market for Spanish goods and services. As of March 31, 2021 and December 31, 2020, loans and advances to customers of the Group in Spain amounted to €194,661 and €195,983 million, representing 61%, respectively, of the total amount of loans and advances to customers included in the Group's consolidated balance sheet. Furthermore, the Group's business in Spain comprises relevant transactions in Catalonia, which accounted for 16% of the Group's assets in Spain as of December 31, 2020 (18% as of December 31, 2019). Although social and political tensions have generally eased since 2017, should such tensions rebound, there could be scenarios of uncertainty, volatility in the capital markets and a deterioration in the economic situation and financing conditions in Spain.

In addition, it is possible that the current scenario of economic deterioration results in a decrease in the prices of real estate assets in Spain and other countries. In particular, Mexico (whose total risk in financial assets amounts to €92,667 million, 16% of the Group), and Turkey (whose total risk in financial assets amounts to €48,253 million, 9% of the Group), taking into account the Group's exposure to these markets.

Additionally, as of March 31, 2021 and December 31, 2020, the Group's exposure to the construction and real estate sectors (excluding the mortgage portfolio) in Spain was equivalent to €9,909 million and €10,024 million, of which €2,563 million and €2,565 million respectively (with an accumulated impairment of €272 million and €281 million respectively) corresponded to loans for construction and development activities in Spain (representing 1.6% of the Group's loans and advances to customers in Spain (excluding the public sector) and 0.3% of the Group's consolidated assets). As of March 31, 2021, Spain with €6,713 million represents 55% of the Group's exposure to the real estate sector (€12,717 million), with Mexico and Turkey representing 14%, respectively. Moreover, the Group continues to be exposed to the real estate market, mainly in Spain, due to the fact that many of its loans are secured by real estate assets, due to the significant volume of real estate assets that it maintains on its balance sheet, and due to its shareholding in real estate companies such as Metrovacesa, S.A. and Divarian Propiedad, S.A. The total real estate exposure (excluding the mortgage portfolio), including developer credit, foreclosed assets and other assets, reflected a coverage ratio[2] of 53% in Spain as of December 31, 2020. The group's total coverage ratio as of March 31, 2021 and December 31, 2020 amounted to 81% and 82%, respectively. A fall in the prices of real estate assets in Spain (or in other countries where the Group has significant real estate exposure such as Mexico) would reduce the value of the shareholdings referred to above, as well as the value of any real estate securing loans granted by the Group and, therefore, in the event of default, the amount of the "expected losses" related to such loans would increase. In addition, it could also have a significant adverse effect on the NPL ratios of the Group's residential mortgage portfolio (4.7% and 4.5% as of March 31, 2021 and December 31, 2020, respectively), the balance of which, as of March 31, 2021, and December 31, 2020 was €91,438 and €91,428 million, respectively (€110,534 million as of December 31, 2019). As of March 31, 2021, Spain and Mexico represent approximately 78% and 11%, respectively. The coverage ratio of the mortgage portfolio[3] was 39% and 41% as of March 31, 2021 and December 31, 2020, respectively).

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

As of March 31, 2021 and December 31, 2020, the net amount of refinancing and restructuring of the Group amounted to €12,015 million and €11,840 million (3.8% and 3.7% of total loans to customers respectively) of which €9,266 million and €9,239 million have a real

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[1] The NPL ratio is considered as an APM (Alternative Performance Measure). For itys definition and conciliacion, see Section *"Alternative Performance Measures (APM)"* in Financial Statements 1Q21.

[2] BBVA is one of the two Spanish entities that will participate as placement entities in the debt macro commissions prepared by the European Commission to finance the Next Generation Recovery Fund.

[3] The coverage ratio is considered as an APM (Alternative Performance Measure). For itys definition and conciliacion, see Section *"Alternative Performance Measures (APM)"* in Financial Statements 1Q21.

guarantee and €6,445 million and €6,337 million have a real estate guarantee, respectively. As of December 31, 2019, the net amount was €11,450 million, a 4.9% increase compared to March 31, 2021. As of March 31, 2021 and December 31, 2020, the percentage of Spain, Mexico and Turkey on the total amount of refinancing and restructuring of the Group was 65.9%, 7.7% and 16.7% and 66.3%, 6.9% and 16.6%, respectively.

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

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. As of March 31, 2021 and December 31, 2020 and 2019, the percentage of interest margin with respect to gross margin was 67%, 72% and 73%, respectively. This margin, in the first quarter of 2021, has decreased by 14.2% compared to the first quarter of 2020 (2.3% at constant exchange rates). The evolution is different between the different geographies in which the Group operates given that in Spain the net interest margin has fallen by 1.3%; in Mexico 11.6% (1.8% at constant exchange rates), in Turkey 35.4% (14.6% at constant exchange rates) and in South America 13.5% (increase of 5.7% at constant exchange rates). As of March 31, 2021 and December 31, 2020, the interest margin sensitivity ratio (projected at 12 months) to interest rate falls (generally 100 basis points, although in the case of Euro and USD negative interest rate scenarios, those are allowed up to plausible levels below the current ones) on the projected 12-month interest margin would have a negative impact on interest margin depending on the geographical area: Euro Balance -7.75% and -8, 23%; Mexico -2.88% and -2.96%; Turkey -1.38% and -0.77% and South America -2.55% and -2.13%, respectively.

With regard to the risk of variation in the market value of assets and liabilities, as of December 31, 2020, the average VaR was €27 million. By type of market risk assumed by the Group's trading portfolio, the main risk factor in the Group continues to be linked to interest rates, representing a 56% of the total at the end of 2020 (including spread risk) and decreasing the relative weight compared to the end of 2019 (58%). On the other hand, the exchange risk represents a 22%, a slight increase compared to the end of the year 2019 (13%), while variable income risk and volatility and correlation risk, decrease, representing a 22% at the end of the year 2020 (versus 29% at the end of the year 2019). As of December 31, 2020, the VaR balance was €28 million (€32 million corresponding to interest and spread risk, €12 million to exchange rate risk, €2 million to equity risk and €11 million to volatility risk and -€29 million of diversification effect).

Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks, regulation of the financial sector in the markets in which it operates, domestic and international economic and political conditions and other factors. In this sense, the COVID-19 pandemic has triggered a process of cuts in reference interest rates, which, moreover, will likely take time to be raised and, if raised, interest rates will likely increase at a slower rate than previously foreseen. It is possible that changes in market interest rates, which could be negative in some cases, and the ongoing benchmark reform affect the Group's interest-earning assets differently from the Group's interest-bearing liabilities. This, in turn, may lead to a reduction in the Group's net interest margin, which could have a significant adverse effect on its results. Moreover, the ongoing benchmark reform exposes the Group to other significant risks, including legal and operational risks.

Such reform of the benchmarks exposes the Group to other significant risks, including legal and operational risks. In recent years, international regulators have been driving a transition from the use of interbank offer rates ("**IBORs**"), including EURIBOR, LIBOR and EONIA, to alternative risk free rates ("**RFRs"**). This has resulted in regulatory reform and changes to existing IBORs, with further changes anticipated. These reforms and changes may cause an IBOR to perform differently than it has done in the past or to be discontinued. For example, in 2017, the U.K. Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR after 2021, and EONIA modified its methodology on October 2, 2019 and will likely be discontinued as from January 2022. In November 2019, the determination methodology for EURIBOR was changed to a new hybrid methodology using transaction-based data and other sources of data.

Uncertainty as to the nature and extent of such reforms and changes, and how they might affect financial instruments, may adversely affect the valuation or trading of a broad array of financial instruments that use IBORs, including any EURIBOR, EONIA or LIBOR-based securities, loans, deposits and derivatives that are issued by the Group or otherwise included in the Group's financial assets and liabilities. Such uncertainty may also affect the availability and cost of hedging instruments and borrowings. The Group is particularly exposed to EURIBOR-based financial instruments. The nominal of the hedging instruments directly affected by the IBOR reform as of December 31, 2020 was €9,658 million for cash flow hedges and €12,351 million for fair value hedges.

It is not possible to predict the timing or full effect of the transition to RFRs. As a result of such transition, the Group will be required to adapt or amend documentation for new and the majority of existing financial instruments, and may be subject to disputes (including with customers of the Group) related thereto, either of which could have an adverse effect on the Group's results of operations. The implementation of any alternative RFRs may be impossible or impracticable under the existing terms of certain financial instruments. Such transition could also result in pricing risks arising from how changes to reference rates could impact pricing mechanisms in some instruments, and could have an adverse effect on the value of, return on and trading market for such financial instruments and on the Group's profitability. In addition, the transition to RFRs will require important operational changes to the Group's systems and infrastructure as all systems will need to account for the changes in the reference rates.

As of December 31, 2020, 2019 and 2018, 53%, 59% and 62% of the total transactions with a maturity greater than one year of "Loans and advances to customers" have variable interest rate. This significance amount of loans tied to variable interest rates makes the profitability of the loans more sensitive to falls in interest rates and, in addition, that the repayment capacity of these loans was more sensitive to changes in interest rates too. Furthermore, if interest rates were to increase in some or all of our markets, this could reduce the demand for credit and the Group's ability to generate credit for its clients, as well as contribute to an increase in the NPL ratio.

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

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

In recent years, the financial services sector has undergone a significant transformation driven by the development of the Internet and mobile technologies and the entry of new players into activities previously controlled by financial institutions. The markets in which the Group operates are highly competitive and it is expected that this trend will continue in the coming years with the increasing entry of non-bank competitors

(some of which have large client portfolios and strong brand recognition) and the emergence of new business models, as indicated by the Financial Stability Board's report on FinTech and market structure in financial services at a global level, banks have a share of approximately 39% of total financial services market at the end of 2019 and non-bank financial intermediaries a 49,5%. Traditionally, commercial banks have been the only providers of financial products and services, from credit to deposits, including payment and investment services. Although the Group is making efforts to anticipate these changes, betting on its digital transformation, its competitive position is affected by the regulatory asymmetry that benefits non-bank operators. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank operators that are only subject to regulations specific to the activity they develop or that benefit from loopholes in the regulatory environment. Furthermore, when banking groups carry out financial activities through the use of new technologies, they are generally subject to additional internal governance rules that place such groups at a competitive disadvantage.

Moreover, the widespread adoption of new technologies, including cryptocurrencies and alternative payment systems that do not use the banking system, could require substantial investment to modify or adapt existing products and services as the Group continues to increase its mobile and internet banking capabilities and online. Likewise, the increasing use of these new technologies and mobile banking platforms could have an adverse impact on the Group's investments in facilities, equipment and employees of the branch network. A faster pace of transformation towards mobile and online banking models could require changes in the Group's commercial banking strategy, including the closure or sale of some branches and the restructuring of others, and reductions in employees. These changes could result in significant expenses as the Group reconfigures and transforms its commercial network. On the other hand, the trend towards the consolidation in the banking industry has created larger banks (such as the one resulting from the merger of Caixabank and Bankia) with which the Group must compete. Failure to efficiently and on a timely basis implement such changes could have a material adverse impact on the Group's competitive position or otherwise have a material adverse effect on the Group's business, financial condition or results of operations.

As indicated in the Relevant Event published 8 June 2021, BBVA reached an agreement with the union representatives on the collective layoff process for Banco Bilbao Vizcaya Argentaria, S.A. in Spain initiated in 13 April 2021 that will affect 2,935 employees. The agreement also includes the closing of 480 branches. The cost of the process is estimated at €960 million before taxes, of which 720 million correspond to the collective layoff and 240 million to the closing of branches.

Existing loopholes in the regulatory environment create an uneven playing field between banks and non-bank players. Some new services or business models ("FinTechs" or "BigTechs") are not yet covered by current regulations. In these cases, asymmetries may arise between players since regulated providers often face obstacles in engaging in unregulated activities. The future success of the Group depends, in part, on its ability to use technology to provide suitable products and services for customers. Despite the technological capabilities that the Group has been developing and its commitment to digitization, as a result of the aforementioned inequalities, it is likely that the Group may not be able to effectively implement new technology-based products and services or that it may not be successful in its commercialization, which would negatively affect the business, the financial situation and the results of the Group.

In particular, the Group is challenged to compete in an environment in which the relationship with the customer is based on access to digital data and interactions. This access is increasingly dominated by digital platforms that are already eroding the Group's results in highly relevant markets such as payments. These platforms can leverage their advantage in access to data to compete with the Group in other markets and could reduce the Group's operations and margins in its core businesses such as lending or wealth management. The alliances that the Group's competitors are beginning to create with Bigtechs may prevent it from a successful competition and could adversely affect the Group. In the event that the Group is unable to face increasing competition successfully, its business, financial condition and results could be significantly and adversely affected.

2.4 The Group faces risks related to its acquisitions and divestitures

The Group has acquired and sold various companies and businesses over the past few years. As of June 1, 2021, the Group announced the closing of the sale of BBVA USA and certain other Group companies in the US (see Section 5.3 *"Important events in the development of the issuer's business"*).

As of March 31, 2020 and December 31, 2019, goodwill impairment indicators were identified in the United States CGU and as a result of the goodwill valuation, the Group recorded impairments in the United States CGU which amounted to €2,084 million and €1,318 million, respectively. As of March 31, 2021, the goodwill registered in the Group corresponds to €896 million, mainly from Mexico and Turkey.

Other recent transactions include the sale of BBVA Paraguay (the transaction generated a capital loss net of taxes of approximately €9 million), BBVA Chile and the transaction with Cerberus Capital Management L.P. in relation to the real estate business in Spain.

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

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

Any of the foregoing may cause the Group to incur significant unexpected expenses, may divert significant resources and management attention from our other business concerns, or may otherwise have a material adverse impact on the Group's business, financial condition and results of operations.

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

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

In addition, the Group's international operations may expose it to risks and challenges to which its local competitors may not be exposed, such as currency risk (As of March 31, 2021 and December 31, 2020 and 2019, approximately 48.1%, 46.2% and 48.2% of the assets and 44.7%, 41.0% and 42.0% of the Group's liabilities, respectively, were denominated in currencies other than the euro), the difficulty of managing or supervising a local entity from abroad, political risks (which could affect only foreign investors) or limitations on the distribution or repatriation of dividends (for example, BBVA's Venezuelan and Argentinean subsidiaries (whose book value is €78 million and €876 million, respectively, as of March 31, 2021) is subject to certain restrictions and there is no assurance that further restrictions will not be imposed), thus worsening its position compared to that of local competitors.

In 2020, dividend income from its subsidiaries represented €1,245 million, approximately 20% of the gross margin of Banco Bilbao Vizcaya Argentaria, S.A. There has been a decrease of 38% compared to 2019, mainly due to the policies of Regulators about limiting the dividend distribution. Due, in part, to the Group's decision to follow a 'Multiple Point of Entry' strategy, in accordance with the framework for the resolution of financial entities designed by the Financial Stability Board (FSB), the Group's subsidiaries are self-sufficient and each subsidiary is responsible for managing its own capital and liquidity. This means that the payment of dividends, distributions and advances by the Group's subsidiaries to BBVA depends not only on the results of those subsidiaries, but also on the context of their operations and liquidity needs, and may be further limited by legal, regulatory and contractual restrictions. For example, in response to the crisis caused by the COVID-19 pandemic, certain restrictions were adopted that affect the distribution and/or repatriation of dividends of some of the Group's subsidiaries. There is no assurance that these restrictions will not remain in effect or, where lifted, reinstated, or that similar or new restrictions will not be imposed in the future. Furthermore, the Group's right, as a shareholder, to participate in the distribution of assets resulting from the eventual liquidation or any reorganization of its subsidiaries will be effectively subordinated to the rights of the creditors of those subsidiaries, including their commercial creditors.

In addition, the Bank, its subsidiaries and the Group must comply with certain capital requirements, where non-compliance could lead to the imposition of restrictions or prohibitions on making any: (i) distributions relating to common equity tier ("CET1") capital; (ii) payments related to variable remuneration or discretionary pension benefits; and (iii) distributions linked to additional tier 1 ("AT1") instruments (collectively, "discretionary payments"). Likewise, the ability of the Bank and its subsidiaries to pay dividends is conditioned by the recommendations and requirements of their respective supervisors, such as those made in response to the COVID-19 pandemic. In this regard, on April 30, 2020, the Bank announced that it had agreed to modify, for the financial year 2020, the Group's shareholder remuneration policy, opting not to pay any amount as a dividend corresponding to the financial year 2020 until the uncertainties generated by the COVID-19 pandemic dissipate and, in any case, not before the close of the 2020 fiscal year. However, in accordance with the distribution capacity established by the ECB in relation to the consolidated results of 2020, the General Shareholders' Meeting, held on April 20, 2021, approved, in the third point of its agenda, a cash distribution charged to the share premium account for an amount of €0.059 gross per share as remuneration to the shareholder in relation to the Group's result in 2020 for each of the shares in circulation, which was paid on April 29, 2021. However, it is not possible to guarantee that new restrictions or recommendations from supervisors will not limit the ability of our subsidiaries or the Bank itself to distribute dividends in the future..

There can be no guarantee that the Group will be successful in developing and implementing policies and strategies in all of the countries in which it operates, some of which have experienced significant economic, political and social volatility in recent decades. In particular, the Group has significant operations in several emerging countries, such as Mexico and Turkey, and is therefore vulnerable to the deterioration of these economies. Emerging markets are generally affected by the conditions of other commercially or financially related markets and by the evolution of global financial markets in general (they may be affected, for example, by the evolution of interest rates in the United States and the exchange rate of the U.S. dollar), as well as, in some cases, by fluctuations in the prices of commodities. The perception that the risks associated with investing in emerging economies have increased, in general, or in emerging markets where the Group operates, in particular, could reduce capital flows to those economies and adversely affect such economies, and therefore the Group. Moreover, emerging countries are more prone to experience significant changes in inflation and foreign exchange rates, which may have a material impact on the Group's results of operations, assets (including RWAs as defined in this document) and liabilities. As of December 31, 2020, the estimated sensitivities of the result attributable to the owners of the parent company, taking into account the coverage against depreciations and appreciations of 1% of the average rate in the Mexican peso, Turkish lira and US dollar was €4.9, €4.5 and €4.3 million, respectively.

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

3. FINANCIAL RISKS

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

Traditionally, one of the Group's main sources of financing has been savings accounts and demand deposits. As of March 31, 2021 and December 31, 2020, the balance of customer deposits represented 70% of the Group's total financial liabilities at amortized cost. However, the volume of wholesale and retail deposits can fluctuate significantly, including as a result of factors beyond the Group's control, such as general economic conditions, changes in economic policy or administrative decisions that diminish their attractiveness as savings instruments (for example, as a consequence of changes in taxation, coverage by guarantee funds for deposits or expropriations) or competition from other savings or investment instruments (including deposits from other banks).

Likewise, changes in interest rates and credit spreads may significantly affect the cost of the Group's short and long-term wholesale financing. Changes in credit spreads are driven by market factors and are also influenced by the market's perception of the Group's solvency. As of March 31, 2021 and December 31, 2020, debt securities issued by the Group represented 12.1% and 12.6% of the total financial liabilities at amortized cost of the Group.

In addition, the Group has made and continues to make significant use of public sources of liquidity, such as the European Central Bank's (ECB) extraordinary measures taken in response to the financial crisis since 2008 or those taken in connection with the crisis caused by the COVID-19 pandemic. The ECB announced in December 2020 the new conditions of Targeted Long Term Refinancing Operations ("TLTRO" - III, increasing the maximum amount that BBVA may receive from €35,032 million to €38,692 million and extending the enhanced conditions in terms of cost one additional year until June 2022. As of March 31, 2021 and December 31, 2020, BBVA had drawn down €38,392 and €35,032 million, respectively. However, the conditions of this or other programs could be revised or these programs could be cancelled.

In the event of a withdrawal of deposits or other sources of liquidity, especially if it is sudden or unexpected, the Group may not be able to finance its financial obligations or meet the minimum liquidity requirements that apply to it, and may be forced to incur higher financial costs, liquidate assets and take additional measures to reduce leverage. Furthermore, the Group could be subject to the adoption of early intervention measures or, ultimately, to the adoption of a resolution measure by the Relevant Spanish Resolution Authority (see Section 9.1 *"Regulatory Environment—Regulation"*). Any of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

3.2 The Group and some of its subsidiaries depend on their credit ratings and sovereign credit ratings, especially the Spanish one

Rating agencies periodically review the Group's debt credit ratings (for further information, see Section 8.3 *"Capital Resources - Impact of credit ratings"*). Any reduction, effective or anticipated, in any such ratings of the Group, whether below investment grade or otherwise, could limit or impair the Group's access to capital markets and other possible sources of liquidity and increase the Group's financing cost, and entail the breach or early termination of certain contracts or give rise to additional obligations under those contracts, such as the need to grant additional guarantees. The Group estimates that, if at March 31, 2021 rating agencies had downgraded Banco Bilbao Vizcaya Argentaria, S.A.'s long-term senior debt rating by one notch, it would have had to provide additional guarantees/collateral amounting to €29.8 million under its derivative and other financial contracts. A hypothetical two-notch downgrade would have involved an outlay of €46.1 million in additional guarantees/collateral.Furthermore, if the Group were required to cancel its derivative contracts with some of its counterparties and were unable to replace them, its market risk would worsen. Likewise, a reduction in the credit rating could affect the Group's ability to sell or market some of its products or to participate in certain transactions, and could lead to the loss of customer deposits and make third parties less willing to carry out commercial transactions with the Group (especially those that require a minimum credit rating), having a significant adverse impact on the Group's business, financial condition and results of operations.

Furthermore, the Group's credit ratings could be affected by variations in sovereign credit ratings, particularly the rating of Spanish sovereign debt. The Group holds a significant portfolio of debt issued by the Kingdom of Spain, by the Spanish autonomous communities and by other Spanish issuers. As of March 31, 2021 and December 31, 2020, the Group's exposure to the Kingdom of Spain's public debt portfolio was €49,575 million and €46,401 million, respectively, representing 7% and 6% respectively of the consolidated total assets of the Group. Any decrease in the credit rating of the Kingdom of Spain could adversely affect the valuation of the respective debt portfolios held by the Group and lead to a reduction in the Group's credit ratings. Additionally, counterparties to many of the credit agreements signed with the Group could also be affected by a decrease in the credit rating of the Kingdom of Spain, which could limit their ability to attract additional resources or otherwise affect their ability to pay their outstanding obligations to the Group. The Group's exposure to the public debt portfolio of the Rest of Europe, Mexico and Turkey as of March 31, 2021 was €8,991, €25,932 and €7,047 million, respectively (as of December 31, 2020 it was €6,982, €23,886 and €7,547 million), represented by 1.2%, 3.6% and 1%, respectively (as of December 31, 2020 it was 0.9%, 3.2% and 1%).

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

4. LEGAL, REGULATORY, TAX AND COMPLIANCE RISKS

The financial services sector is one of the most regulated in the world (see Section 9.1 *"Regulation"* of Section 9 *"Regulatory Environment"*).

4.1 LEGAL RISKS

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

The financial sector faces an environment of increasing regulatory and litigation pressure. The Group is party to government procedures and investigations, such as those carried out by the antitrust authorities which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others. The various Group entities are also frequently party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. More generally, in recent years, regulators have increased their supervisory focus on consumer protection and corporate behavior, which has resulted in a larger number of regulatory actions.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain recent national and supranational rulings in favor of consumers (with regards to matters such as credit cards and mortgage loans), have increased significantly in recent years and this trend could continue in the future. 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 and/or a reduction in revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the resulting procedural or management costs for the Group) could materially and adversely affect the Group, including by damaging its reputation.

It is difficult to predict the outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and those that may arise in the future, including actions and proceedings relating to former Group subsidiaries or in respect of which the Group may have indemnification obligations. Any of such outcomes could be 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 draw resources away from the Group and may require significant attention on the part of the Group's management and employees.

As of March 31, 2021 and December 31, 2020, the Group had €625 and €612 million respectively in provisions for the proceedings it is facing (which are included in the line item "Provisions for taxes and other legal contingencies" in the consolidated balance sheet), of which €584 million (€574 million as of December 31, 2020) corresponded to legal contingencies and €41 million (€38 million as of December 31, 2020) corresponded to tax related contingencies. Most of these provisions for legal contingencies correspond to Banco Bilbao Vizcaya Argentaria S.A. and companies registered in Spain, with approximately 82%. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate any such provisions or for other reasons) makes it impossible to guarantee that the possible losses arising from such proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results.

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

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

Spanish judicial authorities are investigating the activities of Centro Exclusivo de Negocios y Transacciones, S.L. ("Cenyt"). Such investigation includes the provision of services by Cenyt to the Bank. On July 29, 2019, the Bank was named as an investigated party (investigado) in a criminal judicial investigation (Preliminary Proceeding No. 96/2017 – Piece No. 9, Central Investigating Court No. 6 of the National High Court) for alleged facts which could constitute bribery, revelation of secrets and corruption. On 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 investigated parties in connection with this investigation. The Bank has been and continues to be proactively collaborating with the Spanish judicial authorities, including sharing with the courts information obtained in the internal investigation hired by the entity in 2019 to contribute to the clarification of the facts. As at the date of this Registration Document, no formal accusation against the Bank has been made.

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

4.2. REGULATORY, TAX AND COMPLIANCE RISKS

The financial services sector is one of the most regulated in the world.

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

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

Regulatory changes over the last decade, as well as those currently in the pipeline (including changes interpretation or application of existing regulations), have increased and may continue to substantially increase the Group's operating expenses and adversely affect its business model. For example, the imposition of prudential capital standards has limited and is expected to continue to limit the ability of subsidiaries to distribute capital to the Bank, while liquidity standards may lead the Group to hold a higher proportion of financial instruments with higher liquidity and lower performance, which can adversely affect its net interest margin. In addition, the Group's regulatory and supervisory authorities may require the Group to review or make impairments to the value of its assets, which could have an adverse effect on its financial condition. It is also possible that governments and regulators continue to impose ad hoc measures in response to the crisis caused by the COVID-19 pandemic. Such measures includethe imposition on credit institutions of the obligation to provide financing to various entities both private (particularly SMEs) and public entities (including, for example, the Fund for the Deposit Guarantee ("FGD")(Fondo de Garantía de Depósitos) or the Single Resolution Board ("SRB").

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

One of the most significant regulatory changes resulting from the prior financial crisis was the introduction of resolution regulations (which are described in Item 9.1. "Regulation—Resolution" from Note 9 "Regulatory Framework"). In the event that the Relevant Spanish Resolution Authority considers that the Group is in a situation where conditions for early intervention or resolution are met, it may adopt the measures provided for in the applicable resolution regulations, including without prior notice. Such determination, or the mere possibility that such determination could be made, could materially and adversely affect the Group's business, financial condition and results of operations, as well as the market price and the behaviour of certain securities issued by the Group (or their conditions, in the event of an exercise of the Spanish Bail-in-Power as defined herein).

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

As described in Section 9.1 Regulation - Solvency and Capital Requirements, in its capacity as a Spanish credit institution, the Group is subject to compliance with a "Pillar 1" solvency requirement, a "Pillar 2" solvency requirement and a "combined buffer requirement" at both the individual and consolidated levels. As a result of the latest Supervisory Review and Evaluation Process ("SREP") carried out by the ECB, and in accordance with the measures implemented by the ECB on March 12, 2020, by means of which banks may partially use AT1 and Tier 2 capital instruments in order to fulfil the "Pillar 2" requirement, BBVA must maintain, at a consolidated level, a CET1 ratio of 8.59% and a total capital ratio of 12.75%. In addition, BBVA must maintain, on an individual level, a CET1 ratio of 7.84% and a total capital ratio of 12.01%. As of March 31, 2021 and December 31, 2020, the Group's phased-in total capital ratio was 16.16% and 16.46% on a consolidated basis and 20.04% and 20.68% on an individual basis, and its CET1 phased-in capital ratio was 12.2% and 12.15% on a consolidated basis and 15.10% and 15.14% on an individual basis, respectively.

Additionally, as described in Section 9.1 Regulation - MREL, Banco Bilbao Vizcaya Argentaria, S.A., as a Spanish credit institution, must maintain a minimum level of own funds and eligible liabilities (the "MREL requirement"). On May 31, 2021, the Bank announced that it had received a new comunication from the Bank of Spain of its new MREL requirement, as determined by the SRB, replacing the previous one on MREL received and communicated in November 2019. In accordance with this new communication, BBVA should maintain as of January 1, 2022, a volume of own funds and eligible subordinated liabilities corresponding to 24.78% of the total RWAs of its resolution group at the

subconsolidated level[1] (the "MREL in RWAs"). Likewise, of this MREL in RWAs, a 13,50% of the total RWAs will have to be fulfilled with subordinated instruments (the "RWAs subordination requirement"). As of March 31, 2021, the own funds and eligible liabilities of the resolution group corresponds to 29.23% of its RWAs, and the subordinated own funds and eligible liabilities corresponds to the 25.95%. Nevertheless, the MREL in RWAs and the RWAs subordination requirement do not include the combined capital buffer requirement which, for these purposes, would be 2.5% as at the date of this Universal Registration Document, notwithstanding any other buffer that may be applicable from time to time.

Moreover, the MREL in RWAs and the RWAs subordination requirement are equivalent, in terms of total exposure considered for the purpose of calculating the leverage ratio[2], to 10.25% and 5.84%, respectively. As of March 31, 2021, the resolution group has own funds and eligible liabilities of 13.40% and subordinated own funds and eligible liabilities of 11.89%, both in terms of total exposure taken into account for the calculation of the leverage ratio.

However, both the capital and the MREL requirements are subject to interpretation and change and, therefore, no assurance can be given that the Group's interpretation is the appropriate one or that the Bank and/or the Group will not be subject to more stringent requirements at any future time. Likewise, no assurance can be given that the Bank and/or the Group will be able to fulfil whatever future requirements may be imposed, even if such requirements were to be equal or lower than those currently in force. There can also be no assurances as to the ability of the Bank and/or the Group to comply with any capital target announced to the market at any given time, which could be adversely perceived by investors and/or supervisors, who could interpret that a lack of capital-generating capacity for the Bank and/or the Group exists or that the capital structure has deteriorated, either of which could adversely affect the market value or behavior of securities issued by the Bank and/or the Group (and, in particular, any eligible liabilities and any capital instruments) and, therefore, lead to the implementation of new recommendations or requirements regarding "Pillar 2" or (should the Spanish Resolution Authority interpret that obstacles may exist for the viability of the implementation of the resolution of the Bank and /or the Group), MREL.

If the Bank or the Group failed to comply with its capital requirements and with its "combined buffer requirement" they would have to calculate the Maximum Distributable Amount ("MDA") and, until such calculation has been undertaken and reported to the Bank of Spain, the affected entity would not be able to make any discretionary payments. Once the MDA has been calculated and reported, such discretionary payments would be limited to the calculated MDA. Likewise, should the Bank or the Group not meet the applicable capital requirements, additional requirements of "Pillar 2". Regarding MREL, failure by the Bank or the Group to meet its respective "combined capital buffer requirement" for these purposes, taken together with its MREL requirement, could result in the imposition of restrictions or prohibitions on discretionary payments. Additionally, failure to comply with the capital requirements may result in the implementation of early intervention measures or, ultimately, resolution measures by the resolution authorities.

Regulation (EU) 2019/876 of the European Parliament and of the Council, of May 20, 2019 (as amended, replaced or supplemented at any time, "CRR II") establishes a binding requirement for the leverage ratio effective from June 28, 2021 of 3% of Tier 1 capital (as of March 31, 2021 and December 31, 2020, the phased-in leverage ratio of the Group was 12.2% and 6.68% and fully loaded it was 11.88% and 6.46% respectively).. Any failure to comply with this leverage ratio buffer may also result in the need to calculate and report the MDA, and restrictions on discretionary payments. Moreover, CRR II proposes new requirements that capital instruments must meet in order to be considered AT1 or Tier 2 instruments, including certain grandfathering measures until June 28, 2025. Once the grandfathering period in CRR II has elapsed, AT1 and/or Tier 2 instruments which do not comply with the new requirements at such date will no longer be considered as capital instruments. This could give rise to shortfalls in regulatory capital and, ultimately, could result in failure to comply with the applicable minimum regulatory capital requirements, with the aforementioned consequences.

Additionally, the implementation of the ECB expectations regarding prudential provisions for NPLs (published on May 15, 2018) and the ECB's current review of internal models being used by banks subject to its supervision for the calculation of their RWAs (TRIMs) could result, respectively, in the need to increase provisions for future NPLs and increases in the Group's capital needs.

Furthermore, the adoption of the Basel III reforms described in Section 9.1 Regulation – Solvency and Capital Requirements could result in an increase of the Group's total RWAs and, therefore, could also result in a decrease of the Group's capital ratios. Likewise, the lack of uniformity in the adoption of the Basel III reforms across jurisdictions in terms of timing and applicable regulations could give rise to inequalities and competition distortions. Moreover, the lack of regulatory coordination, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect an entity with global operations such as the Group and could affect its profitability.

Additionally, should the Total Loss Absorbing Capacity (TLAC) requirements, as described in Section 9.1 Regulation – Solvency and Capital Requirements, currently only imposed upon G-SIBs, be applicable upon non-G-SIBs entities or should the Group once again be classified as a G-SIB, additional minimum requirements similar to MREL could in the future be imposed upon the Group.

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

[1] The resolution group consists of Banco Bilbao Vizcaya Argentaria, S.A. and the subsidiaries belonging to the same European resolution group. As of December 31, 2019, the total RWAs of the resolution group amounted to €204,218 million.
[2] As of December 31, 2019, the total exposure considered for the purpose of calculating the leverage ratio amounted to €422,376 million.

capital requirements could adversely affect the return on equity and other of the Group's financial results indicators. Moreover, the Bank's or the Group's failure to comply with their capital requirements and MREL could have a significant adverse effect on the Group's business, financial condition and results of operations.

Lastly, the Group must also comply with liquidity and funding ratios. Several elements of the Liquidity Coverage Ratio ("LCR") and net stable financing ratio ("NSFR") (defined in the result of the quantity of stable funding available and the amount of stable funding required), as introduced by national banking regulators and fulfilled by the Group, may require implementing changes in some of its commercial practices, which could expose the Group to additional expenses (including an increase in compliance expenses), affect the profitability of its activities or otherwise lead to a significant adverse effect over the Group's business, financial condition or results of operations. As of March 31, 2021 and December 31, 2020 and December 31, 2019, the Group's LCR was 151%, 149% and 129% respectively. The NSFR was 127% as of March 31, 2021, 127% as of December 31, 2020 and 120% as of December 31, 2019.

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

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

In addition, governments in different jurisdictions are in the search for new funding sources, and they have recently focused on the financial sector. The Group's presence in various jurisdictions increases its exposure to regulatory and interpretative changes, which could, among other things, lead to (i) an increase in the types of tax to which the Group is subject, including in response to the demands of various political forces, (ii) changes in the calculation of tax bases and exemptions therefrom, such as provided in the Spanish regulations to limit the exemption for dividends and capital gains from domestic and foreign subsidiaries to 95%, which would mean that 5% of the dividends and capital gains obtained by the Group companies in Spain would be subject to, and not exempt from, corporate tax, or (iii) the creation of new taxes, like the common financial transaction tax ("FTT") in the proposed Tax Directive for the Financial Transactions Tax of the European Commission (which would tax the acquisitions of certain securities, including those issued by the Group) and the Spanish FTT which came into effect in Spain in January 2021, may have adverse effects on the business, financial condition and results of operations of the Group.

4.2.4 The Group is exposed to compliance risks

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

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

Although the Group has adopted policies, procedures, systems and other measures to manage compliance risk, it is dependent on its employees and external suppliers for the implementation of these policies, procedures, systems and other measures, and it cannot guarantee that these are sufficient or that the employees (123,174 as of December 31, 2020) or other persons of the Group or its business partners, agents and/or other third parties with a business or professional relationship with BBVA do not circumvent or violate current regulations or BBVA's ethics and compliance regulations, acts for which such persons or the Group could be held ultimately responsible and/or that could damage the Group's reputation. In particular, acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage the Group's reputation among existing and potential clients and other stakeholders. Actual or alleged misconduct by Group entities in any number of activities or circumstances, including operations, employment-related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and actions taken by regulators or others in response to such misconduct, could lead to, among other things, sanctions, fines and reputational damage, any of which could led to a material adverse effect on the Group's business, financial condition and results of operations.

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

If there is a breach of the applicable regulations or BBVA's ethics and compliance regulations or if the competent authorities consider that the Group does not perform the necessary due diligence inherent to its activities, such authorities could impose limitations on the Group's activities, the revocation of its authorizations and licenses, and economic penalties, in addition to having significant consequences for the Group's reputation, which could have a significant adverse impact on the Group's business, financial condition and results of operations. Furthermore,

the Group from time to time conducts investigations related to alleged violations of such regulations and BBVA's ethics and compliance regulations, and any such investigation or any related procedure could be time consuming and costly, and its results difficult to predict.

Finally, in 2020 the COVID-19 outbreak has led in many countries to new specific regulations, mainly focused on consumer protection measures. The difficulties associated with the need to adapt the Group's systems to these new regulations quickly along with the fact that the majority of BBVA's employees have been working remotely could pose new compliance risks. Likewise, despite the existing controls in place, the increase in remote account opening driven by the pandemic could increase money laundering risks. Additionally, criminals are continuing to exploit the opportunities created by the pandemic across the globe and increased money laundering risks associated with counterfeiting of medical goods, investment fraud, cyber-crime scams and exploitation of economic stimulus measures put in place by governments. Increased strain on our communications surveillance frameworks could in turn raise our market conduct risk.

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

5. OPERATIONAL RISKS

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

The Group's activities depend to a large extent on its ability to process and report effectively and accurately on a high volume of highly complex transactions with numerous and diverse products and services (by their nature, generally ephemeral), in different currencies and subject to different regulatory regimes. Therefore, it relies on highly sophisticated information technology ("IT") systems for data transmission, processing and storage. However, IT systems are vulnerable to various problems, such as hardware and software malfunctions, computer viruses, hacking, and physical damage to IT centers. BBVA's exposure to these risks has increased significantly in recent years due to the Group's implementation of its ambitious digital strategy. According to data as of March 31, 2021 and December 31, 2020, 65% and 64%, respectively, of the Group's customers are digital and 61% and 59%, respectively, of customers regularly use their mobile phones to interact with BBVA, and digital sales represent 69.5% and 67.8%, respectively, of total sales. BBVA already has more than 500,000 customers registered exclusively through digital channels in Spain, of which more than 50% did so via mobile. These digital services, as well as other alternatives that BBVA offers users to become BBVA customers, have become even more important after the COVID-19 outbreak and the ensuing restrictions on mobility in the countries in which the Group operates. Currently, one in three new clients chooses digital channels to start their relationship with BBVA. Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorized disclosure, destruction or use of confidential information, as well as preventing the normal operation of the Group, and impair its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a significant adverse impact on the Group's business, financial condition and results of operations. Furthermore, it is possible that such attacks, failures or deficiencies will not be detected on time or ever. The Group is likely to be forced to spend significant additional resources to improve its security measures in the future. As cyber-attacks are becoming increasingly sophisticated and difficult to prevent, the Group may not be able to anticipate or prevent all possible vulnerabilities, nor to implement preventive measures that are effective or sufficient.

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

BBVA
Creando Oportunidades

Consolidated Financial Statements, Consolidated Management Report and Auditors' Report

BBVA Group 2020

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

(Together with the consolidated financial statements and consolidated management report of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries 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 Consolidated 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 CONSOLIDATED FINANCIAL STATEMENTS

Opinion

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

In our opinion, the accompanying consolidated financial statements give a true and fair view, in all material respects, of the consolidated equity and consolidated financial position of the Banco Bilbao Vizcaya Argentaria Group at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and other provisions of the financial reporting framework applicable in Spain.

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 Consolidated Financial Statements section of our report.

We are independent of the Group in accordance with the ethical requirements, including those regarding independence, that are relevant to our audit of the consolidated financial statements pursuant to the legislation regulating the audit of accounts in Spain. 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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Paseo de la Castellana, 259 C - 28046 Madrid

On the Spanish Official Register of Auditors ("ROAC") with No. S0702, and the Spanish Institute of Registered Auditors' list of companies with No. 10.
Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M -188.007, Inscrip. 9
N.I.F. B-78510153

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated 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 7.2 and 14.1 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
The Group's portfolio of loans and advances to customers presents a net balance of Euros 311,147 million at 31 December 2020, and the impairment provisions recognized at that date amount to Euros 12,105 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 Group, 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 Group 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 Group 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 Group'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 variables; 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 Group'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 Group, 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 variables, considering the expected impacts of COVID-19. • Evaluation of the functioning of the internal models for estimating both individual and collective allowances and provisions for expected losses, and of the management and valuation of collateral.

(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 7.2 and 14.1 to the consolidated 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 Group 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 Group 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 Group has therefore recognized the adverse effects of COVID-19 on the impairment of financial assets in its consolidated 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 Group 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 Group. We also selected a sample from the credit-impaired significant risk population, for which we evaluated the appropriateness of the allowance and provision recognized 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 Group, 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 Group. • 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 variables used by the Group 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 consolidated financial statements are appropriate, in accordance with the criteria set out in the financial reporting framework applicable to the Group.

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

Fair value measurement of financial instruments
See notes 8.1 and 10.1 to the consolidated financial statements

Key audit matter	*How the matter was addressed in our audit*
At 31 December 2020, the Group has financial assets and financial liabilities held for trading amounting to Euros 108,257 million and Euros 86,487 million, respectively, of which Euros 75,703 million and Euros 58,901 million, respectively, have been measured 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 Group 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 Group'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 Group operates. • Evaluation of the application of the Group'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 Group, 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 Group 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 consolidated financial statements has been prepared in accordance with the criteria stipulated in the financial reporting framework applicable to the Group.

Risks associated with information technology	
Key audit matter	*How the matter was addressed in our audit*
The Group has a complex technological operating environment, with large data processing centers in Spain and Mexico which provide support to different countries, as well as local data processing centers, such as those in Turkey, Argentina and the United States. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Group's financial information is processed correctly. In this environment, it is essential to ensure appropriate coordination and standardization in the management of technological risks that could impact on information systems in key areas such as data and program security, systems operations, and development and maintenance of the applications and IT systems used to prepare the financial information. 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 generating the financial information, in the following areas: • Understanding of the information flows and identification of the key controls that ensure the processing of information in each Group entity considered relevant for audit purposes. • Testing of the key automated processes used in generating the financial information. • Analysis of the relevant data and systems migrations occurring in the period. • 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. • Aggregation and analysis of deficiencies identified and monitoring of the improvement measures undertaken by the entities at both local and Group level.

Other Information: Consolidated Management Report

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

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

a) Determine, solely, whether the consolidated 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 consolidated management report with the consolidated financial statements, based on knowledge of the Group obtained during the audit of the aforementioned consolidated financial statements. Also, assess and report on whether the content and presentation of this part of the consolidated 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.

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 consolidated management report is consistent with that disclosed in the consolidated financial statements for 2020, and that the content and presentation of the report are in accordance with applicable legislation.

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

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

In preparing the consolidated financial statements, the Bank's Directors are responsible for assessing the Group'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 Group 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 consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated 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 consolidated 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 consolidated 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 Group'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 Group'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 consolidated 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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 consolidated 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.

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

European Single Electronic Format

We have examined the digital files of Banco Bilbao Vizcaya Argentaria, S.A. and its subsidiaries for 2020 in European Single Electronic Format (ESEF), which comprise the XHTML file that includes the consolidated financial statements for the aforementioned year and the XBRL files tagged by the Bank, 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 and mark-up requirements stipulated in Commission Delegated Regulation (EU) 2019/815 of 17 December 2018 (hereinafter the "ESEF Regulation").

Our responsibility consists of examining the digital files 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 consolidated financial statements included in the aforementioned digital files fully corresponds to the consolidated financial statements we have audited, and whether the consolidated financial statements and the aforementioned files have been formatted and marked up, in all material respects, in accordance with the requirements of the ESEF Regulation.

In our opinion, the digital files examined fully correspond to the audited consolidated financial statements, and these are presented and marked up, 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

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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CONSOLIDATED MANAGEMENT REPORT

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated balance sheets for the years ended December 31, 2020, 2019 and 2018

ASSETS (Millions of Euros)

	Notes	2020	2019 (*)	2018 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**9**	**65,520**	**44,303**	**58,196**
FINANCIAL ASSETS HELD FOR TRADING	**10**	**108,257**	**101,736**	**89,103**
Derivatives		40,182	32,232	29,522
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	**11**	**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	**12**	**1,117**	**1,214**	**1,313**
Debt securities		1,117	1,214	1,313
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**13**	**69,440**	**61,183**	**56,337**
Equity instruments		1,100	2,420	2,595
Debt securities		68,307	58,730	53,709
Loans and advances to credit institutions		33	33	33
FINANCIAL ASSETS AT AMORTIZED COST	**14**	**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	13,650	9,162
Loans and advances to customers		311,147	382,360	374,027
DERIVATIVES - HEDGE ACCOUNTING	**15**	**1,991**	**1,729**	**2,892**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**51**	**28**	**(21)**
JOINT VENTURES AND ASSOCIATES	**16**	**1,436**	**1,488**	**1,578**
Joint ventures		149	154	173
Associates		1,287	1,334	1,405
INSURANCE AND REINSURANCE ASSETS	**23**	**306**	**341**	**366**
TANGIBLE ASSETS	**17**	**7,823**	**10,068**	**7,229**
Properties, plant and equipment		7,601	9,816	7,066
For own use		7,311	9,553	6,756
Other assets leased out under an operating lease		290	263	310
Investment properties		222	252	163
INTANGIBLE ASSETS	**18**	**2,345**	**6,966**	**8,314**
Goodwill		910	4,955	6,180
Other intangible assets		1,435	2,011	2,134
TAX ASSETS	**19**	**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	**20**	**2,512**	**3,800**	**5,472**
Insurance contracts linked to pensions		-	-	-
Inventories		572	580	635
Other		1,940	3,220	4,837
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**85,986**	**3,079**	**2,001**
TOTAL ASSETS	**3, 6**	**736,176**	**697,737**	**675,675**

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

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

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated balance sheets for the years ended December 31, 2020, 2019 and 2018

LIABILITIES AND EQUITY (Millions of Euros)

	Notes	2020	2019 (*)	2018 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**10**	**86,487**	**88,680**	**79,760**
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	**12**	**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	**22**	**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		13,359	13,758	12,844
Memorandum item: Subordinated liabilities		*16,488*	*18,018*	*18,047*
DERIVATIVES - HEDGE ACCOUNTING	**15**	**2,318**	**2,233**	**2,680**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**15**	**-**	**-**	**-**
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	**23**	**9,951**	**10,606**	**9,834**
PROVISIONS	**24**	**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		480	458	601
TAX LIABILITIES	**19**	**2,355**	**2,808**	**3,276**
Current tax liabilities		545	880	1,230
Deferred tax liabilities		1,810	1,928	2,046
OTHER LIABILITIES	**20**	**2,802**	**3,742**	**4,301**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**21**	**75,446**	**1,554**	**-**
TOTAL LIABILITIES		**686,156**	**642,812**	**622,801**

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

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

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated balance sheets for the years ended December 31, 2020, 2019 and 2018

LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	Notes	2020	2019 (*)	2018 (*)
SHAREHOLDERS' FUNDS		**58,904**	**58,950**	**57,333**
Capital	**26**	**3,267**	**3,267**	**3,267**
Paid up capital		3,267	3,267	3,267
Unpaid capital which has been called up		-	-	-
Share premium	**27**	**23,992**	**23,992**	**23,992**
Equity instruments issued other than capital		**-**	**-**	**-**
Other equity		**42**	**56**	**50**
Retained earnings	**28**	**30,508**	**29,388**	**26,063**
Revaluation reserves	**28**	**-**	**-**	**3**
Other reserves	**28**	**(164)**	**(119)**	**(37)**
Reserves or accumulated losses of investments in joint ventures and associates		(164)	(119)	(37)
Other		-	-	-
Less: treasury shares	**29**	**(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)	**30**	**(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		(1,473)	(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)	(897)	(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)	**31**	**5,472**	**6,201**	**5,764**
Accumulated other comprehensive income (loss)		(6,949)	(5,572)	(5,290)
Other items		12,421	11,773	11,054
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)

	Notes	2020	2019 (*)	2018 (*)
Loan commitments given	33	132,584	130,923	118,959
Financial guarantees given	33	10,665	10,984	16,454
Other commitments given	33	36,190	39,209	35,098

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

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Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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Consolidated income statements for the years ended December 31, 2020, 2019 and 2018

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	2020	2019 (*)	2018 (*)
Interest and other income	37.1	22,389	27,761	26,954
Interest expense	37.2	(7,797)	(11,972)	(11,669)
NET INTEREST INCOME		**14,592**	**15,789**	**15,285**
Dividend income	38	137	153	145
Share of profit or loss of entities accounted for using the equity method	39	(39)	(42)	(7)
Fee and commission income	40	5,980	6,785	6,462
Fee and commission expense	40	(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	41	139	186	191
Gains (losses) on financial assets and liabilities held for trading, net	41	777	419	640
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	208	143	96
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	56	(98)	139
Gains (losses) from hedge accounting, net	41	7	55	69
Exchange differences, net	41	359	581	13
Other operating income	42	492	639	929
Other operating expense	42	(1,662)	(1,943)	(2,022)
Income from insurance and reinsurance contracts	43	2,497	2,890	2,949
Expense from insurance and reinsurance contracts	43	(1,520)	(1,751)	(1,894)
GROSS INCOME		**20,166**	**21,522**	**20,936**
Administration costs		(7,799)	(8,769)	(9,020)
Personnel expense	44.1	(4,695)	(5,351)	(5,205)
Other administrative expense	44.2	(3,104)	(3,418)	(3,815)
Depreciation and amortization	45	(1,289)	(1,385)	(1,033)
Provisions or reversal of provisions	46	(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	47	(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	48	(190)	(46)	-
Impairment or reversal of impairment on non-financial assets	49	(153)	(128)	(137)
Tangible assets		(125)	(94)	(4)
Intangible assets		(19)	(12)	(83)
Other assets		(9)	(22)	(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	50	445	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	19	(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	21	(1,729)	(758)	704
PROFIT FOR THE YEAR		**2,060**	**4,345**	**6,227**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	31	**755**	**833**	**827**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,305**	**3,512**	**5,400**

	Notes	2020	2019 (*)	2018 (*)
EARNINGS PER SHARE (Euros)	5	**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 (Note 1.3).

The accompanying Notes and Appendices are an integral part of the consolidated income statement as of December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Consolidated statements of recognized income and expense for the years 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)**	**(285)**	**(2,605)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(822)**	**(584)**	**(141)**
Actuarial gains (losses) from defined benefit pension plans	(87)	(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)**	**299**	**(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)	59
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	514	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)**	**33**	**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)**	**551**	**(443)**
Attributable to the parent company	**(2,709)**	**3,509**	**4,065**

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

The accompanying Notes and Appendices are an integral part of the consolidated statement of recognized income and expense as of December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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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)

2020	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest: Accumulated other comprehensive income (loss) (Note 31)	Non-controlling interest: Other (Note 31)	Total
Balances as of January 1, 2020 (*)	**3,267**	**23,992**	**-**	**56**	**26,402**	**-**	**(125)**	**(62)**	**3,512**	**(1,084)**	**(7,234)**	**(3,527)**	**9,728**	**54,925**
Effect of changes in accounting policies (Note 1.3)	-	-	-	-	2,986	-	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**	**-**	**(4,014)**	**(1,361)**	**755**	**(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	-	-	-	-	(1,066)	-	-	-	-	-	-	-	(124)	(1,190)
Purchase of treasury shares	-	-	-	-	-	-	-	(807)	-	-	-	-	-	(807)
Sale or cancellation of treasury shares	-	-	-	-	-	-	-	823	-	-	-	-	-	823
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers within total equity (see Note 2.2.19)	-	-	-	-	2,585	-	(41)	-	(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.

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Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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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 (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest: Accumulated other comprehensive income (loss) (Note 31)	Non-controlling interest: Other (Note 31)	Total
Balances as of January 1, 2019 (**)	**3,267**	**23,992**	**-**	**50**	**23,017**	**3**	**(56)**	**(296)**	**5,324**	**(975)**	**(7,216)**	**(3,236)**	**9,000**	**52,874**
Effect of changes in accounting policies (Note 1.3)	-	-	-	-	3,046	-	19	-	76	(134)	(3,007)	(2,054)	2,054	-
Adjusted initial balance	**3,267**	**23,992**	**-**	**50**	**26,063**	**3**	**(37)**	**(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**	**3,325**	**(3)**	**(82)**	**234**	**(5,400)**	**25**	**-**	**-**	**(114)**	**(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 (see Note 2.2.19)	-	-	-	-	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	-	-	-	10	11	-	(12)	-	-	-	-	-	28	37
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 (Note 1.3).

(**) Balances as of December 31, 2018 as originally reported in the consolidated Financial Statements for the year 2018.

The accompanying Notes and Appendices are an integral part of the consolidated statement of changes in equity as of December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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)

2018 (*)	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest: Accumulated other comprehensive income (loss) (Note 31)	Non-controlling interest: 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 (Note 1.3)	-	-	-	-	348	-	31	-	(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)**	**241**	**(9)**	**(24)**	**(200)**	**(3,514)**	**63**	**1,096**	**539**	**(1,340)**	**(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 (see Note 2.2.19)	-	-	-	-	1,278	(9)	(23)	-	(3,514)	1,172	1,096	539	(539)	-
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**	**(37)**	**(296)**	**5,400**	**(1,109)**	**(10,223)**	**(5,290)**	**11,054**	**52,874**

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

(**) Balances as of December 31, 2017 as originally reported in the consolidated Financial Statements for the year 2017.

The accompanying Notes and Appendices are an integral part of the consolidated statement of changes in equity as of December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

BBVA

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	**(57,483)**	**(39,247)**	**(7,762)**
Financial assets held for trading	(10,463)	(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)**	**97**	**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**	**1,591**	**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**	**(13,893)**	**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 PERIOD (INCLUDING ENTITIES HELD FOR SALE IN THE UNITED STATES) (E+F)	**76,888**	**44,303**	**58,196**

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

	Notes	2020	2019 (*)	2018 (*)
Cash	9	6,447	7,060	6,346
Balance of cash equivalent in central banks	9	53,079	31,755	43,880
Other financial assets	9	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	**21**	**11,368**	**-**	**-**

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

The accompanying Notes and Appendices are an integral part of the consolidated statement of cash flows as of December 31, 2020.

BBVA

Notes to the accompanying Consolidated Financial Statements

1. Introduction, basis for the presentation of the Consolidated Financial Statements, Internal Control over Financial Reporting 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 inspection at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates 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 separate financial statements, the Bank is required to prepare Consolidated Financial Statements comprising all consolidated subsidiaries of the Group.

As of December 31, 2020, the BBVA Group had 269 consolidated entities and 48 entities accounted for using the equity method (see Notes 3 and 16 and Appendix I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2019 were approved by the shareholders at the Annual General Meetings ("AGM") held on March 13, 2020.

BBVA Group's Consolidated Financial Statements and the Financial Statements for the Bank and the majority of the remaining entities within the Group have been prepared as of December 31, 2020, and are pending approval by their respective AGMs. Notwithstanding, the Board of Directors of the Bank understands that said financial statements will be approved without changes.

1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group's Consolidated Financial Statements are presented 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 endorsed by the European Union (hereinafter, "EU-IFRS") applicable as of December 31, 2020, considering the Bank of Spain 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 BBVA Group's accompanying Consolidated Financial Statements for the year ended December 31, 2020 were prepared by the Group's Directors (through the Board of Directors meeting held on February 8, 2021) by applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, so that they present fairly the Group's total consolidated equity and financial position as of December 31, 2020, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2020.

These Consolidated Financial Statements were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. Moreover, they include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the Group (see Note 2.2).

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

The amounts reflected in the accompanying Consolidated 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 Consolidated Financial Statements are due to how the 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 totals 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 information included in the accompanying consolidated financial statements for the years ended December 31, 2019 and December 31, 2018, is presented in accordance with the applicable regulation, for the purpose of comparison with the information for the year ended December 31, 2020.

Agreement for the sale of BBVA's U.S. subsidiary to PNC Financial Service Group

As mentioned in Note 3, in 2020 BBVA reached an agreement to sell its entire stake in BBVA USA Bancshares, Inc., parent company of the Group companies engaged in the banking business in the United States. As required by IFRS 5 "Non-current assets held for sale and discontinued operations", the balances of assets and liabilities 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" and "Liabilities included in disposal groups classified as held for sale" respectively, from the consolidated balance sheet as of December 31, 2020. Similarly, as required by the aforementioned IFRS 5, the results generated by these companies during the financial year 2020 are presented in the heading "Profit (loss) after taxes from discontinued operations" of the consolidated income statement for such year, and in the heading "Non-current assets and disposal groups classified as held for sale" in the consolidated statements of recognized income and expense for such year. Additionally, the results corresponding to the years 2019 and 2018 have been reclassified, to facilitate the comparison between years, to that same section of the respective consolidated income statements and consolidated statements of recognized income and expense for both years. Finally, in the consolidated statements of cash flows, the balances corresponding to cash and cash equivalents have been reclassified to the heading "Total cash and cash equivalents classified as non-current assets and disposal groups classified as held for sale" as of and for the year ended December 31, 2020.

Note 21 includes the condensed consolidated balance sheets, the condensed consolidated income statements and the condensed consolidated cash flow statements of the companies for sale in the United States as of and for the years 2020, 2019 and 2018.

Hyperinflationary economies

Considering the interpretation issued by the International Financial Reporting Interpretations Committee (IFRIC) in its "IFRIC Update" of March 2020 on IAS 29 "Financial information in hyperinflationary economies", the Group made an accounting policy change which involves recording the differences generated when translating the restated financial statements of the subsidiaries in hyperinflationary economies into euros in the line item "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Foreign currency translation" of our consolidated balance sheet net equity.

In order to make the information as of December 31, 2019 and 2018 comparable with information as of December 31, 2020, such information has been restated by reclassifying €2,985 million and €2,987 million, respectively, from "Shareholders' funds – Retained earnings" and €6 million and €20 million, respectively, from "Shareholders' funds – Other reserves" to the headings "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Foreign currency translation and "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Share of other recognized income and expense of investments in joint ventures and associates" as of December 31, 2019 and 2018, respectively.

The reclassifications corresponding to January 1, 2020 and 2019 are included as "Effect of changes in accounting policies" in the Consolidated Total Statements of Changes in Equity corresponding to the years ended December 31, 2019 and 2018, respectively.

IFRS 9- 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 under IFRS 9, 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 consolidated income statement information for the years ended December 31, 2019 and 2018 has been restated by recognizing a €78 and €80 million reduction in the heading "Interest and other income", respectively 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". This reclassification has had no net impact on the profit for the years ended December 31, 2019 and 2018, respectively, nor on the consolidated net equity as of December 31, 2019 and 2018, respectively.

Trading derivatives recognition

Information as of and for the year ended December 31, 2020 has been subject to certain non-significant presentation modifications, in the balance sheet related to the derivative activity. In order to make the information as of and for the years ended December 31, 2019 and 2018 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 and 2018 have been restated by recognizing a €953 million and a €1,013 million reduction in the Total Assets and Total Liabilities, respectively.

1.4 Seasonal nature of income and expense

The nature of the most significant activities carried out by the BBVA Group's entities is mainly related to typical activities carried out by financial institutions, and 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 7.2).

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 Group (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. The BBVA Group has taken these pronouncements into consideration when preparing these consolidated financial statements (see Note 7.2.1).

The main impacts of COVID-19 pandemic in the BBVA Group's consolidated 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 4 mentions the amendment of the Group's shareholder remuneration policy, in accordance with the recommendation issued by the European Central Bank, 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 7.1 details the main risks associated with the pandemic as well as the impacts that have occurred both in the operations and in the consolidated financial statements 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 7.2 includes information related to the initiatives carried out by the Group to help the most affected clients, jointly with the corresponding governments. Likewise, it contains, among others, information regarding the level of activity and the amount corresponding to moratorium measures, both public and private, granted by the Group worldwide.
- Note 7.5 presents information regarding the impact on liquidity and financing risk.
- Note 18.1 includes information concerning the impairment of the goodwill in the United States carried out during the first quarter of 2020, mainly due to the impact of COVID-19 in updating the macroeconomic scenario and the expected evolution of interest rates.
- Note 32 includes information with regard to the impact on the Group's capital.
- Note 47 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 BBVA Group's Consolidated Financial Statements is the responsibility of the Group's Directors.

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

- Loss allowances on certain financial assets (see Notes 7, 12, 13, 14 and 16).
- The assumptions used to quantify certain provisions (see Notes 23 and 24) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 25).
- The useful life and impairment losses of tangible and intangible assets (see Notes 17, 18, 20 and 21).
- The valuation of goodwill and price allocation of business combinations (see Note 18).
- The fair value of certain unlisted financial assets and liabilities (see Notes 7, 8, 10, 11, 12 and 13).
- The recoverability of deferred tax assets (see Note 19).

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 consolidated income statement.

During 2020 there have been no relevant changes in the assumptions and estimates made as of December 31, 2019 and 2018, with the exception of those indicated in these consolidated Financial Statements.

1.7 BBVA Group's Internal Control over Financial Reporting

BBVA Group's Consolidated Financial Statements are prepared under an Internal Control over Financial Reporting Model (ICFR). It provides reasonable assurance with respect to the reliability and the integrity of the consolidated financial statements. It is also aimed to ensure that the transactions are processed in accordance with the applicable laws and regulations.

The ICFR is in accordance with the control framework established in 2013 by the "Committee of Sponsoring Organizations of the Treadway Commission" (hereinafter, "COSO"). The COSO 2013 framework sets five components that constitute the basis of the effectiveness and efficiency of the internal control systems:

- The establishment of an appropriate control framework.
- The assessment of the risks that could arise during the preparation of the financial information.
- The design of the necessary controls to mitigate the identified risks.
- The establishment of an appropriate system of information to detect and report system weaknesses.
- The monitoring activities over the controls to ensure they perform correctly and are effective over time.

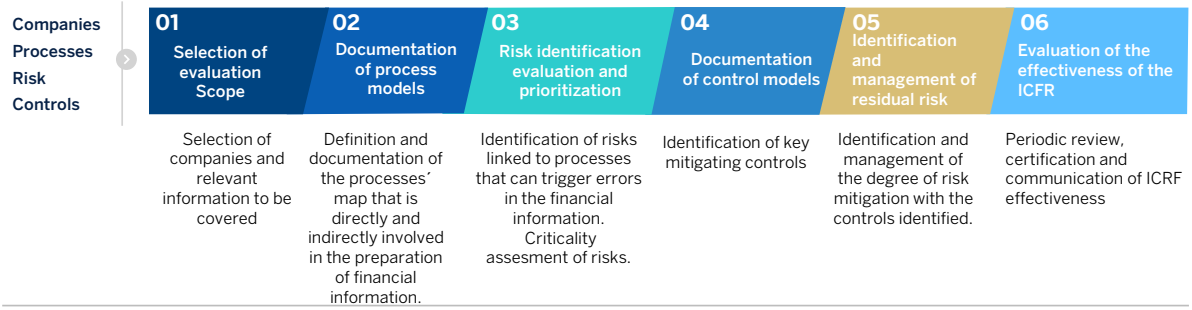
The ICFR is a dynamic model that evolves continuously over time to reflect the reality of the BBVA Group's businesses and processes, as well as the risks and controls designed to mitigate them. It is subject to a continuous evaluation by the internal control units located in the different entities of BBVA Group.

These internal control units are integrated within the BBVA internal control model, defined and led by Regulation & Internal Control, and which is based in two pillars:

- A control system organized into three lines of defense that has been updated and strengthened in 2020, as described below:
  - The first line of defense (1LoD) is located within the business and support units, which are responsible for identifying risks associated with their processes, as well as for implementing and executing the necessary controls to mitigate them. In 2019, in order to reinforce the adequate risk management in each area's processes, the role of the Risk Control Assurer was created.
  - The second line of defense (2LoD) comprises the specialized control units for each type of risk (Finance, Legal, IT, Third Party, Compliance or Processes among others). This second line defines the mitigation and control frameworks for their areas of responsibility across the entire organization and performs challenge to the control model (supervises the implementation and design of the controls and assesses their effectiveness).
  - The third line of defense (3LoD) is the Internal Audit unit, which conducts an independent review of the model, verifying the compliance and effectiveness of the model.
- A committee structure in the Group, called Corporate Assurance, which enables the escalation of possible weaknesses and internal control issues to the management at a Group level and also in each of the countries where the Group operates.

The internal control units within Finance comply with a common and standard methodology established at the Group level, as set out in the following diagram:

BBVA's INTERNAL CONTROL OVER FINANCIAL REPORTING



The ICFR Model is subject to annual evaluations by the Group's Internal Audit Unit. It is also supervised by the Audit Committee of the Bank's Board of Directors.

The BBVA Group is also required to comply with the Sarbanes-Oxley Act (hereafter "SOX") for Consolidated Financial Statements as a listed company with the U.S. Securities and Exchange Commission ("SEC"). The main senior executives of the Group are involved in the design, compliance and implementation of the internal control model to make it effective and to ensure the quality and accuracy of the financial information.

The description of the ICFR is included in the Corporate Governance Annual Report within the Management Report attached to the consolidated financial statements for the year ended December 31, 2020.

2. Principles of consolidation, accounting policies and measurement bases applied and recent IFRS pronouncements

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

2.1 Principles of consolidation

In terms of its consolidation, in accordance with the criteria established by IFRS, the BBVA Group is made up of four types of entities: subsidiaries, joint ventures, associates and structured entities, defined as follows:

- Subsidiaries

Subsidiaries are entities controlled by the Group (for definition of control, see Glossary). The financial statements of the subsidiaries are fully consolidated with those of the Bank. The share of non-controlling interests from subsidiaries in the Group's consolidated total equity is presented under the heading "Minority interests (Non-controlling interests)" in the consolidated balance sheet. Their share in the profit or loss for the period or year is presented under the heading "Attributable to minority interest (non-controlling interests)" in the accompanying consolidated income statement (see Note 31).

Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2020. Appendix I includes other significant information on all entities.

- Joint ventures

Joint ventures are those entities for which there is a joint arrangement to joint control with third parties other than the Group (for definitions of joint arrangement, joint control and joint venture, refer to Glossary).

The investments in joint ventures are accounted for using the equity method (see Note 16). Appendix II shows the main figures for joint ventures accounted for using the equity method as of December 31, 2020.

- Associates

Associates are entities in which the Group is able to exercise significant influence (for definition of significant influence, see Glossary). Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly, unless it can be clearly demonstrated that this is not the case.

However, certain entities in which the Group owns 20% or more of the voting rights are not included as Group associates, since the Group does not have the ability to exercise significant influence over these entities. Investments in these entities, which do not represent material amounts for the Group, are classified as "Financial assets at fair value through other comprehensive income" or "Non-trading financial assets mandatorily at fair value through profit or loss".

In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities. As of December 31, 2020, these entities are not significant to the Group.

Appendix II shows the most significant information related to the associates (see Note 16), which are accounted for using the equity method.

- 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 the voting rights relate to administrative matters only and the relevant activities are directed by means of contractual arrangements (see Glossary).

In those cases where the Group sets up entities or has a holding in such entities, in order to allow its customers access to certain investments, to transfer risks or for other purposes, in accordance with internal criteria and procedures and with applicable regulations, the Group determines whether control over the entity in question actually exists and therefore whether it should be subject to consolidation.

Such methods and procedures determine whether there is control by the Group, considering how the decisions are made about the relevant activities, assessing whether the Group has control over the relevant elements, exposure to variable returns from involvement with the investee and the ability to use control over the investee to affect the amount of the investor's returns.

- Structured entities subject to consolidation

To determine if a structured entity is controlled by the Group, and therefore should be consolidated into the Group, the existing contractual rights (different from the voting rights) are analyzed. For this reason, an analysis of the structure and purpose of each investee is performed and, among others, the following factors will be considered:

- Evidence of the current ability to manage the relevant activities of the investee according to the specific business needs (including any decisions that may arise only in particular circumstances).
- Potential existence of a special relationship with the investee.

- Implicit or explicit Group commitments to support the investee.
- The ability to use the Group´s power over the investee to affect the amount of the Group's returns.

These types of entities include cases where the Group has a high exposure to variable returns and retains decision-making power over the investee, either directly or through an agent.

The main structured entities of the Group are the asset securitization funds, to which the BBVA Group transfers loans and advances, and other vehicles, which allow the Group's customers to gain access to certain investments or to allow for the transfer of risks or for other purposes (see Appendices I and V). The BBVA Group maintains the decision-making power over the relevant activities of these vehicles and financial support through securitized market standard contracts. The most common ones are: investment positions in equity note tranches, funding through subordinated debt, credit enhancements through derivative instruments or liquidity lines, management rights of defaulted securitized assets, "clean-up" call derivatives, and asset repurchase clauses by the grantor.

For these reasons, the loans and receivable portfolios related to the vast majority of the securitizations carried out by the Bank or Group subsidiaries are not derecognized in the books of said entity and the issuances of the related debt securities are recorded as liabilities within the Group's consolidated balance sheet.

For additional information on the accounting treatment for the transfer and derecognition of financial instruments, see Note 2.2.2. "Transfers and derecognition of financial assets and liabilities".

- Non-consolidated structured entities

The Group owns other vehicles also for the purpose of allowing customers access to certain investments, to transfer risks, and for other purposes, but without the Group having control of the vehicles, which are not consolidated in accordance with IFRS 10 – "Consolidated Financial Statements". The balance of assets and liabilities of these vehicles is not material in relation to the Group's Consolidated Financial Statements.

As of December 31, 2020, there was no material financial support from the Bank or its subsidiaries to unconsolidated structured entities.

The Group does not consolidate any of the mutual funds it manages since the necessary control conditions are not met. Particularly, the BBVA Group does not act as arranger but as agent since it operates the mutual funds on behalf and for the benefit of investors or parties (arranger or arrangers) and, for this reason it does not control the mutual funds when exercising its authority for decision making.

The mutual funds managed by the Group are not considered structured entities (generally, retail funds without corporate identity over which investors have participations which gives them ownership of said managed equity). These funds are not dependent on a capital structure that could prevent them from carrying out activities without additional financial support, being in any case insufficient as far as the activities themselves are concerned. Additionally, the risk of the investment is absorbed by the fund participants, and the Group is only exposed when it becomes a participant, and as such, there is no other risk for the Group.

In all cases, the operating results of equity method investees acquired by the BBVA Group in a particular period only include the period from the date of acquisition to the financial statements date. Similarly, the results of entities disposed of during any year only include the period from the start of the year to the date of disposal.

The consolidated financial statements of subsidiaries, associates and joint ventures used in the preparation of the Consolidated Financial Statements of the Group have the same presentation date as the Consolidated Financial Statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusted to take into account the most significant transactions. As of December 31, 2020, financial statements as of December 31 of all Group entities were utilized except for the case of the consolidated financial statements of 6 associates deemed non-significant for which financial statements as of November 30, 2020 were used.

Separate financial statements

The separate financial statements of the parent company of the Group are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain, and following other regulatory requirements of financial information applicable to the Bank). The Bank uses the cost method to account in its separate financial statements for its investments in subsidiaries, associates and joint venture entities, which are consistent with the requirements of Bank of Spain Circular 4/2017 and IAS 27 "Consolidated and Separate Financial Statements".

Appendix IX shows BBVA's financial statements as of and for the years ended December 31, 2020 and 2019.

2.2 Accounting principles and policies and applied valuation methods

The accounting principles and policies and the valuation methods applied in the preparation of the consolidated financial statements may differ from those used, at the individual level, by some of the entities that are part of the BBVA Group; This is why, in the consolidation process, the necessary adjustments and reclassifications are made to standardize such principles and criteria among themselves and bring them into line with the IFRS-EU.

In preparing the accompanying consolidated Annual Accounts, the following accounting principles and policies and assessment criteria have been applied:

2.2.1 Financial instruments

IFRS 9 became effective as of January 1, 2018 and replaced IAS 39 regarding the classification and measurement of financial assets and liabilities, the impairment of financial assets and hedge accounting. However, the Group has chosen to continue applying IAS 39 for accounting for hedges, until the completion of the macro-hedging project of IFRS 9 as permitted by IFRS 9.

Classification and measurement of financial assets

Classification of financial assets

IFRS 9 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. Thus, for each entity within the BBVA Group there are different business models for managing assets.

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; and for the credit risk associated with the principal amount outstanding during a specific period; and for financing and structure costs, plus a profit margin.

The most significant judgments used by the Group 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 Group 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, for 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.
- Contractual clauses: The contractual clauses 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 those clauses 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 instruments: 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 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 if:
    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 the Group 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 Group 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 issue of the particular instrument, with the exception of those financial assets which 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 consolidated income statement of the year in which the accrual occurred (see Note 37), 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 assets.

"Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit and loss" or "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 or 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. Financial assets are classified in "Financial assets designated at fair value through profit or loss" 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 consolidated 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 or loss, net" and "Gains (losses) on financial assets designated at fair value through profit or loss, net" in the accompanying consolidated income statement (see Note 41). Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (Note 41).

"Financial assets at fair value through other comprehensive income"

- Debt instruments

Assets recognized under this heading in the consolidated 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 on 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 (loss) - 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 consolidated balance sheets (see Note 30).

The amounts recognized under the headings "Accumulated other comprehensive income (loss) - 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 Group's consolidated equity until the corresponding asset is derecognized from the consolidated 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 41).

The net loss allowances in "Financial assets at fair value through other comprehensive income" over the year are recognized 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 48) in the consolidated income statement for that period.

Interest income on these instruments are recorded in the consolidated profit and loss account (see Note 37). Changes in foreign exchange rates are recognized under the heading "Exchange differences, net" in the accompanying consolidated income statements (see Note 41).

- 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 "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". Dividends received from these investments are recorded in the heading "Dividend income" in the consolidated income statement (see Note 38). 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 or net gains by modification – financial assets measured at amortized cost" in the consolidated income statement for such period (see Note 47).

Classification and measurement of financial liabilities

Classification of financial liabilities

Under IFRS 9, 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 Group'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 Group 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 liabilities are initially recorded at fair value, less transaction costs that are directly attributable to the issuance of instruments, 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 and other similar income" or "Interest expense", of the consolidated income statement for the period in which the accrual occurred (see Note 37), 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 consolidated 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 consolidated income statements (see Note 41). 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", 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 consolidated income statements (Note 41).

"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, the Group 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 recognized 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.

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

The Group uses financial derivatives as a tool for managing financial risks, mainly interest rates and exchange rates (See Note 7).

When these transactions 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 consolidated income statement, 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 Group), for which the valuation changes are recognized under the headings "Interest and other income" or "Interest expense", as appropriate, in the accompanying consolidated income statement (see Note 37).
- 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 consolidated income statement, with the corresponding

offset on the headings "Derivatives-Hedge Accounting" 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 consolidated income statement (in both cases under the heading "Gains (losses) from hedge accounting, net", using, as a balancing item, the headings "Fair value changes of the hedged items in portfolio hedges of interest rate risk" in the consolidated balance sheets, as applicable).

- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion are recognized temporarily under the heading "Accumulated other comprehensive income (loss) - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges (effective portion)" in the consolidated balance sheets, with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences are recognized under the headings "Interest and other income" or "Interest expense" 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 37).

- 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 consolidated income statement (see Note 41).

- 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 (loss) - Items that may be reclassified to profit or loss – Hedging of net investments in foreign operations (effective portion)" in the consolidated balance sheets with a balancing entry under the heading "Hedging derivatives" of the Assets or Liabilities of the consolidated balance sheets as applicable. These differences in valuation are recognized under the heading "Exchange differences, net" in the consolidated income statement when the investment in a foreign operation is disposed of or derecognized (see Note 41).

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 model

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, IFRS 9 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.

Both, the modeling for expected losses estimates and the factors affecting such losses forecasts require considerable judgment, which must be carried out on a weighted probability basis.

The BBVA Group has applied the following definitions:

- Default

The Group 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 Group within the prudential context. The Group 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.

In accordance with IFRS 9, 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 Group has not considered periods higher than 90 days for any significant portfolio.

These criteria are aligned in all the geographies where the Group operates, being only minor differences kept in order to facilitate management adoption al a national level. In this sense, national criteria are permitted, within the Group standards and searching for

consistency and coherence between the geographies, easing the adoption of the default definition management.

- Credit impaired asset

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:

- 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, or
- 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 Group 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 operation level, the scoring systems review their score, among other reasons, in the event of a breach in any of their transactions which also triggers the necessary recovery actions. These include refinancing measures that, where appropriate, may lead to all customer transactions being considered impaired. Furthermore, given the granularity of the retail portfolios, the differential behavior of these clients in relation to their products and collateral provided, as well as the time necessary to find the best solution, the Group has established as an indicator that when a transaction of a retail client has default in excess of 90 days and this represents more than 20% of the client's total balance, all its transactions are considered impaired, this without prejudice to the fact that lower limits have been established due to management practices in some geography.

- 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 Group for assessing the significant increase in credit risk has a two-prong approach that is applied globally (for more detail on the methodology used, see Note 7.2.1):

- Quantitative criterion: the Group 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 (see Note 7.2.1).
- Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating and scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Group uses additional qualitative criteria to identify significant increase in credit risk and thus, to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used. Such qualitative criteria are the following:
    - More than 30 days past due. According to IFRS 9, 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 Group 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, having been previously identified, the existence of significant increase in credit risk is still considered.

Although the standard introduces a series of operational simplifications, also known as practical solutions, for analyzing the increase in significant risk, the Group 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 IFRS 9 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 consolidated 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 IFRS 9, 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 individualized estimate of credit losses results from calculating the difference between the expected cash flows discounted at the effective interest rate of the transaction and the carrying amount of the instrument (See Note 7.2.1).

For the collective measurement of expected losses the instruments are classified into groups of assets based on their risk characteristics. Exposure within each group is segmented according to credit risk common characteristics, which indicate the payment capacity of the borrower according to the 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 7):

- 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 and subsequent realization, the expected cashflows and acquisition and sale costs.
- CCF: cash conversion factor is the estimate made on off-balance sheet to determine the exposure subject to credit risk in the event of a default.

At the BBVA Group, the calculated expected credit losses are based on internal models developed for all portfolios within the IFRS 9 scope, except for the cases that are subject to individual analysis.

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

IFRS 9 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 have to be considered, even though the possibility of a loss may be very low. To achieve this, the Group generally evaluates the linear relationship between its estimated loss parameters (PD, GDP, EAD) with the historical and future forecasts of the macroeconomic scenarios.

Additionally, 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.

The approach used by the Group consists of using a methodology based on the use of three scenarios. The first is the most probable scenario (base scenario) that is consistent with that used in the Group's internal management processes, and two additional ones, 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 for each of the geographies in which the Group operates are the Gross Domestic Product (GDP), the real estate price index, interest rates and the unemployment rate, although, in the first place, the main goal is seeking the greatest predictive capacity with respect to the former two (see Note 7.2.1).

2.2.2 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 consolidated balance sheet when the cash flows that they generate are extinguished, 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 consolidated 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 consolidated balance sheet only if their obligations are extinguished or acquired (with a view to subsequent cancellation or renewed placement).

The Group 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 benefits associated with the transferred financial asset are retained:

- The transferred financial asset is not derecognized from the consolidated 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.

Treatment of securitizations

The securitizations to which the Group entities transfer their credit portfolios are consolidated entities of the Group. For more information, refer to Note 2.1 "Principles of consolidation".

The Group considers that the risks and benefits of the securitizations are substantially retained if the subordinated bonds are held and/or if subordination funding has been granted to those securitization funds, which means that the credit loss risk of the securitized assets will be assumed. Consequently, the Group is not derecognizing those transferred loan portfolios.

On the other hand, the Group has carried out synthetic securitizations, which are transactions where risk is transferred through derivatives or financial guarantees and in which the exposure of these securitizations remains in the balance sheet of the Group. The Group has established the synthetic securitizations through received financial guarantees. As for the commissions paid, they are accrued during the term of the financial guarantee.

2.2.3 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, bank guarantee, insurance contract or credit derivative, among others.

In their initial recognition, financial guarantees are recognized as liabilities in the consolidated 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 the Group simultaneously recognizes a corresponding asset in the consolidated 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 2.2.1).

The provisions recognized for financial guarantees are recognized under the heading "Provisions - Provisions for contingent risks and commitments" on the liability side in the consolidated balance sheets (see Note 24). These provisions are recognized and reversed with a charge or credit, respectively to "Provisions or reversal of provision" in the consolidated income statements (see Note 46).

Income from financial guarantees is recorded under the heading "Fee and commission income" in the consolidated income statement and is calculated by applying the rate established in the related contract to the nominal amount of the guarantee (see Note 40).

Synthetic securitizations made by the Group to date meet the requirements of the accounting regulations for accounting as guarantees. Consideration as a financial guarantee means recognition of the commission paid for it over the period.

2.2.4 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 consolidated 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 were expected to be disposed of within a year but which disposal is delayed and is caused by events and circumstances beyond the control of the Group can be classified as held for sale (see Note 21).

Symmetrically, the heading "Liabilities included in disposal groups classified as held for sale" in the consolidated balance sheet 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 by the subsidiaries 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). The BBVA Group has specific units focused on real estate management and sale of these types of 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.

Gains and losses generated on the disposal of assets 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 "Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated income statement (see Note 50). The remaining income and expense items associated with these assets and liabilities are classified within the relevant consolidated 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 consolidated income statement (see Note 1.3 and 21). This heading includes the earnings from their sale or other disposal (net of tax effects).

2.2.5 Tangible Assets

Property, plant and equipment for own use

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

For more information regarding the accounting treatment of right to use assets under lease terms, see Note 2.2.18 "Leases".

Property, plant and equipment for own use are presented in the consolidated 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 amount (see Note 17).

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 consolidated income statements under the heading "Depreciation and Amortization" (see Note 45) 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 hardware	8% - 25%
Lease use rights	The lesser of the lease term or the useful life of the underlying asset

At each reporting date, the Group entities analyze whether there are internal or external indicators that a tangible asset may be impaired. When there is evidence of impairment, the Group analyzes whether this impairment actually exists by comparing the asset's net carrying amount with its recoverable amount (defined 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 is now recoverable, the consolidated entities will estimate the recoverable amounts of the asset and recognize it in the consolidated income statement, recording 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 the BBVA Group, most of the buildings held for own use are assigned to the different Cash-Generating-Units (CGU) to which they belong. The corresponding impairment analyses are performed for these CGUs to check whether sufficient cash flows are generated to support the value of the assets comprised within.

Operating 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 consolidated income statements under the heading "Administration costs - Other administrative expense - Property, fixtures and materials" (see Note 44.2).

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 consolidated balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) 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 17).

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

The BBVA Group 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.

2.2.6 Business combinations

A business combination is a transaction, or any other deal, by which the Group obtains control of one or more businesses. It is accounted for by applying the "acquisition method".

According to this method, the acquirer has to recognize the assets acquired and the liabilities and contingent liabilities assumed, including those that the acquired entity had not recognized in the accounts. The method involves the measurement of the consideration received for the business combination and its allocation to the assets, liabilities and contingent liabilities measured according to their fair value, at the purchase date, as well as the recognition of any non-controlling participation (minority interests) that may arise from the transaction.

In a business combination achieved in stages, the acquirer shall measure its previously held equity interest in the acquiree at its acquisition-date fair value and recognize the resulting gain or loss, if any, in profit or loss under the heading "Gains (losses) on derecognition of non-financial assets and subsidiaries, net" of the consolidated income statements. In prior reporting periods, the acquirer may have recognized changes in the value of its equity interest in the acquiree in other comprehensive income. If so, the amount that was recognized in other comprehensive income shall be recognized on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

In addition, the acquirer shall recognize an asset in the consolidated balance sheet under the heading "Intangible asset - Goodwill" if on the acquisition date there is a positive difference between:

- the sum of the consideration transferred, the amount of all the non-controlling interests and the fair value of stock previously held in the acquired business; and
- the net fair value of the assets acquired and liabilities assumed.

If this difference is negative, it shall be recognized directly in the income statement under the heading "Negative goodwill recognized in profit or loss".

Non-controlling interests in the acquired entity may be measured in two ways: either at their fair value; or at the proportional percentage of net assets identified in the acquired entity. The method of valuing non-controlling interest may be elected in each business combination. BBVA Group has always elected for the second method.

2.2.7 Intangible assets

Goodwill

Goodwill represents a portion of consideration transferred in advance by the acquiring entity for the future economic benefits from assets that cannot be individually identified and separately recognized. Goodwill is never amortized. It is subject periodically to an impairment analysis, and is written off if there has been impairment (see Note 18).

Goodwill is assigned to one or more CGUs that expect to be the beneficiaries of the synergies derived from the business combinations. The CGUs represent the Group's smallest identifiable asset groups that generate cash flows for the Group and that are largely independent of the flows generated from the Group's other assets or groups of assets. Each unit or units to which goodwill is allocated:

- Is the lowest level at which the entity manages goodwill internally.
- Is not larger than an operating segment.

The cash generating units to which goodwill has been allocated are tested for impairment (including the allocated goodwill in their carrying amount). This analysis is performed at least annually or more frequently if there is any indication of impairment.

For the purpose of determining the impairment of a cash-generating unit to which a part of goodwill has been allocated, the carrying amount of that cash-generating unit, adjusted by the theoretical amount of the goodwill attributable to the non-controlling interests, in the event they are not valued at fair value, is compared with its recoverable amount.

The recoverable amount of a cash-generating unit is equal to the fair value less sale costs or its value in use, whichever is greater. Value in use is calculated as the discounted value of the cash flow projections that the unit's management estimates and is based on the latest budgets approved for the coming years. The main assumptions used in its calculation are: a growth rate to extrapolate the cash flows indefinitely, and the discount rate used to discount the cash flows, which is equal to the cost of the capital assigned to each cash-generating unit, and equivalent to the sum of the risk-free rate plus a risk premium inherent to the cash-generating unit being evaluated for impairment.

If the carrying amount of the cash-generating unit exceeds the related recoverable amount, the Group recognizes an impairment loss; the resulting loss is apportioned by reducing, first, the carrying amount of the goodwill allocated to that unit and, second, if there are still impairment losses remaining to be recognized, the carrying amount of the remainder of the assets. This is done by allocating the remaining loss in proportion to the carrying amount of each of the assets in the unit. In the event the non-controlling interests are measured at fair value, the deterioration of goodwill attributable to non-controlling interests will be recognized. In any case, an impairment loss recognized for goodwill shall not be reversed in a subsequent period.

Goodwill impairment losses are recognized under the heading "Impairment or reversal of impairment on non-financial assets – Intangible assets" (see Note 49).

Other intangible assets

These assets may have an indefinite useful life if, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated entities. In all other cases they have a finite useful life (see Note 18).

Intangible assets with a finite useful life 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 amortization charge of these assets is recognized in the accompanying consolidated income statements under the heading "Depreciation and amortization" (see Note 45).

The consolidated entities recognize any impairment losses 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 consolidated income statements (see Note 49). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

2.2.8 Insurance and reinsurance contracts

The assets and liabilities of the BBVA Group's insurance subsidiaries are recognized according to their nature under the corresponding headings of the consolidated balance sheets, and the initial recognition and valuation is carried out according to the criteria set out in IFRS 4.

The heading "Insurance and reinsurance assets" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance subsidiaries are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the reinsurer´s share of the technical provisions recognized by the consolidated insurance subsidiaries.

The heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets includes the technical provisions for direct insurance and inward reinsurance recognized by the consolidated insurance subsidiaries to cover claims arising from insurance contracts open at period-end (see Note 23).

The income or expense reported by the BBVA Group´s consolidated insurance subsidiaries on their insurance activities is recognized, in accordance with their nature, in the corresponding items of the consolidated income statements.

The consolidated insurance entities of the BBVA Group recognize the amounts of the premiums written and a charge for the estimated cost of the claims that will be incurred at their final settlement to their consolidated income statements. At the close of each year the amounts collected and unearned, as well as the costs incurred and unpaid, are accrued.

The most significant provisions recorded by consolidated insurance entities with respect to insurance policies issued by them are set out by their nature in Note 23.

According to the type of product, the provisions may be as follows:

- Life insurance provisions:

Represents the value of the net obligations undertaken with the life insurance policyholder. These provisions include:

  - Provisions for unearned premiums. These are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period from year-end to the end of the insurance policy period.
  - Mathematical reserves: Represents the value of the life insurance obligations of the insurance entities at year-end, net of the policyholder's obligations, arising from life insurance contracted.

- Non-life insurance provisions:

  - Provisions for unearned premiums. These provisions are intended for the accrual, at the date of calculation, of the premiums written. Their balance reflects the portion of the premiums received until the closing date that has to be allocated to the period between the year-end and the end of the policy period.
  - Provisions for unexpired risks: The provision for unexpired risks supplements the provision for unearned premiums by the amount by which that provision is not sufficient to reflect the assessed risks and expenses to be covered by the consolidated insurance subsidiaries in the policy period not elapsed at year-end.

- Provision for claims:

  This reflects the total amount of the outstanding obligations arising from claims incurred prior to year-end. Insurance subsidiaries calculate this provision as the difference between the total estimated or certain cost of the claims not yet reported, settled or paid, and the total amounts already paid in relation to these claims.

- Provision for bonuses and rebates:

  This provision includes the amount of the bonuses accruing to policyholders, insurees or beneficiaries and the premiums to be returned to policyholders or insurees, as the case may be, based on the behavior of the risk insured, to the extent that such amounts have not been individually assigned to each of them.

- Technical provisions for reinsurance ceded:

  Calculated by applying the criteria indicated above for direct insurance, taking account of the assignment conditions established in the open reinsurance contracts.

- Other technical provisions:

  Insurance entities have recognized provisions to cover the probable mismatches in the market reinvestment interest rates with respect to those used in the valuation of the technical provisions.

The BBVA Group controls and monitors the exposure of the insurance subsidiaries to financial risk and, to this end, uses internal methods and tools that enable it to measure credit risk and market risk and to establish the limits for these risks.

2.2.9 Tax assets and liabilities

Expenses on corporate income tax applicable to the BBVA Group's Spanish entities and on similar income taxes applicable to consolidated foreign entities are recognized in the consolidated 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 consolidated income statement.

Deferred tax assets and liabilities include temporary differences, defined as 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 calculated 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 19).

The "Tax Assets" line item in the accompanying consolidated 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 consolidated 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 Group 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 probable that the consolidated entities will generate enough taxable profits to make deferred tax assets effective and do not correspond to those from initial recognition (except in the case of business combinations), which also does not affect the fiscal outcome.

The deferred tax assets and liabilities recognized are reassessed by the consolidated entities at each balance sheet date 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 consolidated equity that do not increase or decrease taxable income are accounted for as temporary differences.

2.2.10 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the consolidated balance sheets includes amounts recognized to cover the BBVA Group'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 is deemed likely to entail an outflow of resources embodying economic benefits (see Note 24). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Group entities 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 Group will certainly be subject. The provisions are recognized in the consolidated 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 of the Consolidated 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 by some of the Group entities mentioned in Note 2.2.11, 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 Group. Contingent assets are not recognized in the consolidated balance sheet or in the consolidated income statement; however, they will be disclosed, should they exist, in the Notes to the Consolidated Financial Statements, provided that it is probable will give rise to an increase in resources embodying economic benefits.

Contingent liabilities are possible obligations of the Group 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 Group. They also include the existing obligations of the Group 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 consolidated balance sheet or the income statement (excluding contingent liabilities from businesses combinations) but are disclosed in the Notes to the Consolidated Financial Statements, unless the possibility of an outflow of resources embodying economic benefits is remote.

2.2.11 Pensions and other post-employment commitments

Below we provide a description of the most significant accounting policies relating to post-employment and other employee benefit commitments assumed by BBVA Group entities (see Note 25).

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 consolidated income statement (see Note 44.1).

Post-employment benefits – Defined-contribution plans

The Group sponsors defined-contribution plans for the majority of 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 year by BBVA Group entities are charged and recognized under the heading "Administration costs – Personnel expense– Defined-contribution plan expense" of the consolidated income statement (see Note 44.1).

Post-employment benefits – Defined-benefit plans

Some Group entities maintain 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, some of the Spanish entities have offered certain employees the option to retire before their normal retirement age, 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, certain Group entities provide 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" in the consolidated balance sheet 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 Consolidated Financial Statements (see Note 25).

Current service cost is charged and recognized under the heading "Administration costs – Personnel expense – Defined-benefit plan expense" of the consolidated income statement (see Note 44.1).

Interest credits/charges relating to these commitments are charged and recognized in net terms under the headings "Interest and other income" or, where appropriated, "Interest expense" of the consolidated income statement (see Note 37).

Past service costs arising from benefit plan changes as well as early retirements granted during the year are recognized under the heading "Provisions or reversals of provisions" of the consolidated income statement (see Note 46).

Other long-term employee benefits

In addition to the above commitments, certain Group entities provide long-term service awards to their employees, consisting of monetary amounts or periods of vacation 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 consolidated balance sheet (see Note 24).

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 BBVA Group 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 consolidated income statement for the period in which they arise (see Note 46). Actuarial gains (losses) relating to pension and medical benefits are directly charged and recognized under the heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Actuarial gains (losses) on defined benefit pension plans" of equity in the consolidated balance sheet (see Note 30).

2.2.12 Equity-settled share-based payment transactions

Equity –settled share-based payment transactions, provided they constitute the delivery of such equity instruments once completion of a specific period of services has occurred, are recognized as an expense for services being provided by employees, by way of a balancing entry under the heading "Shareholders' funds – Other equity instruments" in the consolidated 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 consolidated 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 consolidated income statement with the corresponding increase in total consolidated equity.

2.2.13 Termination benefits

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

2.2.14 Treasury shares

The value of common stock issued by the BBVA Group's entities and held by them - basically, shares and derivatives on the Bank's shares held by some consolidated entities that comply with the requirements to be recognized as equity instruments - are recognized as a decrease to net equity, under the heading "Shareholders' funds - Treasury stock" in the consolidated balance sheets (see Note 29).

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 - Retained earnings" in the consolidated balance sheets (see Note 28).

2.2.15 Foreign-currency transactions and exchange differences

The BBVA Group's functional currency, and thus the currency in which the Consolidated Financial Statements are presented, is the euro. As such, all balances and transactions denominated in currencies other than the euro are deemed to be denominated in "foreign currency".

Conversion to euros of the balances held in foreign currency is performed in two consecutive stages:

- Conversion of the foreign currency to the entity's functional currency (currency of the main economic environment in which the entity operates); and
- Conversion to euros of the balances held in the functional currencies of the entities whose functional currency is not the euro.

Conversion of the foreign currency to the entity's functional currency

Transactions denominated in foreign currencies carried out by the consolidated entities (or entities accounted for using the equity method) are initially accounted for in their respective currencies. Subsequently, the monetary balances in foreign currencies are converted to their respective functional currencies using the exchange rate at the close of the financial year. In addition,

- Non-monetary items valued at their historical cost are converted to the functional currency at the exchange rate applicable on the purchase date.
- Non-monetary items valued at their fair value are converted at the exchange rate in force on the date on which such fair value was determined.
- Monetary items are converted to the functional currency at the closing exchange rate.
- Income and expense are converted at the period's average exchange rates for all the operations carried out during the year. When applying this criterion the BBVA Group considers whether significant variations have taken place in exchange rates during the year which, owing to their impact on the statements as a whole, may require the application of exchange rates as of the date of the transaction instead of such average exchange rates.

The exchange differences produced when converting the balances in foreign currency to the functional currency of the consolidated entities are generally recognized under the heading "Exchange differences, net" in the consolidated income statements (see Note 41). However, the exchange differences in non-monetary items measured at fair value are recorded to equity under the heading "Accumulated other comprehensive income (loss) - Items that will not be reclassified to profit or loss - Fair value changes of equity instruments measured at fair value through other comprehensive income" in the consolidated balance sheets (see Note 30).

Conversion of functional currencies to euros

The balances in the financial statements of consolidated entities whose functional currency is not the euro are converted to euros as follows:

- Assets and liabilities: at the closing spot exchange rates as of the date of each of the consolidated balance sheets.
- Income and expense and cash flows are converted by applying the exchange rate applicable on the date of the transaction, and the average exchange rate for the financial year may be used, unless it has undergone significant variations during the year.

- Equity items: at the historical exchange rates.

The exchange differences arising from the conversion to euros of balances in the functional currencies of the consolidated entities whose functional currency is not the euro are recognized under the heading "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss - Foreign currency translation" in the consolidated balance sheets (Notes 30 and 31 respectively). Meanwhile, the differences arising from the conversion to euros of the financial statements of entities accounted for by the equity method are recognized under the heading "Accumulated other comprehensive income (loss) - Items that may be reclassified to profit or loss - of other recognized income and expense of investments in joint ventures and associates" (Note 30) until the item to which they relate is derecognized, at which time they are recognized in the income statement.

The financial statements of companies of hyperinflationary economies are restated for the effects of changes in prices before their conversion to euros following the provisions of IAS 29 "Financial information in hyperinflationary economies" (see Note 2.2.19). Both these adjustments for inflation and the exchange differences that arise when converting the financial statements of companies into hyperinflationary economies are accounted for in "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss - Foreign currency translation".

The breakdown of the main consolidated balances in foreign currencies, with reference to the most significant foreign currencies, is set forth in Appendix VII.

Venezuela

Local financial statements of the Group subsidiaries in Venezuela are expressed in Venezuelan Bolivar, and converted into euros for the consolidated financial statements. Venezuela is a country with strong exchange restrictions that has different rates officially published, and, since December 31, 2015, the Board of Directors considers that the use of these exchanges rates for converting bolivars into euros in preparing the Consolidated Financial Statements does not reflect the true picture of the financial statements of the Group and the financial position of the Group subsidiaries in this country. Therefore, since the year ended December 31, 2015, the exchange rate for converting bolivars into euros is an estimation taking into account the evolution of the estimated inflation in Venezuela.

As of December 31, 2020, 2019 and 2018, the impact on the financial statements that would have resulted by applying the last published official exchange rate instead of the exchange rate estimated by BBVA Group was not significant (see Note 2.2.19).

2.2.16 Recognition of income and expense

The most significant policies used by the BBVA Group 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 consolidated 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 consolidated 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 consolidated 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 partial 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 consolidated 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 singular transaction is carried out.

- Non-financial income and expense:

  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.

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

The heading "Other operating income" in the consolidated income statements includes the proceeds of the sales of assets and income from the services provided by the Group entities that are not financial institutions. In the case of the Group, these entities are mainly real estate and service entities (see Note 42).

2.2.18 Leases

Effective January 1, 2019, IFRS 16 replaced IAS 17 "Leases". 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 consolidated balance sheet (see Note 17) and a lease liability representing its obligation to make lease payments which is recorded under the heading '' Financial liabilities at amortized cost – Other financial liabilities'' in the consolidated balance sheet (see Note 22.5).

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 consolidated 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 right to use assets recorded under this heading of the consolidated 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 consolidated income statements under the heading "Interest expense" (see note 37). Variable payments not included in the initial measurement of the lease liability are recorded under the heading "Administration costs – Other administrative expense" (see Note 44).

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 consolidated income statements under the heading "Depreciation and Amortization" (see Note 45).

In case of electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the consolidated balance sheets, payments related to the corresponding lease are recognized in the consolidated income statements, over the contract period, lineally, or in the way that best represents the structure of the lease operation, under the heading "Other operating expense" (see Note 42).

Operating lease and sublease incomes are recognized in the consolidated income statements under the headings "Other operating income" (see Note 42).

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 consolidated 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 advances" in the accompanying consolidated balance sheets (see Note 14).

When the consolidated 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 consolidated balance sheets (see Note 17). 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 consolidated income statements on a straight-line basis within "Other operating income" and "Other operating expense" (see Note 42).

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

The assets leased out under operating lease contracts to other entities in the Group are treated in the Consolidated Financial Statements as for own use, and thus rental expense and income is eliminated in consolidation and the corresponding depreciation is recognized.

2.2.19 Entities and branches located in countries with hyperinflationary economies

In accordance with the EU-IFRS criteria, to determine whether an economy has a high inflation rate the country's economic situation is examined, analyzing whether certain circumstances are fulfilled, such as whether the population prefers to keep its wealth or savings in non-monetary assets or in a relatively stable foreign currency, whether prices can be set in that currency, whether interest rates, wages and prices are pegged to a price index or whether the accumulated inflation rate over three years reaches or exceeds 100%. The fact that any of these circumstances is fulfilled will not be a decisive factor in considering an economy hyperinflationary, but it does provide some reasons to consider it as such.

Argentina

Since 2018, the economy of Argentina has been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in Argentina have therefore been adjusted to correct for the effects of inflation in accordance with IAS 29 "Financial reporting in hyperinflationary economies".

During 2020, 2019 and 2018, the increase in the reserves of Group entities located in Argentina derived from the re-expression for hyperinflation (IAS 29) amounts to €343, €470 and €703 million, respectively, of which €228, €313 and €463 million, respectively, have been recorded within "Equity – Accumulated other comprehensive income /(loss)" and €115, €157 and €240 million, respectively, within "Minority interests – Accumulated other comprehensive income/(loss)". Furthermore, during 2020, 2019 and 2018 the decrease in the reserves of Group entities located in Argentina derived from the conversion (IAS 21) amounted to €482, €460 and €773 million, respectively, of which €320, €305 and €515 million, respectively, have been recorded within "Equity – Accumulated other comprehensive income/(loss)", and €162, €155 and €258 million, respectively, within "Minority interests – Accumulated other comprehensive income/(loss)". The net impact of both effects is presented under the caption "Other increases or (-) decreases in equity" in the consolidated statement of changes in equity for the years ended December 31, 2020, 2019 and 2018. The net loss in the profit attributable to the parent company of the Group in 2020, 2019 and 2018 derived from the application of IAS 29 amounted to €148, €190 and €209 million, respectively. In addition, there is a net loss in the profit attributable to the parent company of the Group in 2020, 2019 and 2018 derived from the application of IAS 21 which amounted to €26, €34 and €57 million, respectively.

The breakdown of the General Price Index ("GPI") and the inflation index used as of December 31, 2020 for the inflation of the financial statements of the Group companies located in Argentina is as follows:

General Price Index

	2020
GPI	387
Average GPI	331
Inflation of the period	36.5%

Venezuela

Since 2009, the economy of Venezuela has been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in Venezuela have therefore been adjusted to correct for the effects of inflation in accordance with IAS 29 "Financial reporting in hyperinflationary economies".

The losses recognized under the heading "Profit attributable to the parent company" in the accompanying consolidated income statement as a result of the adjustment for inflation on net monetary position of the Group entities in Venezuela amounted to €5, €8 and €12 million in 2020, 2019 and 2018, respectively (see Note 2.2.15).

2.3 Recent IFRS pronouncements

Standards and interpretations that became effective in 2020

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective in 2020.

IAS 1 and IAS 8 – "Definition of Material"

The amendments clarify the definition of "material" in the preparation of the financial statements by aligning the definition of the Conceptual Framework, IAS 1 and IAS 8 (which, before such amendment, contained similar but not identical definitions). The new definition of material is as follows: "information is material if its omission, misrepresentation or obscuration can reasonably be expected to influence the decisions made by the primary users of a specific entity's general purpose financial statements, based on those financial statements."

The implementation of this standard has had no significant impact on the Group´s consolidated financial statements.

IFRS 3 – "Definition of a business"

The amendment clarifies the difference between "acquiring a business" or "acquiring a group of assets" for accounting purposes. To determine whether a transaction is the acquisition of a business, an entity has to evaluate and conclude that the following two conditions are met:

- The fair value of the assets acquired is not in a single asset or group of similar assets.
- The set of acquired activities and assets includes, as a minimum, an input and a substantive process that together contribute to the ability to create products.

The implementation of this standard has had no significant impact on the Group´s consolidated financial statements.

IFRS 9, IAS 39 and IFRS 7 – Modifications – IBOR Reform

The IBOR Reform (Phase 1) refers to the amendments issued by the IASB on IFRS 9, IAS 39 and IFRS 7 to avoid that some accounting hedges have to be discontinued in the period before the reform of the reference rates becomes effective. BBVA Group applies IAS 39 for hedge accounting, and therefore the amendments to IFRS 9 referred to in this section do not apply.

In some cases, and/or jurisdictions, there may exist uncertainty about the future of some reference rates or their impact on the entity's contracts, which directly causes uncertainty about the timing or amounts of cash flows of the hedged instrument or the hedging instrument. Due to such uncertainties, some entities may be forced to discontinue an accounting hedge, or not be able to designate new hedging relationships.

Consequently, the amendments include several temporary simplifications of the requirements for the application of hedge accounting which apply to all hedging relationships that are affected by the uncertainty arising from the Reform. A hedging relationship is affected by the reform if it generates uncertainty about the timing or amount of cash flows of the hedged financial instrument or the hedge linked to the specific benchmark. The simplifications refer to the requirements on the highly probable future transaction in cash flow hedges, on prospective and retrospective effectiveness (exemption from compliance with the 80%-125% effectiveness ratio) and on the need to separately identify the risk component.

As the amendments aim is to provide temporary exceptions to the application of certain specific hedge accounting requirements, these exceptions should terminate once the uncertainty is resolved or the hedge ceases to exist.

The Group also has cash flow and fair value hedge accounting relationships which are exposed to different IBORS, predominantly EURIBOR, LIBOR in US dollars and to a much lesser degree Sterling LIBOR and other benchmark interest rates. The Group considers that the amendments to IAS 39 and IFRS 7 are applicable when there is uncertainty about future cash flows.

The nominal amount of the hedging instruments directly affected by the IBOR reform as of December 31, 2020 is the following:

Millions of Euros

	LIBOR USD	LIBOR GBP	Other - TIIE (*)	TOTAL
Cash flow hedges	9,084	-	574	9,658
Fair value hedges	10,608	266	1,477	12,351

(*) Equilibrium Interbank Interest Rate used in Mexico.

As of December 31, 2020, the Group considers that, in general, there is no uncertainty regarding EURIBOR as it has been replaced by the hybrid EURIBOR which uses a methodology that meets the standards required by the various international organizations. In the case of accounting hedges which are referenced to other benchmark interest rates, despite the uncertainty, based on the simplifications provided by the standard, the hedging relationships for the annual period that ended on December 31, 2020, will not be affected by the IBOR reform.

IFRS 16 –Leases – COVID-19 modifications

On May 28, 2020, the IASB approved an amendment to IFRS 16 to include a practical expedient to the accounting treatment for rent concessions (payment deferrals and temporary rent reductions) that occur due to a direct consequence of COVID-19 (see Note 1.5).

The amendment permits lessees to account for rent concessions as if they were not lease modifications to the initial ones. It is applicable to rent concessions related to COVID-19, which reduces lease payments before June 30, 2021. This amendment is effective from June 1, 2020.

The implementation of this standard has had no significant impact on the Group´s consolidated financial statements.

Standards and interpretations issued but not yet effective as of December 31, 2020

The following new International Financial Reporting Standards together with their Interpretations had been published at the date of preparation of the accompanying consolidated financial statements, but are not mandatory as of December 31, 2020. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Modifications - IBOR reform

On August 27, 2020, the IASB issued the second phase of the IBOR reform that involves the introduction of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements reflect the economic effects of the IBOR reform. The amendments focus on the accounting for financial instruments once a new benchmark has been introduced.

Such modifications introduce the practical simplification of accounting for changes in the cash flows of the financial instruments directly caused by the IBOR reform and, if they take place under an "economically equivalent" context, through the effective interest rate of the financial instrument update. Similarly, a practical simplification will be applied to IFRS 16 "Leases" for leases, when accounting for modifications in lease agreements as a consequence of the IBOR reform. Additionally, some exemptions to the hedging requirements are introduced so as not to discontinue certain hedging relationships. However, similar to the phase 1 amendments, these phase 2 amendments do not provide exceptions to the valuation requirements applicable to hedged items and hedging instruments in accordance with IFRS 9 or IAS 39. Thus, once the new benchmark has been implemented, the hedged items and hedging instruments must be valued according to the new index, and any possible ineffectiveness that may exist in the hedge will be recognized in profit or loss. On the other hand, new disclosures are introduced.

The IBOR transition is considered to be a complex initiative, which affects BBVA Group in different geographical areas and business lines, as well as in a multitude of products, systems and processes. Therefore, BBVA Group has established an IBOR transition program, provided with a robust governance structure by means of an Executive Steering Committee, with representation from senior management of the affected areas, which reports directly to the Group's Global Leadership Team. At the local level, each geography has defined a local governance structure with the participation of senior management. The coordination between geographies is realized through the Project Management Office (PMO) and the Global Working Groups that incorporate a multi-geographic and transversal view on the areas of Legal, Risk, Regulatory, Engineering, Finance and Accounting. The project also involves both Corporate Assurance of the different geographies and business lines and Global Corporate Assurance of the Group.

The IBOR transition project within BBVA Group takes into account the different approaches and timings of transition to the new RFRs (risk-free rate) when evaluating the economic, operational, legal, financial, reputational or compliance risks associated with the transition, as well as defining the lines of action to mitigate them. A relevant aspect of this transition is its impact on contracts referenced to LIBOR (mainly dollar) and EONIA rates that mature after 2021. In this regard, in the case of the EONIA, BBVA aims to carry out a novation of the contracts maturing after 2021 (it should be noted that these exposures are immaterial in the Group) and has already begun, proactively, the renegotiation of collateral contracts to adapt them to the operations against clearing houses homogeneously which already migrated last July. The Group already has new fallbacks in place which incorporate the €STR as a replacement rate, as well as language to incorporate this benchmark as the main reference rate in new contracts. In the case of LIBOR, BBVA Group has identified the stock of contracts expiring after 2021 and is working on the implementation of tools/systems that will allow the stock to be migrated to solutions such as those proposed by ISDA (Group entities are either already adhering to the ISDA protocol or in the process of doing so). Likewise, BBVA Group continues to work on adapting all its systems and processes to deal with alternative Risk Free Rates, such as SOFR and SONIA. In the case of EURIBOR, the European authorities have encouraged amendments of its methodology so that it complies with the requirements of the European Regulation on Benchmarks. BBVA actively participates in various working groups, including the EURO RFR WG which works specifically, amongst others, on the definition of fallbacks in contracts, in anticipation of an option to change the index in the future.

BBVA Group has a significant number of financial assets and liabilities referenced to IBOR rates, especially EURIBOR, which are used, among others, in loans, deposits, debt issuances and financial derivatives. Furthermore, although the exposure to EONIA is lower in the banking book, this benchmark interest rate is used in financial derivatives in the trading book, as well as in the collateral agreements and most are booked in Spain. In the case of LIBOR, the USD is the most relevant currency for both cash products and financial derivatives in the banking book and the trading book. Other LIBOR currencies (CHF, GBP and JPY) have a much lower specific weight.

These modifications introduced in the second phase of the reform will be mandatory as of January 2021, with possible early adoption. In this sense, based on the progress of the transition to the new indices in the Group, the BBVA Group has considered that it is not necessary to early adopt IBOR reform phase 2 in the BBVA Group in 2020. On January 13, 2021, the European Commission has endorsed the aforementioned modifications.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for the accounting for insurance contracts and supersedes IFRS 4. The new standard introduces a single accounting model for all insurance contracts and requires the entities to use updated assumptions.

An entity shall divide the contracts into groups and recognize and measure groups of insurance contracts at the total of:

- the fulfilment cash flows, that comprises the estimate of future cash flows, an adjustment to reflect the time value of money and the financial risk associated with the future cash flows and a risk adjustment for non-financial risk; and
- the contractual service margin that represents the unearned profit.

The amounts recognized in the consolidated income statement shall be disaggregated into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period the entity provides insurance coverage and in proportion to the value of the provision of coverage that the insurer provides in the period.

This Standard will be applied to the accounting years starting on or after January 1, 2023. In 2019, the Group established an IFRS 17 implementation project with the objective of harmonizing the criteria in the Group and with the participation of all the affected areas.

Amendments to IFRS 4 Insurance Contracts

The amendment to IFRS 4 includes a deferral in the temporary exception option regarding the application of IFRS 9 for entities whose business model is predominantly an insurance model until January 1, 2023, aligning it with the entry into force of the IFRS 17 Insurance Contracts rule. This modification will be applicable from January 1, 2021, although it will not have an impact on the Group since the Bank will not take such option.

3. BBVA Group

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

The following information is detailed in the appendices of these consolidated financial statements of the Group for the year ended December 31, 2020:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The following table sets forth information related to the Group's total assets as of December 31, 2020, 2019 and 2018, broken down by the Group's entities according to their activity:

Contribution to Consolidated Group total assets. Entities by main activities (Millions of euros)

	2020	2019	2018
Banking and other financial services	705,683	666,366	646,199
Insurance and pension fund managing companies	28,667	29,300	26,684
Other non-financial services	1,826	2,071	2,793
Total	**736,176**	**697,737**	**675,675**

The total assets and results of operations broken down by operating segments are included in Note 6.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, the United States and Turkey, with active presence in other countries, as shown below:

- Spain

  The Group's activity in Spain is mainly carried out through Banco Bilbao Vizcaya Argentaria, S.A. The Group also has other entities that mainly operate in Spain's banking sector and insurance sector.

- Mexico

  The BBVA Group operates in Mexico, not only in the banking sector, but also in the insurance sector through BBVA Mexico.

- South America

  The BBVA Group's activities in South America are mainly focused on the banking, financial and insurance sectors, in the following countries: Argentina, Colombia, Peru, Uruguay and Chile. It has a representative office in Sao Paulo (Brazil).

  The Group owns more than 50% of most of the entities based in these countries. Appendix I shows a list of the entities which, although less than 50% owned by the BBVA Group as of December 31, 2020, are consolidated (see Note 2.1).

- The United States

  The Group's activity in the United States is mainly carried out through the BBVA, S.A. New York branch, the Houston branch of BBVA Mexico, the stake in Propel Venture Partners and the business developed through its broker dealer BBVA Securities Inc. and a representative office in Silicon Valley (California). Regarding the sale agreement reached with PNC, it includes BBVA USA and other subsidiaries in the United States with activities related to the banking activity (see below "Significant transactions in the Group in 2020" in this same Note)

- Turkey

  The Group's activity in Turkey is mainly carried out through the Garanti BBVA Group.

- Rest of Europe

  The Group's activity in Europe is carried out through banks and financial institutions in Switzerland, Italy, Germany, the Netherlands, Finland and Romania, and branches in Germany, Belgium, France, Italy, Portugal and the United Kingdom.

- Asia-Pacific

  The Group's activity in this region is carried out through the Bank branches (in Taipei, Tokyo, Hong Kong, Singapore and Shanghai) and representative offices (in Beijing, Seoul, Mumbai, Abu Dhabi and Jakarta).

Significant transactions in the Group in 2020

Divestitures

Agreement for the 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.

It is expected that the transaction would result in a positive impact on BBVA Group's Common Equity Tier 1 ratio (fully loaded) of approximately 294 basis points and positive results (net of taxes) of approximately €580 million (calculated at an exchange rate 1.20 EUR /USD). During the year ended December 31, 2020, approximately €300 million has been recognized for the entities to be disposed of (which corresponds to the results of the entities to be disposed of recognized in the caption Profit (loss) after tax from discontinued operations excluding the impacts of the impairment of goodwill), as well as an approximately positive impact of 9 basis points of Common Equity Tier I (fully loaded).

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.

Note 21 shows, among other information the condensed balance sheets of the entities to be disposed of as of December 31, 2020, 2019 and 2018 and the related condensed income statements as of and for the years ended December 31, 2020, 2019 and 2018.

Alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in order to develop the non-life insurance business in Spain, excluding the health insurance line of the business.

On December 14, 2020, once the required authorizations had been obtained, BBVA completed the operation and announced the transfer to Allianz, Compañía de Seguros y Reaseguros, S.A. of half plus one share of the company BBVA Allianz Seguros y Reaseguros, SA, for which it received €274 million euros, without taking into account a variable part of the price (up to 100 million euros depending on certain objectives and planned milestones). This operation has resulted in a profit net of taxes of 304 million euros and a positive impact on the fully loaded CET1 of the BBVA Group of 7 basis points.

Significant transactions 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., an affiliate of Grupo Financiero Gilinski, for the sale of its wholly-owned subsidiary Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay"). BBVA owned, directly and indirectly, 100% of its share capital in BBVA Paraguay.

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 amounts to approximately USD250 million (approximately €210 million). The transaction results in a capital loss of approximately €9 million net of taxes. 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 56).

Significant transactions in the Group in 2018

Divestitures

Sale of BBVA's stake in BBVA Chile

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

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

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

On November 29, 2017, BBVA reached an agreement with a subsidiary of Cerberus Capital Management, L.P. ("Cerberus") for the creation of a "joint venture" to which an important part of the real estate business of BBVA in Spain was transferred (the "Business").

The Business comprises: (i) foreclosed real estate assets (the "REOs"), with a gross book value of approximately €13,000 million, taking as starting point the position of the REOs as of June 26, 2017; and (ii) the necessary assets and employees to manage the Business in an autonomous manner. For the purpose of the agreement with Cerberus, the whole Business was valued at approximately €5,000 million.

On October 10, 2018, after obtaining all required authorizations, BBVA completed the transfer of the real estate business in Spain. Closing of the transaction has resulted in the sale of 80% of the share capital of the company Divarian Propiedad, S.A. to an entity managed by Cerberus. Divarian is the company to which the BBVA Group has contributed the Business.

The transaction did not have a significant impact on BBVA Group's attributable profit of 2018 or the Common Equity Tier 1 (fully loaded) as of December 31, 2018.

4. Shareholder remuneration system

Cash Dividends

Throughout 2018, 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 consolidated balance sheet of the relevant year:

- The Annual General Meeting of BBVA held on March 16, 2018 approved, under item 1 of the Agenda, the payment of a final dividend for 2017, in addition to other dividends previously paid, in cash for an amount equal to €0.15 (€0.1215 net of withholding tax) per BBVA share. The total amount paid to shareholders on April 10, 2018, after deducting treasury shares held by the Group's companies, amounted to €996 million and is recognized under heading "Total equity- Retained earnings" of the consolidated balance sheet as of December 31, 2018.
- The Board of Directors, at its meeting held on September 26, 2018, approved the payment in cash of €0.10 (€0.081 net of withholding tax) per BBVA share, as gross interim dividend against 2018 results. The total amount paid to shareholders on October 10, 2018, after deducting treasury shares held by the Group's companies, amounted to €663 million and is recognized under the heading "Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2018.
- 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 net of 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 €1,064 million and is recognized under the heading "Total equity- Retained earnings" of the consolidated 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) 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 to €665 million and is recognized under the heading "Total equity- Interim dividends" of the consolidated 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. The total amount paid to shareholders on April 9, 2020, after deducting treasury shares held by the Group's Companies, amounted to €1,065 million and is recognized under the heading "Total equity- Retained earnings" of the consolidated 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 2020 not to pay any dividend amount corresponding to 2020 until the uncertainties caused by COVID-19 disappear and, in any case, not 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.

Proposal on allocation 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 56).

5. 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 is as follows:

Basic and Diluted Earnings per Share

	2020	2019 (**)	2018 (**)
Numerator for basic and diluted earnings per share (millions of euros)			
Profit attributable to parent company	1,305	3,512	5,400
Adjustment: Additional Tier 1 securities (1)	(387)	(419)	(447)
Profit adjusted (millions of euros) (A)	**917**	**3,093**	**4,953**
Of which: profit from discontinued operations (net of non-controlling interest) (B) (See Note 21)	*(1,729)*	*(758)*	*704*
Denominator for basic earnings per share (number of shares outstanding)			
Weighted average number of shares outstanding (2)	6,668	6,668	6,668
Weighted average number of shares outstanding x corrective factor (3)	6,668	6,668	6,668
Adjusted number of shares - Basic earnings per share (C)	**6,655**	**6,648**	**6,636**
Adjusted number of shares - diluted earnings per share (D)	**6,655**	**6,648**	**6,636**
Earnings (losses) per share (*)	**0.14**	**0.47**	**0.75**
Basic earnings (losses) per share from continued operations (Euros per share)A-B/C	0.40	0.58	0.64
Diluted earnings (losses) per share from continued operations (Euros per share)A-B/D	0.40	0.58	0.64
Basic earnings (losses) per share from discontinued operations (Euros per share)B/C	(0.26)	(0.11)	0.11
Diluted earnings (losses) per share from discontinued operations (Euros per share)B/D	(0.26)	(0.11)	0.11

(1) Remuneration in the year related to contingent convertible securities, recognized in equity (see Note 22.4).

(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.

(*) In 2020, 2019 and 2018 the weighted average number of shares outstanding was 6,668 million and the adjustment of additional Tier 1 securities amounted to €387 million (€419 and €447 million in 2019 and 2018, respectively).

(**) Amounts in December 2019 and 2018 have been restated (see Note 1.3).

As of December 31, 2020, 2019 and 2018, 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.

6. Operating segment reporting

Operating segment reporting represents a basic tool in the oversight and management of the BBVA Group's various activities. The BBVA Group compiles reporting information on disaggregated business activities. These business activities are then aggregated in accordance with the organizational structure determined by the BBVA Group and, ultimately, into the reportable operating segments themselves.

As of December 31, 2020, the structure of the information by operating segments of the BBVA Group remains basically the same as that of the financial year ended 2019, although BBVA reached agreements that, in some cases, could affect its structure. Due to the agreement reached for the sale of the Group's entire stake in BBVA USA Bancshares, Inc., parent company of the Group companies related to the banking business in the United States, the balance sheet items of the companies for sale and the gains and losses generated by them have been classified in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (see Notes 2.2.4 and 21). Likewise, in accordance with IFRS 8 "Operating Segments", information on the United States operating segment including the balances

of the companies for sale continues to be provided for the years 2020, 2019 and 2018. The BBVA Group's operating segments and the agreements reached are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain, including the results of the new company BBVA Allianz Seguros y Reaseguros, S.A. (see Note 3).

- The United States

  Includes the business activity of BBVA USA, comprising the Group's wholesale business through the New York branch, the stake in Propel Venture Partners and the business developed through its broker dealer BBVA Securities Inc. None of the aforementioned activities has been included in the sale agreement reached with PNC. Regarding this agreement, it includes BBVA USA and other subsidiaries in the United States with activities related to the banking activity (see Notes 1.3, 3 and Note 21).

- Mexico

  Includes banking and insurance businesses in this country as well as the activity of BBVA Mexico in Houston.

- Turkey

  Reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  Primarily includes the Group´s banking and insurance businesses in the region. In relation to the sale of BBVA Paraguay, the closing of the transaction took place in January 2021 (see Note 3).

- Rest of Eurasia

  Includes the banking business activity carried out by the Group in Europe and Asia, excluding Spain.

Lastly, Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instruments issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings, certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The breakdown of the BBVA Group´s total assets by operating segments as of December 31, 2020, 2019 and 2018, is as follows:

Total assets by operating segments (Millions of Euros)

	2020	2019	2018
Spain	405,878	364,427	353,923
The United States	93,953	88,529	82,057
Mexico	110,224	109,079	97,432
Turkey	59,585	64,416	66,250
South America	55,435	54,996	54,373
Rest of Eurasia	22,881	23,257	18,845
Subtotal assets by operating segments	**747,957**	**704,703**	**672,880**
Corporate Center and adjustments	(11,781)	(6,967)	2,796
Total assets BBVA Group	**736,176**	**697,737**	**675,675**

The following table sets forth certain summarized information relating to results of each operating segment and Corporate Center for the years ended December 31, 2020, 2019 and 2018:

	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Corporate Center	Adjustments (***)
2020									
Net interest income	14,592	3,553	2,284	5,415	2,783	2,701	214	(149)	(2,209)
Gross income	20,166	5,554	3,152	7,017	3,573	3,225	510	(57)	(2,808)
Operating income	11,079	2,515	1,281	4,677	2,544	1,853	225	(876)	(1,140)
Operating profit /(loss) before tax	5,248	809	502	2,472	1,522	896	184	(1,160)	22
Profit (loss) after tax from discontinued operations	(1,729)	-	-	-	-	-	-	-	(1,729)
Net attributable profit (loss) (**)	**1,305**	**606**	**429**	**1,759**	**563**	**446**	**137**	**(2,635)**	**-**
2019 (*)									
Net interest income	15,789	3,567	2,395	6,209	2,814	3,196	175	(233)	(2,335)
Gross income	21,522	5,656	3,223	8,029	3,590	3,850	454	(339)	(2,941)
Operating income	11,368	2,402	1,257	5,384	2,375	2,276	161	(1,294)	(1,193)
Operating profit /(loss) before tax	7,046	1,878	705	3,691	1,341	1,396	163	(1,457)	(670)
Profit (loss) after tax from discontinued operations	(758)	-	-	-	-	-	-	-	(758)
Net attributable profit (loss) (**)	**3,512**	**1,386**	**590**	**2,699**	**506**	**721**	**127**	**(2,517)**	**-**
2018 (*)									
Net interest income	15,285	3,618	2,276	5,568	3,135	3,009	175	(269)	(2,227)
Gross income	20,936	5,888	2,989	7,193	3,901	3,701	415	(420)	(2,731)
Operating income	10,883	2,554	1,129	4,800	2,654	1,992	128	(1,291)	(1,083)
Operating profit /(loss) before tax	7,565	1,840	920	3,269	1,444	1,288	147	(1,329)	(15)
Profit (loss) after tax from discontinued operations	704	-	-	-	-	-	-	-	704
Net attributable profit (loss) (**)	**5,400**	**1,400**	**736**	**2,367**	**567**	**578**	**96**	**(343)**	**-**

(*) The figures corresponding to 2019 and 2018 have been restated (see Note 1.3).
(**) See Note 55.
(***) It includes the reclassification as "Profit (loss) after tax from discontinued operations" of the balances from companies for sale in BBVA USA (see Note 21).

The accompanying Consolidated Management Report presents the consolidated income statements and the balance sheets by operating segments.

7 Risk management

7.1 Risk factors

BBVA Group has processes in place for identifying risks and analyzing scenarios in order to enable the Group 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. These risks are included in the following blocks:

- The coronavirus (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:

(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 payment deferral) and provisions for credit risk and contingent commitments for €95 million, (see Notes 7.2, 46 and 47); and

(ii) a deterioration in the goodwill of the Group's subsidiary in the United States, mainly due to the deterioration of the macroeconomic scenario in the United States, which has had a 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).

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, 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) (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.

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.

7.2 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 Group are:

- Risks taken should comply with the general risk policy established by the Board of Directors of BBVA.
- Risks taken should be in line with the level of equity and generation of recurring revenue of the BBVA Group prioritizing risk diversification and avoiding relevant concentrations.
- Risks taken should be identified, measured and assessed and there should be management and monitoring procedures, in addition to sound mitigation and control mechanisms.
- Risks should 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 main criterion when granting credit risks is the capability 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 assets.

- 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 channel:
  - 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, 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 Group has offered payment deferral to its customers (retail, SMEs and wholesale) in all the geographies where it operates. These moratoriums have been both legislative (based on national laws) and non-legislative (based on sectorial or individual schemes), 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 Leisure, Real Estate and Auto the main users. The deadline to qualify for the moratorium has been extended in some geographies in recent months, having already come to an end in Mexico and Argentina. In the others, where this measure is still in force, this period ends in the first quarter of 2021, except Turkey (in May 2021), Colombia (in July 2021) and the USA (in January 2022).

Specifically, the Group's participation in the following moratorium or public guarantee measures by geography stands out:

- In Spain, payment deferral measures have been covered mainly by Royal Decree Law 8/2020 and 11/2020, as well as the agreement promoted by the Spanish Banking Association (hereinafter "AEB") to which BBVA has adhered.

  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.

- In Mexico, the National Banking Commission of Securities ("CNBV") published official letters P285/2020 of March 26, 2020 and P293/2020 of April 15, 2020, allowing the granting of capital and interest payment deferral for a period 4 months extendable for additional 2 additional months. These measures were mainly used by individuals and companies, affecting mortgage loans, personal loans and consumer loans, including credit cards.

- In the United States, payment deferral measures have been mainly encouraged by the CARES Act, signed on March 27, 2020, which includes a wide range of supporting measures for companies and individuals, as well as an interagency statement (Office of the Comptroller of the Monetary Board of Governors of the Federal Reserve System, Federal Deposit Insurance Corporation, Office of Consumer Financial Protection and National Administration of Credit Unions) of April 7, 2020.

- In Turkey, in mid March the government announced a program to stimulate the economy (Economic Stability Shield) allowing banks to defer payments for 3 months, with the possibility of extending up to 6 months, which was accompanied by several communications of the Banking Regulation and Supervisory Agency ("BRSA") in this regard. These supporting measures are granted to both individuals and companies.

  Likewise, public support programs have been recognized guaranteeing up to 80% of loans granted to companies for a period of 1 year.

- In Colombia, the binding legislation for payment deferral comes from the Financial Superintendency, specifically from its Circulars 07/2020 and 14/2020, as well as from Resolution No. 385. The payment deferral consists of the deferral of payments of principal and interest until 6 months. The term to avail themselves of them has been extended until July 2021.

- In Peru, measures were approved through various official letters issued by the Superintendency of Banking and Insurance ("SBS"), allowing the deferral of principal and interest payments initially up to 6 months and then extended to 12, mainly to individuals, self-employed and small companies.

  Additionally, there have been public support programs such as "Reactiva", "Crecer" or "FAE" aimed at companies and micro-companies with guaranteed amounts that, depending on the program and the type of company, are in a range of between 60% and 98%.

- In Argentina, payment deferral measures are based on state legislation such as Royal Decree 544/2020 or Decree 319/202, as well as various Central Bank regulations. Aimed at a broad group of customers, they facilitate deferral of capital and interest for up to 3 months.

Certain public support programs offering guarantees of up to 100% to micro-SMEs or individuals and up to 25% to other companies in financing for up to 1 year.

The amount of payment deferrals (existing and completed) and the financing granted with public guarantees given at a Group level, as well as the number of customers of both measures, 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				Financing with public guarantees			
	Existing	Completed	Total	Number of customers	Total	Number of customers	Total Payment deferral and guarantees	(%) credit investment
Group	6,803	27,025	33,828	2,843,977	18,619	271,870	52,446	13.1%

The amount of payment deferrals (existing and completed) and financing granted with public guarantees given at a Group level, broken down by segment, 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			Financing with public guarantees
	Existing	Completed	Total	
Group	**6,803**	**27,025**	**33,828**	**18,619**
Customers	4,657	16,676	21,333	1,237
Of which: Mortgages	*3,664*	*8,723*	*12,387*	*1*
SMEs	1,031	5,056	6,087	11,373
Non-financial corporations	1,055	5,095	6,150	5,930
Other	60	198	258	79

Amount of payment deferral by stages as of December 31, 2020 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Group	**21,670**	**9,761**	**2,397**	**33,828**
Customers	13,608	5,920	1,805	21,333
Of which: Mortgages	*8,310*	*3,163*	*914*	*12,387*
SMEs	4,326	1,461	299	6,087
Non-financial corporations	3,495	2,362	293	6,150
Other	240	17	-	258

The payment deferral measures for bank customers 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 in connection with 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. When a payment deferral does not generate interest collection rights, a temporary loss of value is triggered for the transaction, which is calculated as the difference between the current value of the original and the modified cash flows, both discounted at the effective interest rate of the original transaction. The difference is recognized at the initial 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 sheet 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 basically neutral. As of December 31, 2020, the temporary value loss of the payment deferral included in the consolidated income statements amounted to €304 million, from which €300 million have already been recognized as a higher interest margin as of that date.

Regarding the classification of exposures according to their credit risk, the Group 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, the Group 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 planned 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 as described in Note 7.2.7 of the Financial Statements.

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 foreclosure of the guarantee is taken into account.

The public guarantees granted in the different geographies in which the Group operates 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.

7.2.1 Measurement of Expected Credit Loss (ECL)

IFRS 9 requires determining the expected credit loss (ECL) 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 point in time and that is reasonable and bearable with respect to future economic conditions.

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

The modeling of the ECL calculation is subject to a governance system that is common to the entire Group. Within this common framework, each geography makes the necessary adaptations to capture its particularities. The methodology, assumptions and observations used by each geography 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 IFRS 9, each geography performs 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), written 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 the BBVA Group, the expected losses calculated are based on the internal models developed for all the Group's portfolios, unless clients 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 Group'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 Group periodically and individually reviews the situation and credit rating of its customers, regardless of their classification, taking into consideration 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 Group consists of continuously monitoring the risks to which it is exposed, which guarantees their proper classification in the different categories of IFRS 9. 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 Group 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 Group 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 Group 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 Group has so-called Workout Committees, both local and corporate, 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 Group 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 exposures in 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 all other 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 the mentioned 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.
- 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 2.2, the criteria for identifying the significant increase in risk are applied consistently throughout the Group, distinguishing between quantitative reasons 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 Group 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 Group 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 7.1.4 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 common methodology, and in accordance with the provisions of IFRS 9 and the EBA guidelines on credit risk management practices (EBA / GL / 2017/06), each geography has established absolute and relative thresholds for identifying 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: IFRS 9 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 geography and for each portfolio, taking into account their particularities and based on the principles described. The thresholds set by each geography are included within the annual review process and, generally speaking, are in the range of 30% to 250% for the relative threshold and from 10 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 IFRS 9 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 IFRS 9, 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 IFRS 9, 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 Group uses the classical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

BBVA Group´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.

BBVA Group 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 IFRS 9

IFRS 9 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 Group, 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 IFRS 9 standard.

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 knowledge.
- 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.
- BBVA Group 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 Group 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. This effect is calculated taking into account the weighted weight of the expected loss determined for each scenario.

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear. However, the overlay is not expected to reduce the ECL On the other hand, the BBVA Group also takes into account the range of possible scenarios when defining its significant increase in credit risk. Thus, the PDs used in the quantitative process to identify the significant increase in credit 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 IFRS 9. Even though 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 IFRS 9 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 IFRS 9 in a coordinated manner.

The common denominator of all of these recommendations is that, given the difficulty of establishing 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 of 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 thereof, the expected outcome over the lifetime of the transactions will have more weight than the short-term macroeconomic impact.

In this respect, the BBVA Group has taken into account those recommendations in the calculation of the expected credit losses under IFRS 9, 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:

Positive scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2020	(11.20%)	16.44%	(1.44%)	(8.85%)	4.57%	1.71%	2.07%	13.45%
2021	6.63%	16.03%	(3.28%)	4.58%	5.40%	(1.23%)	9.08%	12.60%
2022	6.27%	12.72%	4.56%	3.80%	5.17%	0.32%	5.30%	11.58%
2023	2.95%	10.82%	5.79%	1.62%	5.04%	0.31%	4.13%	11.58%
2024	2.07%	9.58%	3.66%	1.47%	4.91%	1.01%	4.11%	11.19%
2025	2.01%	8.55%	3.57%	1.47%	4.76%	1.72%	4.10%	10.85%

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(11.74%)	12.75%	(10.64%)	13.60%	(6.80%)	18.14%
2021	12.56%	10.29%	9.95%	14.39%	6.80%	16.14%
2022	5.25%	10.00%	3.52%	11.88%	3.70%	14.53%
2023	3.68%	8.73%	2.08%	8.99%	3.15%	14.28%
2024	3.58%	7.23%	2.11%	7.69%	3.27%	12.49%
2025	3.35%	6.88%	2.14%	6.78%	3.60%	12.28%

Estimate of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2020	(11.48%)	16.95%	(1.98%)	(9.25%)	4.62%	1.81%	(0.01%)	13.98%
2021	5.99%	17.51%	(5.08%)	3.71%	5.57%	(1.32%)	5.52%	14.05%
2022	6.04%	14.35%	3.48%	3.53%	5.35%	0.15%	4.53%	12.58%
2023	2.93%	12.41%	5.44%	1.55%	5.19%	0.31%	4.01%	11.95%
2024	2.07%	11.14%	3.20%	1.45%	5.03%	1.02%	3.99%	11.38%
2025	2.01%	9.99%	3.12%	1.46%	4.88%	1.71%	3.98%	11.03%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(13.04%)	12.80%	(13.00%)	13.98%	(7.51%)	18.23%
2021	10.05%	10.48%	5.54%	15.40%	5.48%	16.40%
2022	4.52%	10.23%	2.54%	12.80%	3.46%	14.83%
2023	3.69%	8.93%	1.98%	9.60%	3.15%	14.57%
2024	3.58%	7.41%	1.98%	8.18%	3.27%	12.78%
2025	3.35%	7.06%	2.01%	7.28%	3.60%	12.55%

Negative scenario of GDP, unemployment rate and HPI for the main geographies

	Spain			Mexico			Turkey	
Date	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**	**HPI**	**GDP**	**Unemployment**
2020	(11.76%)	17.44%	(2.60%)	(9.64%)	4.67%	1.89%	(2.10%)	14.49%
2021	5.37%	18.94%	(6.69%)	2.84%	5.75%	(1.48%)	1.75%	15.51%
2022	5.82%	15.92%	2.49%	3.25%	5.53%	(0.06%)	3.56%	13.64%
2023	2.88%	13.99%	4.94%	1.48%	5.34%	0.17%	3.92%	12.33%
2024	2.03%	12.70%	2.45%	1.41%	5.17%	0.99%	3.91%	11.56%
2025	1.97%	11.45%	2.36%	1.41%	5.02%	1.70%	3.91%	11.20%

	Peru		Argentina		Colombia	
Date	**GDP**	**Unemployment**	**GDP**	**Unemployment**	**GDP**	**Unemployment**
2020	(14.33%)	12.85%	(15.28%)	14.34%	(8.25%)	18.31%
2021	7.53%	10.69%	0.89%	16.38%	4.16%	16.66%
2022	3.78%	10.48%	1.33%	13.69%	3.16%	15.10%
2023	3.69%	9.15%	1.86%	10.19%	3.15%	14.84%
2024	3.57%	7.62%	1.83%	8.63%	3.27%	13.04%
2025	3.35%	7.27%	1.86%	7.75%	3.60%	12.80%

The estimate for the next five years of the Gross Domestic Product (GDP), 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, 2019:

GPD for the main geographies

	Spain			Mexico			Turkey			United States		
Date	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**
2019	0.96%	1.54%	2.15%	(0.58%)	0.23%	1.06%	(0.60%)	3.32%	7.06%	1.16%	2.12%	3.13%
2020	1.35%	1.87%	2.42%	0.93%	1.66%	2.39%	(0.68%)	2.48%	5.27%	1.00%	1.81%	2.62%
2021	2.01%	2.10%	2.19%	2.05%	2.14%	2.23%	4.60%	4.74%	4.91%	1.84%	1.92%	2.03%
2022	1.85%	1.89%	1.88%	2.07%	2.14%	2.19%	4.28%	4.38%	4.47%	1.83%	1.86%	1.91%
2023	1.81%	1.85%	1.85%	2.11%	2.15%	2.17%	4.31%	4.38%	4.50%	1.88%	1.91%	1.94%

GDP for the main geographies

	Peru			Argentina			Colombia		
Date	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**	**GDP negative scenario**	**GDP base scenario**	**GDP positive scenario**
2019	0.34%	2.92%	5.43%	(7.41%)	(2.47%)	2.40%	1.93%	3.29%	4.58%
2020	0.32%	2.46%	4.56%	(6.62%)	(2.57%)	0.85%	1.71%	2.73%	3.74%
2021	3.07%	3.28%	3.49%	2.08%	2.30%	2.51%	3.61%	3.61%	3.61%
2022	3.39%	3.39%	3.39%	1.64%	1.78%	1.88%	3.59%	3.59%	3.59%
2023	3.86%	3.86%	3.86%	1.95%	2.10%	2.23%	3.59%	3.59%	3.59%

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

	BBVA Group					Spain			Mexico			Turkey		
GPD	**Total Portafolio**	**Retail**	***Mortgages***	**Wholesaler**	**Fixed income**	**Total Portafolio**	**Mortgages**	**Companies**	**Total Portafolio**	**Mortgages**	**Cards**	**Total Portafolio**	**Mortgages**	**Cards**
-100pb	3.55%	3.47%	*3.72%*	3.91%	1.58%	3.72%	4.39%	3.96%	3.91%	2.20%	6.30%	1.56%	1.58%	1.62%
+100pb	(3.25%)	(3.14%)	*(3.03%)*	(3.69%)	(1.97%)	(3.32%)	(3.57%)	(3.53%)	(3.64%)	(2.07%)	(5.78%)	(1.47%)	(1.55%)	(1.47%)
Housing price														
-100pb							5.41%	0.79%		3.13%				
+100pb							(5.35%)	(0.77%)		(4.47%)				

Additional adjustments to expect loss measurement

In addition to what is described on individualized and collective estimates of expected losses and macroeconomic estimates, the Group may supplement the expected losses if it deems it necessary to collect the effects that may not be included, either by considering risk drivers or by 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 or materialize.

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, 244 million euros are pending allocation to specific borrowers, of which 223 million euros are located in Spain (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) and 21 million euros in the United States in relation to the uncertainty of the Oil & Gas sector.

7.2.2 Credit risk exposure

In accordance with IFRS 7 "Financial instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the balance sheets as of December 31, 2020, 2019 and 2018 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. 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		**68,075**			
Debt securities	10	23,970			
Equity instruments	10	11,458			
Loans and advances	10	32,647			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,198**			
Loans and advances	11	709			
Debt securities	11	356			
Equity instruments	11	4,133			
Financial assets designated at fair value through profit or loss	**12**	**1,117**			
Derivatives (trading and hedging)		**46,302**			
Financial assets at fair value through other comprehensive income		**69,537**			
Debt securities		68,404	67,995	410	-
Equity instruments	13	1,100			
Loans and advances to credit institutions	13	33	33	-	-
Financial assets at amortized cost		**379,857**	**334,552**	**30,607**	**14,698**
Loans and advances to central banks		6,229	6,229	-	-
Loans and advances to credit institutions		14,591	14,565	20	6
Loans and advances to customers		323,252	277,998	30,581	14,672
Debt securities		35,785	35,759	6	20
Total financial assets risk		**570,084**	**-**	**-**	**-**
Total loan commitments and financial guarantees		**179,440**	**165,726**	**12,682**	**1,032**
Loan commitments given	33	132,584	124,104	8,214	265
Financial guarantees given	33	10,665	9,208	1,168	290
Other commitments given	33	36,190	32,414	3,300	477
Total maximum credit exposure		**749,524**			

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Maximum credit risk exposure (Millions of Euros)

	Notes	December 2019	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**69,503**			
Debt securities	10	26,309			
Equity instruments	10	8,892			
Loans and advances	10	34,303			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,557**			
Loans and advances	11	1,120			
Debt securities	11	110			
Equity instruments	11	4,327			
Financial assets designated at fair value through profit or loss	**12**	**1,214**			
Derivatives (trading and hedging)		**39,462**			
Financial assets at fair value through other comprehensive income		**61,293**			
Debt securities		58,841	58,590	250	-
Equity instruments	13	2,420			
Loans and advances to credit institutions	13	33	33	-	-
Financial assets at amortized cost		**451,640**	**402,024**	**33,624**	**15,993**
Loans and advances to central banks		4,285	4,285	-	-
Loans and advances to credit institutions		13,664	13,500	158	6
Loans and advances to customers		394,763	345,449	33,360	15,954
Debt securities		38,930	38,790	106	33
Total financial assets risk		**628,670**			
Total loan commitments and financial guarantees		**181,116**	**169,663**	**10,452**	**1,001**
Loan commitments given	33	130,923	123,707	6,945	270
Financial guarantees given	33	10,984	9,804	955	224
Other commitments given	33	39,209	36,151	2,552	506
Total maximum credit exposure		**809,786**			

Maximum credit risk exposure (Millions of Euros)

	Notes	December 2018	Stage 1	Stage 2	Stage 3
Financial assets held for trading		**59,581**			
Debt securities	10	25,577			
Equity instruments	10	5,254			
Loans and advances	10	28,750			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,135**			
Loans and advances	11	1,803			
Debt securities	11	237			
Equity instruments	11	3,095			
Financial assets designated at fair value through profit or loss	**12**	**1,313**			
Derivatives (trading and hedging)		**38,249**			
Financial assets at fair value through other comprehensive income		**56,365**			
Debt securities		53,737	53,734	3	-
Equity instruments	13	2,595			
Loans and advances to credit institutions	13	33	33	-	-
Financial assets at amortized cost		**431,927**	**384,632**	**30,902**	**16,394**
Loans and advances to central banks		3,947	3,947	-	-
Loans and advances to credit institutions		9,175	9,131	34	10
Loans and advances to customers		386,225	339,204	30,673	16,348
Debt securities		32,580	32,350	195	35
Total financial assets risk		**592,571**			
Total loan commitments and financial guarantees		**170,511**	**161,404**	**8,120**	**987**
Loan commitments given	33	118,959	113,403	5,308	247
Financial guarantees given	33	16,454	14,902	1,220	332
Other commitments given	33	35,098	33,099	1,591	408
Total maximum credit exposure		**763,082**			

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 consolidated 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 the Group 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 geographical location and Stage of the maximum credit risk exposure, the accumulated allowances recorded and the carrying amount of the loans and advances to customers as of December 31, 2020, 2019 and 2018 is shown below:

December 2020 (Millions of Euros)

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain (*)	195,983	171,397	16,387	8,199	(5,679)	(753)	(849)	(4,077)	190,304	170,644	15,538	4,122
Mexico	52,211	46,373	4,071	1,767	(2,211)	(685)	(442)	(1,083)	50,000	45,688	3,628	684
Turkey (**)	39,633	30,832	5,806	2,995	(2,338)	(246)	(535)	(1,557)	37,295	30,586	5,272	1,438
South America (***)	34,499	28,484	4,312	1,703	(1,870)	(320)	(460)	(1,090)	32,629	28,165	3,852	612
Others	925	912	5	8	(7)	(1)	-	(6)	918	911	4	2
Total (****)	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**
Of which: individual					*(2,611)*	*(10)*	*(479)*	*(2,122)*				
Of which: collective					*(9,494)*	*(1,995)*	*(1,808)*	*(5,691)*				

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.
(****) 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 remaining balance was €363 million). These valuation adjustments are recognized in the consolidated 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				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain (*)	197,058	173,843	14,599	8,616	(5,311)	(712)	(661)	(3,939)	191,747	173,131	13,939	4,677
The United States	57,387	49,744	7,011	632	(688)	(165)	(342)	(182)	56,699	49,580	6,670	450
Mexico	60,099	54,748	3,873	1,478	(2,013)	(697)	(404)	(912)	58,087	54,052	3,469	566
Turkey (**)	43,113	34,536	5,127	3,451	(2,613)	(189)	(450)	(1,974)	40,500	34,347	4,677	1,477
South America (***)	36,265	31,754	2,742	1,769	(1,769)	(366)	(323)	(1,079)	34,497	31,388	2,419	690
Others	839	824	7	9	(8)	(1)	(1)	(6)	832	823	6	2
Total (****)	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**
Of which: individual					*(2,795)*	*(6)*	*(347)*	*(2,441)*				
Of which: collective					*(9,608)*	*(2,123)*	*(1,834)*	*(5,652)*				

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates mainly in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
(****) 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 remaining balance was €433 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2018 (Millions of Euros)

	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain (*)	195,447	172,599	12,827	10,021	(5,874)	(713)	(877)	(4,284)	189,574	171,886	11,951	5,737
The United States	57,321	50,665	5,923	733	(658)	(206)	(299)	(153)	56,663	50,459	5,624	580
Mexico	52,858	48,354	3,366	1,138	(1,750)	(640)	(373)	(737)	51,107	47,714	2,992	401
Turkey (**)	43,718	34,883	6,113	2,722	(2,241)	(171)	(591)	(1,479)	41,479	34,712	5,523	1,244
South America (***)	36,098	31,947	2,436	1,715	(1,656)	(338)	(234)	(1,084)	34,442	31,609	2,202	631
Others	783	756	8	19	(19)	-	(1)	(18)	763	755	7	1
Total (****)	**386,225**	**339,204**	**30,673**	**16,348**	**(12,199)**	**(2,070)**	**(2,374)**	**(7,755)**	**374,027**	**337,134**	**28,299**	**8,593**
Of which: individual					*(3,333)*	*(3)*	*(504)*	*(2,826)*				
Of which: collective					*(8,866)*	*(2,067)*	*(1,870)*	*(4,929)*				

(*) Spain includes all countries where BBVA, S.A. operates.
(**) Turkey includes all countries in which Garanti BBVA operates.
(***) In South America, BBVA Group operates mainly in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
(****) 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, 2018 the remaining balance was €540 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

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 31, 2020, 2019 and 2018 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	19,439	19,163	200	76	(48)	(14)	(9)	(25)	19,391	19,149	191	51
Other financial corporations	9,856	9,747	95	14	(39)	(25)	(6)	(7)	9,817	9,722	88	7
Non-financial corporations	142,547	119,891	15,179	7,477	(6,123)	(774)	(1,110)	(4,239)	136,424	119,117	14,069	3,238
Individuals	151,410	129,196	15,108	7,106	(5,895)	(1,192)	(1,161)	(3,542)	145,515	128,005	13,946	3,564
Loans and advances to customers	**323,252**	**277,998**	**30,581**	**14,672**	**(12,105)**	**(2,005)**	**(2,287)**	**(7,813)**	**311,147**	**275,993**	**28,294**	**6,860**

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	28,281	27,511	682	88	(59)	(15)	(22)	(21)	28,222	27,496	660	66
Other financial corporations	11,239	11,085	136	17	(31)	(19)	(2)	(10)	11,207	11,066	134	8
Non-financial corporations	173,254	148,768	16,018	8,468	(6,465)	(811)	(904)	(4,750)	166,789	147,957	15,114	3,718
Individuals	181,989	158,085	16,523	7,381	(5,847)	(1,283)	(1,252)	(3,312)	176,142	156,801	15,272	4,069
Loans and advances to customers	**394,763**	**345,449**	**33,360**	**15,954**	**(12,402)**	**(2,129)**	**(2,181)**	**(8,093)**	**382,360**	**343,320**	**31,179**	**7,861**

December 2018 (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	28,632	27,740	764	128	(84)	(21)	(25)	(38)	28,549	27,719	739	91
Other financial corporations	9,490	9,189	291	11	(22)	(13)	(4)	(4)	9,468	9,176	286	6
Non-financial corporations	169,764	145,875	15,516	8,372	(6,260)	(730)	(1,190)	(4,341)	163,503	145,145	14,327	4,031
Individuals	178,339	156,400	14,102	7,838	(5,833)	(1,305)	(1,155)	(3,372)	172,506	155,094	12,946	4,466
Loans and advances to customers	**386,225**	**339,204**	**30,673**	**16,348**	**(12,199)**	**(2,070)**	**(2,374)**	**(7,755)**	**374,027**	**337,134**	**28,299**	**8,593**

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 different headings of the assets, as of December 31, 2020, 2019 and 2018 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	-	7	-	502	1,798	528	2,835	3,021
Credit card debt	-	-	-	2	1,485	11,605	13,093	14,220
Commercial debtors		898	-	317	14,262	67	15,544	15,796
Finance leases	-	197	-	6	7,125	322	7,650	8,013
Reverse repurchase loans	472	-	1,914	-	71	-	2,457	2,463
Other term loans	5,690	18,111	3,972	5,799	111,141	132,603	277,317	287,467
Advances that are not loans	48	260	8,721	3,191	1,084	473	13,777	13,833
LOANS AND ADVANCES	**6,209**	**19,475**	**14,608**	**9,817**	**136,966**	**145,598**	**332,672**	**344,813**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*372*	-	*209*	*22,091*	*94,147*	*116,819*	*120,194*
Of which: other collateralized loans	*472*	*952*	-	*317*	*3,763*	*2,059*	*7,562*	*7,776*
By purpose of the loan								
Of which: credit for consumption						*39,799*	*39,799*	*43,037*
Of which: lending for house purchase						*94,098*	*94,098*	*95,751*
By subordination								
Of which: project finance loans					*10,721*		*10,721*	*11,032*

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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	-	9	-	118	2,328	595	3,050	3,251
Credit card debt	-	10	1	3	1,940	14,401	16,355	17,608
Commercial debtors		971	-	230	15,976	99	17,276	17,617
Finance leases	-	227	-	6	8,091	387	8,711	9,095
Reverse repurchase loans	-	-	1,817	-	26	-	1,843	1,848
Other term loans	4,240	26,734	4,121	7,795	137,934	160,223	341,047	351,230
Advances that are not loans	35	865	7,743	3,056	951	506	13,156	13,214
LOANS AND ADVANCES	**4,275**	**28,816**	**13,682**	**11,208**	**167,246**	**176,211**	**401,438**	**413,863**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,067*	*15*	*261*	*23,575*	*111,085*	*136,003*	*139,317*
Of which: other collateralized loans	-	*10,447*	*93*	*2,106*	*29,009*	*6,893*	*48,548*	*49,266*
By purpose of the loan								
Of which: credit for consumption						*46,356*	*46,356*	*49,474*
Of which: lending for house purchase						*110,178*	*110,178*	*111,636*
By subordination								
Of which: project finance loans					*12,259*		*12,259*	*12,415*

December 2018 (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	-	10	-	151	2,833	648	3,641	3,834
Credit card debt	-	8	1	2	2,328	13,108	15,446	16,495
Commercial debtors		948	-	195	16,190	103	17,436	17,716
Finance leases	-	226	-	3	8,014	406	8,650	9,077
Reverse repurchase loans	-	293	477	-	-	-	770	772
Other term loans	3,911	26,839	2,947	7,030	133,573	157,760	332,060	342,264
Advances that are not loans	29	1,592	5,771	2,088	984	498	10,962	11,025
LOANS AND ADVANCES	**3,941**	**29,917**	**9,196**	**9,468**	**163,922**	**172,522**	**388,966**	**401,183**
By secured loans								
Of which: mortgage loans collateralized by immovable property		*1,056*	*15*	*219*	*26,784*	*111,809*	*139,883*	*144,005*
Of which: other collateralized loans	-	*7,179*	*285*	*1,389*	*31,393*	*6,835*	*47,081*	*47,855*
By purpose of the loan								
Of which: credit for consumption						*40,124*	*40,124*	*42,736*
Of which: lending for house purchase						*111,007*	*111,007*	*112,952*
By subordination								
Of which: project finance loans					*13,973*		*13,973*	*14,286*

7.2.3 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 of the analysis of the financial risk, based on the capacity for 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 general 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 BBVA Group'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 Group's legal units.

The valuation of the collateral is taken into account in the calculation of the expected losses. The Group 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 offsetting effect (via netting and collateral) for derivatives and securities operations as of December 31, 2020 is presented in Note 7.3.2.

- 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, 2019 and 2018, BBVA Group had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 7.2.2).

- 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 covered by collateral (see Note 7.2.6), by type of collateral, as of December 31, 2020, 2019 and 2018, 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	14,678	2,717	789	18	52	575
Total	**14,678**	**2,717**	**789**	**18**	**52**	**575**

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	15,959	3,396	939	35	221	542
Total	**15,959**	**3,396**	**939**	**35**	**221**	**542**

December 2018 (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	16,359	3,484	1,255	13	317	502
Total	**16,359**	**3,484**	**1,255**	**13**	**317**	**502**

The value of guarantees received as of December 31, 2020, 2019 and 2018, is the following:

Guarantees received (Millions of Euros)

	2020	2019	2018
Value of collateral	**116,900**	**152,454**	**158,268**
Of which: guarantees normal risks under special monitoring	*11,296*	*14,623*	*14,087*
Of which: guarantees non-performing risks	*3,577*	*4,590*	*5,068*
Value of other guarantees	**47,012**	**35,464**	**16,897**
Of which: guarantees normal risks under special monitoring	*4,045*	*3,306*	*1,519*
Of which: guarantees non-performing risks	*575*	*542*	*502*
Total value of guarantees received	**163,912**	**187,918**	**175,165**

The maximum credit risk exposure of impaired financial guarantees and other commitments at December 31, 2020, 2019 and 2018 amounts to €1,032, €1,001 and €987 million, respectively (see Note 7.2.2).

7.2.4 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 by probability of default within 12 months and stages of the gross carrying amount of loans and advances to customers in percentage terms of the BBVA Group as of December 31, 2020, 2019 and 2018:

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Probability of default (basis points)

	2020		2019		2018	
	Subject to 12 month ECL (*Stage* 1)	Subject to lifetime ECL (*Stage* 2)	Subject to 12 month ECL (*Stage* 1)	Subject to lifetime ECL (*Stage* 2)	Subject to 12 month ECL (*Stage* 1)	Subject to lifetime ECL (*Stage* 2)
	%	%	%	%	%	%
0 to 2	4.0	-	5.5	-	9.6	-
2 to 5	10.2	0.1	6.3	-	10.8	0.1
5 to 11	7.7	0.1	14.6	0.2	6.3	-
11 to 39	26.8	0.5	24.5	0.8	20.9	0.4
39 to 194	24.0	2.3	24.5	1.6	30.1	1.8
194 to 1.061	15.1	3.4	14.0	3.6	12.2	3.6
1,061 to 2,121	1.5	1.2	1.4	1.2	1.6	1.2
> 2,121	0.6	2.5	0.4	1.5	0.2	1.2
Total	**89.9**	**10.1**	**91.0**	**9.0**	**91.7**	**8.3**

7.2.5 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, 2019 and 2018 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	**6,229**	**-**	**(20)**	**-**
General governments	**19,439**	**76**	**(48)**	**0.4%**
Credit institutions	**14,591**	**6**	**(16)**	**-**
Other financial corporations	**9,856**	**14**	**(39)**	**0.1%**
Non-financial corporations	**142,547**	**7,477**	**(6,123)**	**5.2%**
Agriculture, forestry and fishing	3,438	132	(108)	3.8%
Mining and quarrying	4,349	47	(59)	1.1%
Manufacturing	33,771	1,486	(1,129)	4.4%
Electricity, gas, steam and air conditioning supply	13,490	591	(509)	4.4%
Water supply	899	17	(15)	1.9%
Construction	10,019	1,397	(722)	13.9%
Wholesale and retail trade	24,594	1,456	(1,223)	5.9%
Transport and storage	8,117	489	(368)	6.0%
Accommodation and food service activities	8,337	358	(294)	4.3%
Information and communications	5,764	73	(60)	1.3%
Financial and insurance activities	5,298	123	(132)	2.3%
Real estate activities	10,025	617	(494)	6.2%
Professional, scientific and technical activities	2,886	177	(124)	6.1%
Administrative and support service activities	3,955	142	(192)	3.6%
Public administration and defense; compulsory social security	129	5	(4)	3.5%
Education	665	54	(43)	8.1%
Human health services and social work activities	1,812	67	(59)	3.7%
Arts, entertainment and recreation	1,131	46	(65)	4.1%
Other services	3,871	198	(523)	5.1%
Households	**151,410**	**7,106**	**(5,895)**	**4.7%**
LOANS AND ADVANCES	**344,072**	**14,678**	**(12,141)**	**4.3%**

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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	**4,285**	**-**	**(9)**	**-**
General governments	**28,281**	**88**	**(60)**	**0.3%**
Credit institutions	**13,664**	**6**	**(15)**	**-**
Other financial corporations	**11,239**	**17**	**(31)**	**0.2%**
Non-financial corporations	**173,254**	**8,467**	**(6,465)**	**4.9%**
Agriculture, forestry and fishing	3,758	154	(124)	4.1%
Mining and quarrying	4,669	100	(86)	2.1%
Manufacturing	39,517	1,711	(1,242)	4.3%
Electricity, gas, steam and air conditioning supply	12,305	684	(575)	5.6%
Water supply	900	14	(16)	1.6%
Construction	10,945	1,377	(876)	12.6%
Wholesale and retail trade	27,467	1,799	(1,448)	6.6%
Transport and storage	9,638	507	(392)	5.3%
Accommodation and food service activities	8,703	279	(203)	3.2%
Information and communications	6,316	95	(65)	1.5%
Financial and insurance activities	6,864	191	(140)	2.8%
Real estate activities	19,435	782	(527)	4.0%
Professional, scientific and technical activities	4,375	167	(140)	3.8%
Administrative and support service activities	3,415	118	(134)	3.4%
Public administration and defense, compulsory social security	282	5	(6)	1.7%
Education	903	41	(38)	4.5%
Human health services and social work activities	4,696	66	(55)	1.4%
Arts, entertainment and recreation	1,396	47	(39)	3.4%
Other services	7,671	331	(360)	4.3%
Households	**181,989**	**7,381**	**(5,847)**	**4.1%**
LOANS AND ADVANCES	412,711	15,959	(12,427)	3.9%

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December 2018 (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	**3,947**	**-**	**(6)**	**-**
General governments	**28,198**	**128**	**(84)**	**0.4%**
Credit institutions	**9,175**	**10**	**(12)**	**0.1%**
Other financial corporations	**9,490**	**11**	**(22)**	**0.1%**
Non-financial corporations	**170,182**	**8,372**	**(6,260)**	**4.9%**
Agriculture, forestry and fishing	3,685	122	(107)	3.3%
Mining and quarrying	4,952	96	(70)	1.9%
Manufacturing	36,772	1,695	(1,134)	4.6%
Electricity, gas, steam and air conditioning supply	13,853	585	(446)	4.2%
Water supply	1,061	19	(15)	1.8%
Construction	11,899	1,488	(1,007)	12.5%
Wholesale and retail trade	25,833	1,624	(1,259)	6.3%
Transport and storage	9,798	459	(374)	4.7%
Accommodation and food service activities	7,882	315	(204)	4.0%
Information and communications	5,238	113	(72)	2.1%
Financial and insurance activities	6,929	147	(128)	2.1%
Real estate activities	17,272	834	(624)	4.8%
Professional, scientific and technical activities	5,096	204	(171)	4.0%
Administrative and support service activities	3,162	128	(125)	4.0%
Public administration and defense, compulsory social security	319	5	(7)	1.6%
Education	912	31	(31)	3.4%
Human health services and social work activities	4,406	63	(63)	1.4%
Arts, entertainment and recreation	1,323	59	(41)	4.5%
Other services	9,791	386	(382)	3.9%
Households	**178,355**	**7,838**	**(5,833)**	**4.4%**
LOANS AND ADVANCES	**399,347**	**16,359**	**(12,217)**	**4.1%**

The changes during the years 2020, 2019 and 2018 of impaired financial assets and contingent risks are as follow:

Changes in impaired financial assets and contingent risks (Millions of Euros)

	2020	2019	2018
Balance at the beginning	**16,770**	**17,134**	**20,590**
Additions	9,533	9,857	9,792
Decreases (*)	(5,024)	(5,874)	(6,909)
Net additions	**4,509**	**3,983**	**2,883**
Amounts written-off	(3,603)	(3,803)	(5,076)
Exchange differences and other	(968)	(544)	(1,264)
Balance at the end	**16,708**	**16,770**	**17,134**

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

The changes during the years 2020, 2019 and 2018 in financial assets derecognized from the accompanying consolidated 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	2018
Balance at the beginning		**26,245**	**32,343**	**30,139**
Companies held for sale (*)		(4,646)	-	-
Increase		3,440	4,712	6,164
Decrease:		(2,715)	(11,039)	(4,210)
Re-financing or restructuring		(7)	(2)	(10)
Cash recovery	47	(339)	(919)	(589)
Foreclosed assets		(479)	(617)	(625)
Sales (**)		(1,223)	(8,325)	(1,805)
Debt forgiveness		(607)	(493)	(889)
Time-barred debt and other causes		(60)	(682)	(292)
Net exchange differences		(323)	230	250
Balance at the end		**22,001**	**26,245**	**32,343**

(*) Amount in 2020 is mainly due to the sale of the stake in BBVA USA (see Notes 3 and 21).
(**) Includes principal and interest.

As indicated in Note 2.2.1, although they have been derecognized from the consolidated balance sheet, the BBVA Group continues to attempt to collect on these written-off financial assets, until the rights to receive them are fully extinguished, either because it is a time-barred financial asset, the financial asset is forgiven, or other reason.

7.2.6 Loss allowances

Movements in gross accounting balances and accumulated allowances for loan losses during 2020 and 2019 are recorded on the accompanying consolidated balance sheet as of December 31, 2020 and 2019, in order to cover the estimated loss allowances in loans and advances and debt securities measured at amortized cost.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Changes in gross accounting balances of loans and advances at amortized cost. 2020 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**363,234**	**33,518**	**15,959**	**412,711**
Transfers of financial assets:	(11,935)	8,807	3,128	-
Transfers from stage 1 to Stage 2	(15,843)	15,843	-	-
Transfers from stage 2 to Stage 1	5,107	(5,107)	-	-
Transfers to Stage 3	(1,701)	(2,659)	4,359	-
Transfers from Stage 3	502	729	(1,231)	-
Net annual origination of financial assets	16,119	(827)	102	15,395
Becoming write-offs	(3)	(2)	(2,944)	(2,949)
Changes in model / methodology	-	-	-	-
Foreign exchange	(21,472)	(2,342)	(1,157)	(24,970)
Modifications that do not result in derecognition	(204)	827	511	1,134
Other	(283)	(190)	270	(204)
Discontinued operations	(46,664)	(9,190)	(1,192)	(57,045)
Closing balance	**298,793**	**30,601**	**14,678**	**344,072**

Changes in allowances of loans and advances at amortized cost. 2020 (Millions of Euros)

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**(2,149)**	**(2,183)**	**(8,094)**	**(12,427)**
Transfers of financial assets:	184	(511)	(1,806)	(2,133)
Transfers from stage 1 to Stage 2	156	(923)	-	(766)
Transfers from stage 2 to Stage 1	(50)	253	-	202
Transfers to Stage 3	81	218	(1,950)	(1,652)
Transfers from Stage 3	(3)	(59)	144	83
Net annual origination of allowances	(872)	(795)	(1,329)	(2,996)
Becoming write-offs	-	-	2,567	2,568
Changes in model / methodology	-	-	-	-
Foreign exchange	227	256	721	1,204
Modifications that do not result in derecognition	12	(118)	(177)	(283)
Other	160	618	25	803
Discontinued operations	401	444	278	1,123
Closing balance	**(2,037)**	**(2,289)**	**(7,815)**	**(12,141)**

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	**352,282**	**30,707**	**16,359**	**399,347**
Transfers of financial assets:	(9,021)	6,279	2,741	-
Transfers from stage 1 to Stage 2	(13,546)	13,546	-	-
Transfers from stage 2 to Stage 1	5,656	(5,656)	-	-
Transfers to Stage 3	(1,571)	(2,698)	4,269	-
Transfers from Stage 3	440	1,087	(1,527)	-
Net annual origination of financial assets	20,296	(2,739)	246	17,804
Becoming write-offs	(152)	(349)	(3,407)	(3,908)
Changes in model / methodology	-	-	-	-
Foreign exchange	1,611	35	16	1,662
Modifications that do not result in derecognition	(1)	(27)	15	(13)
Other	(1,782)	(388)	(11)	(2,180)
Closing balance	**363,234**	**33,518**	**15,959**	**412,711**

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

	Stage 1	Stage 2	Stage 3	Total
Opening balance	**(2,082)**	**(2,375)**	**(7,761)**	**(12,217)**
Transfers of financial assets:	176	(227)	(1,574)	(1,626)
Transfers from stage 1 to Stage 2	126	(649)	-	(523)
Transfers from stage 2 to Stage 1	(38)	273	-	235
Transfers to Stage 3	89	234	(1,810)	(1,487)
Transfers from Stage 3	(1)	(86)	236	149
Net annual origination of allowances	(542)	(116)	(1,711)	(2,370)
Becoming write-offs	130	337	2,789	3,256
Changes in model / methodology	-	-	-	-
Foreign exchange	(30)	(18)	69	20
Modifications that do not result in derecognition	(15)	(149)	(89)	(254)

Other	215	366	183	764
Closing balance	**(2,149)**	**(2,183)**	**(8,094)**	**(12,427)**

The following are the movements produced during 2018 in the value adjustments recorded in the accompanying balance sheets to cover the impairment or reversal of the estimated impairment of financial assets at amortized cost:

Financial assets at amortized cost. December 2018 (Millions of Euros)

	Not credit-impaired			Credit-impaired	Total
	Stage 1	Stage 2		Credit-impaired (Stage 3)	
	Loss allowances	Loss allowances (collectively assessed)	Loss allowances (individually assessed)	Loss allowances	Loss allowances
Opening balance	**(2,237)**	**(1,827)**	**(525)**	**(9,371)**	**(13,960)**
Transfers of financial assets:	131	(155)	328	(1,794)	(1,490)
Transfers from *Stage* 1 to *Stage* 2 (not credit-impaired)	208	(930)	(218)	-	(940)
Transfers from *Stage* 2 (not credit - impaired) to *Stage* 1	(125)	619	50	-	544
Transfers to *Stage* 3	55	282	564	(2,127)	(1,226)
Transfers from *Stage* 3 to *Stage* 1 or 2	(7)	(126)	(68)	333	132
Changes without transfers between *Stages*	358	(53)	(260)	(3,775)	(3,730)
New financial assets originated	(1,072)	(375)	(244)	-	(1,692)
Purchased	-	-	-	-	-
Disposals	2	3	-	110	115
Repayments	641	432	118	1,432	2,623
Write-offs	13	14	2	4,433	4,461
Changes in model/ methodology	-	-	-	-	-
Foreign exchange	(84)	72	(93)	343	239
Modifications that result in derecognition	5	10	25	98	138
Modifications that do not result in derecognition	3	(8)	1	(362)	(366)
Other	135	133	20	1,111	1,399
Closing balance	**(2,106)**	**(1,753)**	**(628)**	**(7,777)**	**(12,264)**
Of which: Loans and advances					*(12,217)*
Of which: Debt certificates					*(46)*

7.2.7 Refinancing and restructuring transactions

Group policies and principles with respect to refinancing and restructuring transactions

Refinancing and restructuring transactions (see definition in the Glossary) are carried out with customers who have requested such a transaction 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 transaction 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 transaction, 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 transactions do not in general increase the amount of the customer's loan, except for the expense inherent to the transaction itself.
- The capacity to refinance and restructure a 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 a loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of the 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 transactions 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 transaction in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of transactions is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring transactions 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 transaction does not mean the loan is reclassified from "impaired" or "significant increase in credit risk" to normal risk. The reclassification to "significant increase in credit risk" 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 unlikely to pay when there are significant doubts that the terms of their refinancing may not be met; or
- "Significant increase in credit risk" until the conditions established for their consideration as normal risk are met.

The assets classified as "Impaired assets" should comply with the following conditions in order to be reclassified to "Significant increase in credit risk":

- The customer has to have paid a significant part of the pending exposure.
- At least one year must have elapsed since its classification as "Impaired asset".
- The customer does not have past due payments and objective criteria, demonstrating the borrower´s ability to pay, have been verified.

The conditions established for assets classified as "Significant increase in credit risk" 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; none of its exposures is more than 30 days past-due.
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan and regular payments must have been made during at least half of this probation period; and
- 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 economic impact caused by the Covid-19 pandemic has required the adaptation of the repayment schedule of a large volume of loans in all geographies and portfolios. In general, this support has been conducted through the concession of deferrals that comply with the principles established by the EBA, which has allowed for the application of a differential accounting and prudential treatment.

Renewals and renegotiations will be classified as normal risk, provided that there is no significant increase in risk. This classification is applicable at the initial moment, and in the event of any deterioration, the criteria established in the existing governance are followed. In this sense, the aforementioned conditions are considered, including, among others, no facility with more than 30 days delinquency and not being identified as 'unlikely to pay'.

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).

For quantitative information on refinancing and restructuring transactions see Appendix XI.

7.2.8 Risk concentration

Policies for preventing excessive risk concentration

In order to prevent the build-up of excessive risk concentrations at the individual, sector, portfolio and geography levels, BBVA Group maintains updated maximum permitted risk concentration indices which are tied to the various observable variables related to concentration risk.

Together with the limits for individual concentration, the Group uses the Herfindahl index to measure the concentration of the Group's portfolio and the banking group's subsidiaries. At the BBVA Group level, the index reached implies a "very low" degree of concentration.

The limit on the Group's exposure or financial commitment to a specific customer therefore depends on the customer's credit rating, the nature of the risks involved, and the Group's presence in a given market, based on the following guidelines:

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.
- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the shareholder´s entity that assumes them), the markets, the macroeconomic situation, etc.

Risk concentrations by geography

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix XII.

Sovereign risk concentration

Sovereign risk management

The risk associated with the transactions involving sovereign risk is identified, measured, controlled and tracked by a centralized unit integrated in the BBVA Group's Risk Area. Its basic functions involve the preparation of reports in the countries where sovereign risk exists (called "financial programs"), tracking such risks, assigning ratings to these countries and, in general, supporting the Group in terms of reporting requirements for any transactions involving sovereign risk. The risk policies established in the financial programs are approved by the relevant risk committees.

The country risk unit tracks the evolution of the risks associated with the various countries to which the Group are exposed (including sovereign risk) on an ongoing basis in order to adapt its risk and mitigation policies to any macroeconomic and political changes that may occur. Moreover, it regularly updates its internal ratings and forecasts for these countries. The methodology is based on the assessment of quantitative and qualitative parameters which are in line with those used by certain multilateral organizations such as the International Monetary Fund (IMF) and the World Bank, rating agencies and export credit organizations.

For additional information on sovereign risk in Europe see Appendix XII.

Risk related to the developer and Real-Estate sector in Spain

The relative weight of the investment in Real Estate developments has dramatically decreased during the last years, especially since 2014 and during 2018, when doubtful assets exited the balance sheet and recovery of the sector concluded. A corporate sales policy has been rolled out to eliminate those real estate assets from the balance sheet which have been most difficult to commercialize. The sales of 80% of the Group's share in Divarian and of other performing and NPL wholesale portfolios to Funds and specialized investors have been some of the most relevant transactions (see Note 3).

Policies and strategies established by the Group to deal with risks related to the developer and real-estate sector

BBVA Group 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 risk teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department of the BBVA Group (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio.

The 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 within a sector is highly cyclical.

Specific policies for analysis and granting of new developer risk transactions

In the analysis of new transactions, the assessment of the commercial operation in terms of the economic and financial viability of the project has been one of the constant. The monitoring of the work, sales prospects and the legal situation of the project are essential aspects for the admission and follow-up of new real estate transactions. With regard the participation of the Risk Acceptance teams, they have a direct link and participate in the committees of areas such as Valuation, Legal, Research and Recoveries. This guarantees coordination and exchange of information in all the processes.

In this context, and within the current Real Estate cycle, the strategy with clients is subject to an Asset Allocation limit and to an action framework that allows defining a target portfolio, both in volume and in credit quality.

Risk monitoring policies

The base information for analyzing the real estate portfolios is updated monthly. There is a systematic monitoring of developments under close monitoring with the evolution of works and sales. Since 2013, there are no threats of new defaults in the portfolio.

Policies applied in the management of real estate assets in Spain

The internal Rules on Real Estate Financing, which establish recommendations for financing a new housing development business, are reviewed and updated annually.

The recommendations represent guidelines about how to manage the credit admission activity of BBVA Group entities based on best practices of markets in which this activity is performed. It is expected that a high percentage of the current transactions will be in compliance with the latter.

For quantitative information about the risk related to the developer and Real-Estate sector in Spain see Appendix XII.

7.3 Market risk

Market risk originates from the possibility of experiencing losses in the value of positions held as a result of movements in market variables that affect the valuation of financial assets and liabilities. Market risk in the Group'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 and distinctly addressed and can be broken down into structural risks relating to interest rate, exchange rate and equity (see Note 7.4).

7.3.1 Market risk in trading portfolios

The main risks in the 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 the 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 risk, basis risk, as well as volatility and correlation risk.

With respect to the risk measurement models used by the BBVA Group, the Bank of Spain has authorized the use of the internal market risk model to determine bank capital requirements deriving from risk positions on the BBVA S.A. and BBVA Mexico trading book, which jointly accounted for around 72%, 72% and 76% of the Group's trading-book market risk as of December 31, 2020, 2019 and 2018. For the rest of the geographical areas where the Group operates (applicable mainly to the Group´s South America subsidiaries, Garanti BBVA and BBVA USA), bank capital for the risk positions in the trading book is calculated using the Standardized Approach defined by the Basel Committee on Banking Supervision (which is referred to herein as the "standard model").

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, as described later.

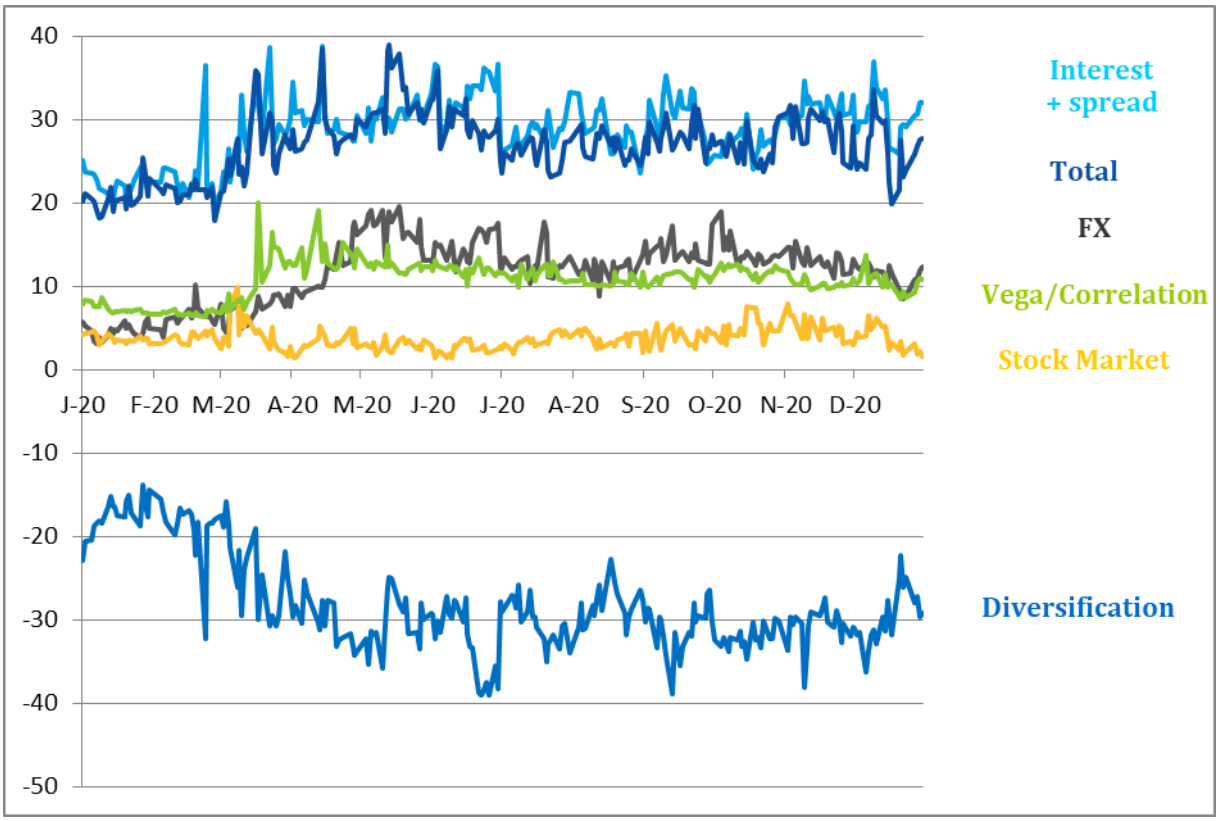
At the same time, and following the guidelines established by the Spanish and European authorities, BBVA incorporates metrics in addition to VaR with the aim of meeting the Bank of Spain's regulatory requirements with respect to the calculation of bank capital for the trading book. Specifically, the 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, among others). 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 ratings 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 Group's market risk related to its trading portfolio remained at low levels compared to other risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2020 the average VaR was €27 million, above the figure of 2019, with a maximum level in the year reached on the day May 14, 2020 of €39 million. The evolution in the BBVA Group's market risk during 2020, measured as VaR without smoothing (see Glossary) with a 99% confidence level and a 1-day horizon (shown in millions of Euros) is as follows:



By type of market risk assumed by the Group's trading portfolio, the main risk factor for the Group continued to be that linked to interest rates, with a weight of 56% of the total at December 31, 2020 (this figure includes the spread risk). The relative weight of this risk has increased compared with the close of 2019 (58%). Exchange-rate risk accounted for 22% of the total risk, increasing its weight with respect to December 2019 (13%), while equity, volatility and correlation risk has decreased, with a weight of 22% at the close of 2020 (vs. 29% at the close of 2019).

As of December 31, 2020, 2019 and 2018 the VaR was €32 million, €20 million and €17 million, respectively. The total VaR figures for 2020, 2019 and 2018 can be broken down as follows:

VaR by Risk Factor (Millions of Euros)

	Interest/Spread risk	Currency risk	Stock-market risk	Vega/Correlation risk	Diversification effect(*)	Total
2020						
VaR average in the year	29	12	4	11	(28)	27
VaR max in the year	39	20	10	20	(14)	39
VaR min in the year	20	3	1	6	(39)	18
End of period VaR	**32**	**12**	**2**	**11**	**(29)**	**28**
2019						
VaR average in the year	21	6	4	9	(20)	19
VaR max in the year	28	6	3	9	(21)	25
VaR min in the year	13	5	5	9	(18)	14
End of period VaR	**24**	**5**	**5**	**8**	**(22)**	**20**
2018						
VaR average in the year	20	6	4	9	(20)	21
VaR max in the year	23	7	6	11	(21)	26
VaR min in the year	17	6	4	7	(18)	16
End of period VaR	**19**	**5**	**3**	**7**	**(17)**	**17**

(*) 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 both, BBVA, S.A. and Global Markets Mexico (in BBVA Mexico). 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 both, BBVA, S.A. and Global Markets Mexico is adequate and precise.

Two types of backtesting have been carried out in 2020, 2019 and 2018:

- "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 risk level estimated by the internal VaR calculation model. In that period, there were no negative exceptions in BBVA S.A., while in BBVA Mexico there were a total of 3 exceptions. The COVID-19 epidemic together with the fall in the oil price resulted in a sharp depreciation of the local currency, a considerable spike in stock market volatility, a breakdown of the correlation between different curves and an abrupt movement in local interest rate curves.

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 been the case 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).

The impact of the stress test under multivariable simulation of the risk factors of the portfolio based on the expected shortfall (expected shortfall calculated at a 95% confidence level, 20 days) as of December 31, 2020 is as follows:

Impact of the stress test (Millions of Euros)

	Europe	Mexico	Peru	Venezuela	Argentina	Colombia	Turkey
Expected shortfall	(121)	(69)	(8)	-	(8)	(4)	(8)

7.3.2 Financial Instruments offset

Financial assets and liabilities may be netted in certain cases. In particular, they are presented for a net amount on the consolidated balance sheet only when the Group's entities satisfy the provisions of 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 Group has presented as gross amounts assets and liabilities on the consolidated balance sheet for which there are master netting arrangements in place, but for which there is no intention of settling the net amount. 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 the ones 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 counterparties, the collateral agreement annexes called Credit Support Annex ("CSA") are included, thereby minimizing exposure to a potential default of the counterparty.

Moreover, many of the transactions involving assets purchased or sold under a repurchase agreement are 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 the 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.

A summary of the effect of offsetting (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2020, 2019 and 2018:

December 2020 (Millions of Euros)

	Notes	Gross amounts recognized (A)	Gross amounts offset in the consolidated balance sheets (B)	Net amount presented in the consolidated balance sheets (C=A-B)	Gross amounts not offset in the consolidated balance sheets (D)		Net amount (E=C-D)
					Financial instruments	Cash collateral received/ pledged	
Trading and hedging derivatives	10, 15	47,862	5,688	42,173	33,842	9,018	(686)
Reverse repurchase, securities borrowing and similar agreements		34,500	-	34,500	35,141	161	(802)
Total assets		**82,362**	**5,688**	**76,674**	**68,983**	**9,178**	**(1,488)**
Trading and hedging derivatives	10, 15	49,720	5,722	43,998	33,842	9,435	721
Repurchase, securities lending and similar agreements		43,950	-	43,950	44,677	1,619	(2,346)
Total liabilities		**93,670**	**5,722**	**87,948**	**78,519**	**11,054**	**(1,624)**

December 2019 (Millions of Euros)

	Notes	Gross amounts recognized (A)	Gross amounts offset in the consolidated balance sheets (B)	Net amount presented in the consolidated balance sheets (C=A-B)	Gross Amounts Not Offset in the Consolidated Balance Sheets (D)		Net amount (E=C-D)
					Financial instruments	Cash collateral received/ pledged	
Trading and hedging derivatives	10, 15	36,349	2,388	33,961	25,020	8,210	731
Reverse repurchase, securities borrowing and similar agreements		35,805	21	35,784	35,618	204	(39)
Total assets		**72,154**	**2,409**	**69,744**	**60,637**	**8,415**	**692**
Trading and hedging derivatives	10, 15	38,693	2,394	36,299	25,020	10,613	667
Repurchase, securities lending and similar agreements		45,977	21	45,956	45,239	420	297
Total liabilities		**84,670**	**2,414**	**82,256**	**70,259**	**11,033**	**964**

December 2018 (Millions of Euros)

	Notes	Gross amounts recognized (A)	Gross amounts offset in the consolidated balance sheets (B)	Net amount presented in the consolidated balance sheets (C=A-B)	Gross Amounts Not Offset in the Consolidated Balance Sheets (D)		Net amount (E=C-D)
					Financial instruments	Cash collateral received/ pledged	
Trading and hedging derivatives	10, 15	48,895	16,480	32,415	24,011	7,790	613
Reverse repurchase, securities borrowing and similar agreements		28,074	42	28,032	28,022	169	(159)
Total assets		**76,969**	**16,522**	**60,447**	**52,033**	**7,959**	**454**
Trading and hedging derivatives	10, 15	50,583	17,101	33,481	24,011	6,788	2,682
Repurchase, securities lending and similar agreements		43,035	42	42,993	42,877	34	82
Total liabilities		**93,618**	**17,143**	**76,474**	**66,888**	**6,822**	**2,765**

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

7.4 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 the Group, 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 Group 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 participation of the CEO and representatives from the areas of Finance, Risks and Business Areas; this committee monitors the structural risks and is presented with proposals with regard to action plans related with its management for its approval. These management proposals are made by the Finance area with a forward-looking focus, maintaining the alignment with the risk appetite framework, trying to guarantee the recurrence of results and financial stability, as well as to preserve the solvency of the entity. 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 defines 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 the Group's corporate bodies as well as to the GRMC.

Within the three lines of defense scheme in which BBVA's internal control model is established according to the most advanced standards in terms of internal control, the first line of defense is composed by the Finance area, which is responsible for managing the structural risk.

While GRM, as a second line of defense, is in charge of identifying risks, and establishing policies and control models, periodically evaluating their effectiveness.

In the second line of defense, there are also the Internal Risk Control units, which independently review the Structural Risk control, and Internal Financial Control, which carry out a review on the design and effectiveness of the operational controls over structural risk management.

The third line of defense is represented by the Internal Audit area, which, with total independence, is responsible for reviewing specific controls and processes.

7.4.1 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, 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 Global 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 with respect to changes in market interest rates, types of markets in the different balance-sheets, while respecting solvency and internal limits, as well as 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, the BBVA Group 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. However, 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 the capture of additional sources to properly monitor the risk profile of the Group, backed-up by an assumptions set that aims to characterize the behavior 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 shape and the basis of yield curves. Additionally, 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 2020, the Group 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 Group 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.

The table below shows the profile of average interest rate risk in terms of sensitivities of the main currencies in the BBVA Group in 2020:

Sensitivity to interest-rate analysis - December 2020

	Impact on net interest income (*)		Impact on economic value (**)	
	100 basis-point increase	100 basis-point decrease (***)	100 basis-point increase	100 basis-point decrease (***)
EUR	[1.5% , 3.5%]	[-1.5% , -0.5%]	[3.5% , 5.5%]	[-3.5% , -1.5%]
MXN	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-1.5% , -0.5%]	[0.5% , 1.5%]
TRY	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]
Other	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]
BBVA Group	**[3.5% , 5.5%]**	**[-3.5% , -1.5%]**	**[3.5% , 5.5%]**	**[-3.5% , -1.5%]**

(*) Percentage of "1 year" net interest income forecast for each unit.

(**) Percentage of Core Capital for each unit.

(***) In EUR and USD, negative interest rates scenarios are allowed up to plausible levels lower than current rates.

During 2020, central banks and governments have carried out monetary stimulus measures to mitigate the economic impact caused by the COVID-19 pandemic, which has significantly affected the global economy, spreading to most 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.

In South America, monetary policy has been expansionary, with a reduction in reference rates in the economies of Colombia and Peru, reaching historical low records, affected by the contraction in activity. On the other hand, in Argentina there is a strongly restrictive monetary policy, with a high increase in interest rates in the second half of the year, due to the strong volatility of the markets, affected by the devaluation of the exchange rate.

The BBVA Group, at an aggregate level, 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 and the United States, 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 22), and due to maturity of a part of the coverage of the mortgage portfolio. In the United States, the sensitivity has been reduced due to the balance sheet hedges carried out in late 2019 and early 2020.

- In Mexico, a balance has been maintained between balances referenced to fixed and variable interest rates. Among the assets most sensitive to interest rate movements, the wholesale portfolio stands out, while consumer and mortgages are mostly at a fixed rate. The COAP portfolio is used to balance the longer term of customer deposits. The sensitivity of the interest margin remains limited and stable during 2020, considering the new interest rate scenario that emerged in March, with a downward trend in rates benchmark throughout 2020.

- In Turkey, the interest rate risk on the balance sheet increased during 2020, as a result of regulatory requirements (such as the Asset Ratio, applied by the Banking Regulation Supervision Agency (BRSA) and the Good Bank, established by the Central Bank of Turkey (CBRT)) that encourage loan growth. As a result of the establishment of these Regulations, the growth of loans, mostly at a fixed rate, together with the increase in the COAP portfolio, negatively affected sensitivity, being offset by inflation-linked bonds and floating bonds, as well as due to the increase in deposits in the liability side.

- In South America, the risk profile on interest rates continues to be low, as most of the countries in the area have a composition of fixed / variable and very similar maturities between assets and liabilities, showing a sensitivity of the margin interest rate limited and with slight variations throughout 2020. Likewise, in countries with balances in several currencies, interest rate risk is also managed for each of the currencies, showing a very low level of risk. The measures promoted by central banks and governments have contributed to raising deposits and excess liquidity in Colombia and Peru, as well as their positions in monetary assets, generating a slight positive variation in margin sensitivity.

7.4.2 Structural exchange-rate risk

Structural exchange rate risk, inherent to the business of international banking groups that develop their activities in different geographies and currencies, is defined as the possibility of impacts on solvency, equity value and results driven by fluctuations in the exchange rates due to exposures in foreign currencies.

In the BBVA Group, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint management of permanent foreign currency exposures, taking diversification into account.

The corporate Global ALM unit, through ALCO, designs and executes hedging strategies with the main purpose of preserving the stability of consolidated capital ratios and income flows generated in a currency other than the euro in the BBVA Group, keeping a value generation perspective to preserve the Group's equity in the long term. To this end, a dynamic management strategy is carried out, considering hedge transactions according to market expectations and their costs.

The risk monitoring metrics included in the framework of limits, in line with the Risk Appetite Framework, are integrated into management and supplemented with additional assessment indicators. At the corporate level they are based on probabilistic metrics that measure the maximum deviation in the Group's Capital, CET1 ("Common Equity Tier 1") ratio, and net attributable profit. The probabilistic metrics make it possible to estimate the joint impact of exposure to different currencies taking into account the different variability in exchange rates and their correlations.

The suitability of these risk assessment metrics is reviewed on a regular basis through back-testing exercises. The final element of structural exchange-rate risk control is the stress and scenario analysis aimed to assess the vulnerabilities of foreign currency structural exposure not contemplated by the risk metrics and to serve as an additional tool when making management decisions. The scenarios are based both on historical situations simulated by the risk model and on the risk scenarios provided by BBVA Research.

As of December 31, 2020, the main currencies of the geographies where the Group operates have depreciated against the euro during the year: Mexican peso (-13.1%), US Dollar (-8.5%), Turkish lira (-26.7%), Colombian peso (-12.6%), Peruvian sol (-16.3%) and Argentine peso (-34.8%).

The Group's structural exchange-rate risk exposure level has in some cases increased due to the restrictions related to dividend payments from the subsidiaries which have offset the reduction in risk due to the depreciation of the currencies. The hedging policy intends to keep low levels of sensitivity to movements in the exchange rates of emerging markets currencies against the euro. The risk mitigation level in the capital ratio due to the book value of the BBVA Group's holdings in foreign emerging markets currencies stood at around 65% and, as of the end of 2020, CET1 ratio sensitivity to the depreciation of 10% in the euro exchange rate for each currency is estimated: USD +9 bps; Mexican peso -5 bps; Turkish lira -2 bps; other currencies -1 bp (excluding hyperinflation economies). On the other hand, hedging of emerging markets currency denominated earnings in 2020 reached 65%, concentrated in Mexican peso, Turkish lira and the main Latin American currencies.

For the years 2020, 2019 and 2018, the estimated sensitivities of the result attributable to the parent company are shown below, taking into account the coverage against depreciations and appreciations of 1% of the average rate in the main currencies. To the extent that hedging positions are periodically modulated, the sensitivity estimate attempts to reflect an average (or effective) sensitivity in the year:

Sensitivity to 1% (Millions of Euros)

Currency	2020	2019	2018
Mexican peso	4.9	12.7	13.0
Turkish lira	4.5	3.1	3.0
Peruvian sol	0.4	1.9	1.3
Chilean peso	0.3	0.5	0.7
Colombian peso	1.4	2.6	1.9
Argentinian peso	0.9	1.3	(0.3)
US Dollar	4.3	5.9	7.3

7.4.3 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 Group'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 other 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

In order to analyze the risk profile in depth, stress tests and scenario analysis of sensitivity to different simulated scenarios are carried out. 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.

Global Equity markets have been severely affected by the outbreak of the coronavirus in the first quarter. The extraordinary fiscal and monetary response fostered their recovery although this has been uneven across different geographies and sectors. In this sense, the Spanish equity market has shown one of the worst performances as it fell 15% during 2020.

Structural equity risk, measured in terms of economic capital, has remained fairly stable in the period. 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 as 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

7.5 Liquidity and funding risk

Liquidity and funding risk is defined as the incapacity of a bank in meeting its payment commitments due to lack of funds or that, to face those commitments, should have to make use of funding under burdensome terms

7.5.1 Liquidity and Funding Strategy and Planning

The BBVA Group 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 its core 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 model. The Group's liquidity and funding 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 Group's LMUs.

- Stable customer deposits as the main source of funding in all the LMUs, 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 liquidity buffers, of high quality, 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 Financing Risk Management aims, in the short term, to prevent an entity from having difficulties in meeting its payment commitments in due time and form or that, to meet them, it has to resort to obtaining funds in burdensome conditions that deteriorate the image or reputation of the entity.

In the medium term, its objective is to ensure the suitability of the Group's financial structure and its evolution, within the framework of 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 comprise it. 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.

Within this strategy, the BBVA Group is organized into eleven LMUs compose of the parent company and the bank subsidiaries in each geography, plus the branches that depend on them.

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 financing risk appetite that it decides to assume in its business.

Liquidity and funding planning is part of the strategic processes for the Group's budgetary and business planning. This objective is to allow a recurrent 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 of available liquid assets.

7.5.2 Governance and monitoring

The responsibility for liquidity and funding management in the development of 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 European Banking Authority (EBA) and in line with the most demanding standards, policies, procedures and controls in the framework established by the governing bodies. Finance, 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 established by the Risk Committee in line with the metrics of the Risk Appetite Framework approved by the Board of Directors.

Finance is also responsible for preparing the regulatory reporting of liquidity, coordinating with the responsible areas in each LGU the necessary processes to cover the requirements at corporate and regulatory level, ensuring the integrity of the information provided.

GRM is responsible for ensuring that the liquidity and financing risk in the Group is managed in accordance with the framework established by governing bodies. It also deals with the identification, measurement, monitoring and control of such risks and their communication to the relevant corporate bodies. In order to carry out this task properly, the risk function in the Group has been configured as a single, global function, independent of the management areas

Additionally, the Group has, in its second line of defense, an Internal Risk Control unit, which performs an independent review of the control of Liquidity and Financing Risk, and a Financial Internal Control Unit that reviews the design and effectiveness of the controls operations on liquidity management and reporting.

As the third line of defense of the Group's internal control model, Internal Audit is in charge of reviewing specific controls and processes in accordance with a work plan that is drawn up annually.

The Group'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 internal levels required are aimed at efficiently meeting the regulatory requirement, at a widely 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 of the LMUs which make up the 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 dual-currency balances, the indicator is also controlled by currency to manage the mismatches that might occur.

Stable customer funds are considered to be the financing obtained and managed from the LMUs among 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 arises from 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 dependence on short-term funding by establishing a maximum level for the short-term funds raised, including both wholesale financing and the least stable proportion of customer funds In relation to long-term financing, the maturity profile does not present significant concentrations, which makes it possible to adapt the schedule of the planned issuance plan to the best financial conditions in the markets. Lastly, 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 maintenance of a liquidity buffer consisting of high quality assets free of charges which can be sold or offered as collateral to obtain funding, either under normal market conditions or in stress situations.

The Finance is responsible for the collateral management and determining the liquidity buffer within the BBVA Group. According to the principle of auto-sufficiency of the Group's subsidiaries, each LMU is responsible for maintaining a buffer of liquid assets which complies with the regulatory requirements applicable under each jurisdiction. In addition, the liquidity buffer of each LMU must 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, ensuring that each LMU has sufficient collateral to deal with the risk of the closure of wholesale markets. Basic capacity is the internal metric for the management and control of short-term liquidity risk, which is defined as the relationship between the explicit assets available and the maturities of wholesale liabilities and volatile resources, at different time periods up to the year, with special relevance at 30 and 90 days, with the objective of preserving the survival period above 3 months with the available buffer, without considering the balance inflows.

As a fundamental element of the liquidity and financing risk monitoring scheme, stress tests are carried out. They enable to anticipate deviations from the liquidity targets and the limits set in the appetite, and to 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 clients; 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 BBVA's credit quality.

The stress tests conducted on a regular basis by GRM 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 (with the exception of Turkey where despite closing the year above 3 months, the regulatory requirements have led to non-compliance during certain periods), including in the scenario of 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 management in an anticipated manner, 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, the 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 the 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.

7.5.3 Liquidity and funding performance

During 2020, the BBVA Group has maintained a robust and dynamic funding structure with a predominantly retail nature, where customer resources represent the main source of funding.

During 2020, liquidity conditions have remained comfortable in all the countries where the BBVA Group operates. Since the beginning of March, the global crisis caused by COVID-19 has had a significant impact on financial markets. The effects of this crisis on the Group's balance sheets materialized fundamentally at first, through greater provision of credit lines by wholesale clients in view of the worsening financing conditions in the markets, with no significant effect on the retail world. These provisions were largely paid off over the following quarters. Dealing with this situation of initial uncertainty, the different central banks provided a joint response through specific measures and programs to facilitate the financing of the real economy and the provision of liquidity in financial markets, increasing liquidity buffers in almost all areas with BBVA presence

Thus, the performance of the indicators show that the robustness of the funding structure remained steady during 2020, 2019 and 2018, in the sense that all LMUs held self-funding levels with stable customer resources above the requirements.

LtSCD by LMU

	2020	2019	2018
Group (average)	**95%**	**108%**	**106%**
Eurozone	97%	108%	101%
BBVA USA	92%	111%	119%
BBVA Mexico	98%	116%	114%
Garanti BBVA	95%	99%	110%
Other LMUs	86%	103%	99%

With respect to LCR, the Group has maintained a liquidity buffer at both a consolidated and individual level in 2020. As a result, the ratio has remained comfortably above 100%, with the consolidated ratio as of December 31, 2020 standing at 149%.

Although this requirement is only established at a Group level, for banks in the Eurozone, the minimum level required is comfortably exceeded in all subsidiaries. It should be noted that the calculation of the Consolidated LCR does not allow the transfer of liquidity between subsidiaries, so no excess liquidity may be transferred from these entities for the purpose of calculating the consolidated ratio. If the impact of these highly liquid assets was considered, the LCR would be 185%, or +36 basis points above the required level.

LCR main LMU

	2020	2019	2018
Group	**149%**	**129%**	**127%**
Eurozone	173%	147%	145%
BBVA USA (*)	144%	145%	143%
BBVA Mexico	196%	147%	154%
Garanti BBVA	183%	206%	209%

(*) BBVA USA LCR calculated according to local regulation (Fed Modified LCR).

Each entity maintains an individual liquidity buffer, both BBVA, S.A. and each of its subsidiaries, including BBVA USA, BBVA Mexico, Garanti BBVA and the Latin American subsidiaries.

The table below shows the liquidity available by instrument as of December 31, 2020, 2019 and 2018 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December 2020 (Millions of Euros)

	BBVA Eurozone	BBVA Mexico	Garanti BBVA	Other
Cash and withdrawable central bank reserves	39,330	8,930	6,153	6,831
Level 1 tradable assets	48,858	9,205	7,019	6,237
Level 2A tradable assets	5,119	106	-	-
Level 2B tradable assets	6,080	11	-	0
Other tradable assets	20,174	421	701	745
Non tradable assets eligible for central banks	-	-	-	-
Cumulated counterbalancing capacity	**119,560**	**18,672**	**13,873**	**13,814**

December 2019 (Millions of Euros)

	BBVA Eurozone	BBVA Mexico	BBVA USA	Garanti BBVA	Other
Cash and withdrawable central bank reserves	14,516	6,246	4,949	6,450	6,368
Level 1 tradable assets	41,961	7,295	11,337	7,953	3,593
Level 2A tradable assets	403	316	344	-	-
Level 2B tradable assets	5,196	219	-	-	12
Other tradable assets	22,213	1,269	952	669	586
Non tradable assets eligible for central banks	-	-	2,935	-	-
Cumulated counterbalancing capacity	**84,288**	**15,344**	**20,516**	**15,072**	**10,559**

December 2018 (Millions of Euros)

	BBVA Eurozone	BBVA Mexico	BBVA USA	Garanti BBVA	Other
Cash and withdrawable central bank reserves	26,506	7,666	1,667	7,633	6,677
Level 1 tradable assets	29,938	4,995	10,490	6,502	3,652
Level 2A tradable assets	449	409	510	-	-
Level 2B tradable assets	4,040	33	-	-	-
Other tradable assets	8,772	1,372	1,043	499	617
Non tradable assets eligible for central banks	-	-	2,314	-	-
Cumulated counterbalancing capacity	**69,705**	**14,475**	**16,024**	**14,634**	**10,946**

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 Group and its main LMUs at December 31, 2020 and 2019, calculated based on the Basel requirements, was the following:

NSFR main LMU

	2020	2019
Group	**127%**	**120%**
BBVA Eurozone	121%	113%
BBVA Mexico	138%	130%
BBVA USA	126%	116%
Garanti BBVA	154%	151%

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2020, 2019 and 2018:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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	42,518	32,741	-	-	-	-	-	-	-	-	75,258
Deposits in credit entities	-	3,616	677	921	356	461	117	120	2	39	6,309
Deposits in other financial institutions	-	2,202	855	797	734	543	1,251	721	515	500	8,119
Reverse repo, securities borrowing and margin lending	-	20,033	4,757	1,351	364	368	3,320	1,849	891	1,089	34,021
Loans and advances	279	16,939	24,280	23,012	15,579	17,032	46,182	38,851	51,709	110,173	344,036
Securities' portfolio settlement	-	3,896	6,680	6,557	5,084	13,014	9,858	15,494	17,231	50,045	127,859

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	-	4,750	2,618	3,963	1,283	1,543	10,573	7,505	12,793	23,839	68,868
Deposits in financial institutions	8,838	7,859	254	741	152	726	825	189	166	371	20,120
Deposits in other financial institutions and international agencies	12,735	4,324	2,694	588	353	272	957	337	459	870	23,589
Customer deposits	308,360	39,978	13,416	6,808	4,526	4,366	3,361	1,213	869	799	383,694
Security pledge funding	-	41,239	5,301	1,643	1,192	368	11,304	28,510	3,740	1,516	94,812
Derivatives, net	-	(722)	15	(961)	(85)	134	(400)	(157)	(264)	(159)	(2,599)

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
ASSETS											
Cash, cash balances at central banks and other demand deposits	20,954	20,654	-	-	-	-	-	-	-	-	**41,608**
Deposits in credit entities	-	3,591	283	488	585	503	189	24	120	432	**6,216**
Deposits in other financial institutions	-	1,336	1,120	796	589	991	1,420	1,072	672	2,089	**10,084**
Reverse repo, securities borrowing and margin lending	-	21,612	3,858	2,287	561	808	4,121	1,838	411	803	**36,299**
Loans and advances	157	22,015	25,056	24,994	15,777	16,404	42,165	35,917	54,772	122,098	**359,354**
Securities' portfolio settlement	-	1,622	3,873	6,620	2,017	7,292	21,334	6,115	13,240	46,022	**108,136**

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	1	1,393	1,714	4,208	1,645	4,386	8,328	10,608	10,803	27,840	**70,927**
Deposits in financial institutions	7,377	7,608	493	1,122	172	1,514	386	614	206	510	**20,004**
Deposits in other financial institutions and international agencies	10,177	3,859	867	381	367	257	982	503	499	952	**18,843**
Customer deposits	271,638	43,577	18,550	10,013	7,266	6,605	3,717	2,062	854	1,039	**365,321**
Security pledge funding	-	45,135	3,202	15,801	1,456	653	3,393	7,206	759	1,308	**78,914**
Derivatives, net	-	(66)	(25)	29	(11)	1,097	(830)	(278)	(333)	(420)	**(838)**

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	9,550	40,599	-	-	-	-	-	-	-	-	**50,149**
Deposits in credit entities	801	3,211	216	141	83	152	133	178	27	1,269	**6,211**
Deposits in other financial institutions	1	1,408	750	664	647	375	1,724	896	1,286	2,764	**10,515**
Reverse repo, securities borrowing and margin lending	-	21,266	1,655	1,158	805	498	205	1,352	390	210	**27,539**
Loans and advances	132	19,825	25,939	23,265	15,347	16,433	42,100	32,336	53,386	120,571	**349,334**
Securities' portfolio settlement	-	1,875	4,379	5,990	2,148	6,823	8,592	12,423	11,533	42,738	**96,501**

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
LIABILITIES											
Wholesale funding	1	2,678	1,652	2,160	2,425	2,736	7,225	8,578	16,040	26,363	**69,858**
Deposits in financial institutions	7,107	5,599	751	1,992	377	1,240	1,149	229	196	904	**19,544**
Deposits in other financial institutions and international agencies	10,680	4,327	1,580	458	302	309	781	304	825	1,692	**21,258**
Customer deposits	252,630	44,866	18,514	10,625	6,217	7,345	5,667	2,137	1,207	1,310	**350,518**
Security pledge funding	40	46,489	2,219	2,274	114	97	22,911	526	218	1,627	**76,515**
Derivatives, net	-	(75)	(523)	(68)	(5)	(117)	498	(91)	(67)	(392)	**(840)**

With regard to the financing structure, the loan portfolio is mostly financed by retail deposits. 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.

The liquidity situation of the Group's main management units is detailed below:

In the Euro Liquidity Management Unit (UGL), the liquidity and financing situation remains solid and comfortable with a large high-quality liquidity buffer that has been increased during the year as a result of the growth in customer deposits and the actions taken by the 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 March and June (with an amount drawn down at the end of December of 35,032 million euros) due to its favorable conditions in terms of cost and term, amortizing the corresponding part of the TLTRO II program (see Note 22).

In the United States there is a comfortable liquidity situation with significant growth in deposits during the year, driven mainly by stimulus measures from the American government and the Federal Reserve. This has led to an increase in the liquidity buffer and the liquidity and financing indicators are comfortable. As in the euro zone, during the end of the first quarter of 2020 there was an increase in loans stemmed mainly from an increase in the use of credit lines by wholesale clients and the stimulus program of the American government aimed at SMEs and freelances (Paycheck Protection Program). Subsequently, there were repayments that bring the percentage of use of credit lines to levels prior to the pandemic.

In Mexico, the liquidity position has remained solid during the year due to the increase in deposits driven by the success of the commercial actions carried out by the entity, especially in the second semester, as well as by the stimulus measures implemented by Banxico throughout the year to provide liquidity to the financial system, which made it possible to offset the increase in the use of credit lines as a result of the COVID-19 crisis. This good performance in deposits, together with the normalization in credit growth, has reduced the credit gap, resulting in the entity being in a comfortable situation in liquidity and financing ratios.

At Garanti BBVA, the liquidity situation remained comfortable during 2020, with a contraction of loans and a growth of deposits in foreign currency, as well as a higher growth in loans than deposits in local currency. As a result of the COVID-19 crisis, the Turkish regulator established the so-called asset ratio to mainly increase loans and discourage the accumulation of deposits, causing an increase in the credit gap, which was covered with the excess liquidity that the entity had. Subsequently, the asset ratio requirement was reduced in the third quarter (from 100% to 90%) and was eliminated in December. All in all, Garanti BBVA has shown a solid liquidity buffer.

In South America, an adequate liquidity situation is maintained throughout the region, favored by the support of the different central banks and governments that, with the aim of mitigating the impact of the COVID-19 crisis, have implemented measures for stimulating economic activity and providing greater liquidity to financial systems. In Argentina, the outflow of deposits in US dollars in the banking system slowed down during 2020, and even showed some growth in the fourth quarter. BBVA Argentina continues to maintain a solid liquidity position BBVA Colombia, after the actions carried out to adjusting excess liquidity by reducing wholesale deposits, continues to show a comfortable liquidity position. BBVA Peru has seen its comfortable liquidity situation strengthened as a result of the continuous increase in the volume of deposits during the second semester, as well as the funds from the Central Bank's support programs.

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 volumes ended the year reaching the levels of January 2020, while primary market volumes have been reactivated, lowering the issue premiums

The main transactions carried out by the companies that form part of the BBVA Group in 2020 were:

- During the first quarter of 2020 BBVA, S.A. made 2 senior non-preferred securities issues for a total of 1,400 million euros and another Tier 2 for 1,000 million euros (for further information, see "Solvency" section of the Consolidated Management Report). In the second quarter of 2020, an issuance of senior preferred securities for 1,000 million euros was executed as a social-COVID-19 bond, the first of its kind for a private financial entity in Europe (for further information, see "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).
- In 2020, BBVA México successfully carried out a local senior issuance of 15,000 million Mexican pesos (614 million euros) in three tranches (two tranches in Mexican pesos at 3 and 5 years and another tranche in US dollars at 3 years), in order to advance

the refinancing of maturities in the year taking advantage of the good market moment. It also carried out an international issue of senior unsecured securities for an amount of 500 million US dollars of 5 years with a rate of 1.875%, which represents the lowest in history for a financial institution in Mexico and for any private financial institutions in Latin America. Furthermore, within the measures adopted by Banxico throughout the year, BBVA Mexico has participated in auctions of US dollars with credit institutions (swap line with the Fed) initially for an amount of 1,250 million US dollars, partially renewing that position from June to September, for an amount of US $ 700 million. Likewise, it has participated in the so-called Banxico facilities 7 and 8 (measures to transfer funds to micro, small and medium-sized companies, as well as to individuals affected by the pandemic).

- In Turkey, Garanti BBVA carried out a Tier 2 issuance for TRY 750 million in the first quarter of 2020. In the second quarter of 2020, Garanti BBVA renewed a syndicated loan by issuing the first green syndicated loan indexed to sustainability criteria, and in whose renovation the EBRD -European Bank for Reconstruction and Development- and the IFC -International Finance Corporation- have participated. And in the fourth quarter, Garanti BBVA partially renewed a syndicated loan for an amount of $636 million.

The liquidity position of the rest of subsidiaries has continued to be sound, maintaining a solid liquidity position in all the jurisdictions in which the Group operates.

In this context, BBVA has maintained its objective of strengthening the funding structure of the different Group entities based on growing their self-funding from stable customer funds, while guaranteeing a sufficient buffer of fully available liquid assets, diversifying the various sources of funding available, and optimizing the generation of collateral available for dealing with stress situations in the markets.

7.5.4 Asset encumbrance

As of December 31, 2020, 2019 and 2018, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

December 2020 (Millions of Euros)

	Encumbered assets		Non-encumbered assets	
	Book value	Market value	Book value	Market value
Assets	**121,999**		**614,260**	
Equity instruments	2,134	2,134	14,556	14,556
Debt securities	29,379	26,112	100,108	100,108
Loans and advances and other assets	90,486		499,595	

December 2019 (Millions of Euros)

	Encumbered assets		Non-encumbered assets	
	Book value	Market value	Book value	Market value
Assets	**101,792**		**596,898**	
Equity instruments	3,526	3,526	12,113	12,113
Debt Securities	29,630	29,567	95,611	95,611
Loans and Advances and other assets	68,636		489,174	

December 2018 (Millions of euros)

	Encumbered assets		Non-encumbered assets	
	Book value	Market value	Book value	Market value
Assets	**107,950**		**567,573**	
Equity instruments	1,864	1,864	6,485	6,485
Debt Securities	31,157	32,216	82,209	82,209
Loans and Advances and other assets	74,928		478,880	

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 22.4) 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 transactions is also included as committed assets.

As of December 31, 2020, 2019 and 2018, collateral pledges received mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

December 2020. 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	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**30,723**	**8,652**	**1,071**
Equity instruments	239	204	-
Debt securities	30,484	8,448	1,071
Loans and advances and other assets	-	-	-
Own debt securities issued other than own covered bonds or ABSs	**3**	**94**	**-**

December 2019. 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	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**38,496**	**9,208**	**48**
Equity instruments	65	70	-
Debt securities	38,431	9,130	38
Loans and advances and other assets	-	8	10
Own debt securities issued other than own covered bonds or ABSs	**-**	**82**	**-**

December 2018. 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	Nominal amount of collateral received or own debt securities issued not available for encumbrance
Collateral received	**27,474**	**5,633**	**319**
Equity instruments	89	82	-
Debt securities	27,385	5,542	300
Loans and Advances and other assets	-	8	19
Own debt securities issued other than own covered bonds or ABSs	**78**	**87**	**-**

The guarantees received in the form of reverse repurchase agreements or security lending transactions are committed by their use in repurchase agreements, as is the case with debt securities.

As of December 31, 2020, 2019 and 2018, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Sources of encumbrance (Millions of Euros)

	2020		2019		2018	
	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	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	**131,352**	**147,523**	**124,252**	**135,500**	**113,498**	**131,172**
Derivatives	16,611	16,348	19,066	20,004	8,972	11,036
Loans and advances	98,668	111,726	87,906	94,240	85,989	97,361
Outstanding subordinated debt	16,073	19,449	17,280	21,256	18,538	22,775
Other sources	**653**	**5,202**	**449**	**4,788**	**3,972**	**4,330**

8. Fair value of financial instruments

Framework and processes control

As part of the process established in the Group for determining the fair value in order to ensure that financial assets and liabilities are properly following the IFRS 13 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 consolidated 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 Group, 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 0.55% of financial assets and 0.40% of the Group's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

8.1 Fair value of financial instruments

The fair value of the Group's financial instruments in the accompanying consolidated balance sheets and its corresponding carrying amounts, as of December 31, 2020, 2019 and 2018 are presented below:

Fair Value and carrying amount (Millions of euros)

		2020		2019		2018	
	Notes	Carrying amount	Fair value	Carrying amount	Fair value	Carrying amount	Fair value
ASSETS							
Cash, cash balances at central banks and other demand deposits	9	65,520	65,520	44,303	44,303	58,196	58,196
Financial assets held for trading	10	108,257	108,257	101,735	101,735	89,103	89,103
Non-trading financial assets mandatorily at fair value through profit or loss	11	5,198	5,198	5,557	5,557	5,135	5,135
Financial assets designated at fair value through profit or loss	12	1,117	1,117	1,214	1,214	1,313	1,313
Financial assets at fair value through other comprehensive income	13	69,440	69,440	61,183	61,183	56,337	56,337
Financial assets at amortized cost	14	367,668	374,267	439,162	442,788	419,660	419,857
Hedging derivatives	15	1,991	1,991	1,729	1,729	2,892	2,892
LIABILITIES							
Financial liabilities held for trading	10	86,488	86,488	88,680	88,680	79,761	79,761
Financial liabilities designated at fair value through profit or loss	12	10,050	10,050	10,010	10,010	6,993	6,993
Financial liabilities at amortized cost	22	490,606	491,006	516,641	515,910	509,185	510,300
Hedging derivatives	15	2,318	2,318	2,233	2,233	2,680	2,680

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).

8.1.1 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, BBVA would consider all internally 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.

The following table shows the financial instruments carried at fair value in the accompanying consolidated balance sheets, broken down by level used to determine their fair value as of December 31, 2020, 2019 and 2018:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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

	2020			2019			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Financial assets held for trading	**32,555**	**73,856**	**1,847**	**31,135**	**69,092**	**1,508**	**26,730**	**61,969**	**404**
Loans and advances	2,379	28,659	1,609	697	32,321	1,285	47	28,642	60
Debt securities	12,790	11,123	57	18,076	8,178	55	17,884	7,494	199
Equity instruments	11,367	31	60	8,832	-	59	5,194	-	60
Derivatives	6,019	34,043	121	3,530	28,593	109	3,605	25,833	85
Non-trading financial assets mandatorily at fair value through profit or loss	**3,826**	**381**	**992**	**4,305**	**92**	**1,160**	**3,127**	**78**	**1,929**
Loans and advances	210	-	499	82	-	1,038	25	-	1,778
Debt securities	4	324	28	-	91	19	90	71	76
Equity instruments	3,612	57	465	4,223	1	103	3,012	8	75
Financial assets designated at fair value through profit or loss	**939**	**178**	**-**	**1,214**	**-**	**-**	**1,313**	**-**	**-**
Loans and advances	-	-	-	-	-	-	-	-	-
Debt securities	939	178	-	1,214	-	-	1,313	-	-
Equity instruments	-	-	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	**60,976**	**7,866**	**598**	**50,896**	**9,203**	**1,084**	**45,824**	**9,323**	**1,190**
Loans and advances	33	-	-	33	-	-	33	-	-
Debt securities	59,982	7,832	493	49,070	9,057	604	43,788	9,211	711
Equity instruments	961	34	105	1,794	146	480	2,003	113	479
Derivatives – Hedge accounting	**120**	**1,862**	**8**	**44**	**1,685**	**-**	**7**	**2,882**	**3**
LIABILITIES-									
Financial liabilities held for trading	**27,587**	**58,045**	**856**	**26,266**	**61,588**	**827**	**22,932**	**56,560**	**269**
Deposits	8,381	23,495	621	9,595	32,121	649	7,989	29,945	-
Trading derivatives	7,402	34,046	232	4,425	29,466	175	3,919	26,615	267
Other financial liabilities	11,805	504	3	12,246	1	2	11,024	-	1
Financial liabilities designated at fair value through profit or loss	**-**	**8,558**	**1,492**	**-**	**8,629**	**1,382**	**-**	**3,149**	**3,844**
Customer deposits	-	902	-	-	944	-	-	976	-
Debt certificates (*)	-	3,038	1,492	-	3,274	1,382	-	1,529	1,329
Other financial liabilities	-	4,617	-	-	4,410	-	-	643	2,515
Derivatives – Hedge accounting	**53**	**2,250**	**15**	**30**	**2,192**	**11**	**223**	**2,454**	**3**

(*) The information for the years 2019 and 2018 has been subject to certain modifications, related to some issuances of Garanti Group

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, 2019 and 2018:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Fair value of financial Instruments by levels. December 2020 (Millions of euros)

	2020		2019		2018				
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
ASSETS									
Financial assets held for trading	**73,856**	**1,847**	**69,092**	**1,508**	**61,969**	**404**			
Loans and advances	28,659	1,609	32,321	1,285	28,642	60	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	11,123	57	8,178	55	7,494	199	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	31	60	-	59	-	60	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV not published
Derivatives	34,043	121	28,593	109	25,833	85			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate Options: Black, Hull-White and 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	**381**	**992**	**92**	**1,160**	**78**	**1,929**			
Loans and advances	-	499	-	1,038	-	1,778	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings Discounted future cash flows		- Prepayment rates - Business plan of the underlying asset, WACC, macro scenario - Property valuation
Debt securities	324	28	91	19	71	76	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Equity instruments	57	465	1	103	8	75	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 designated at fair value through profit or loss	**178**	**-**	**-**	**-**	**-**	**-**	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	
Debt securities	178	-	-	-	-	-			
Financial assets at fair value through other comprehensive income	**7,866**	**598**	**9,203**	**1,084**	**9,323**	**1,190**			
Debt securities	7,832	493	9,057	604	9,221	711	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	34	105	146	480	113	479	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	**1,862**	**8**	**1,685**	**-**	**2,882**	**3**			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate Options: Black, Hull-White and 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		

Fair Value of financial Instruments by Levels.(Millions of Euros)

	2020		2019		2018				
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Observable inputs	Unobservable inputs
LIABILITIES									
Financial liabilities held for trading	**58,045**	**856**	**61,588**	**827**	**56,560**	**269**			
Deposits	23,495	621	32,121	649	29,945	-	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	34,046	232	29,466	175	26,615	267			
Interest rate							Interest rate products (*Interest rate Swaps, call money Swaps and FRA*): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate Options: Black, Hull-White and 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	504	3	1	2	-	1	Present-value method (Discounted future cash flows)		- Prepayment rates - Issuer´s credit risk - Current market interest rates
Financial liabilities designated at fair value through profit or loss	**8,558**	**1,492**	**8,629**	**1,382**	**3,149**	**3,844**	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	**2,250**	**15**	**2,192**	**11**	**2,454**	**3**			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate Options: Black, Hull-White and LGM Constant Maturity Swaps: SABR		- Beta - Implicit correlations between tenors - interest rates volatility
Equity							Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment	- 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	- 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" is a volatility input of the credit factor dynamic 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.

Unobservable inputs

Quantitative information of unobservable inputs used to calculate Level 3 valuations is presented below as of December 31, 2020, 2019 and 2018:

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	0.0%	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 of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.
(**) The range of unobservable dividends is 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 Corporate Bond option	Gaussian Copula	Correlation default	19.37%	44.33%	61.08%	%
	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 of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.
(**) The range of unobservable dividends is too wide range to be relevant.

Unobservable inputs. December 2018

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt securities	Comparable pricing	Credit spread	37	152	385	p.b.
		Recovery rate	0.00%	32.06%	40.00%	%
			1.00%	88.00%	275.00%	%
Equity instruments (*)	Comparable pricing Net asset value					
Credit option	Gaussian Copula	Correlation default	0.00%	37.98%	60.26%	%
Corporate Bond option	Black 76	Price volatility	-	-	-	Vegas
Equity OTC option	Heston	Forward volatility skew	47.05	47.05	47.05	Vegas
	Local volatility	Dividends (**)				
		Volatility	13.79	27.24	65.02	Vegas
FX OTC options	Black Scholes/Local Vol	Volatility	5.05	7.73	9.71	Vegas
Interest rate options	Libor Market Model	Beta	0.25	9.00	18.00	%
		Correlation rate/Credit	(100)		100	%
		Credit default Volatility	-	-	-	Vegas

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

(**) The range of unobservable dividends is too wide range to be relevant.

Adjustments to the valuation for risk of default

Under IFRS 13 the credit risk valuation adjustments must be considered in the classification of assets and liabilities within fair value hierarchy, because of the absence of observable data of probabilities of default and recoveries used in the calculation.

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.

Credit Valuation Adjustment (hereinafter "CVA") and Debit Valuation Adjustments (hereinafter "DVA") are included in the valuation of derivatives, both assets and liabilities, to reflect the impact on the fair value of the counterparty credit risk and its own, respectively. The Group 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 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 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 consolidated balance sheet as of December 31, 2020, 2019 and 2018 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") was €-142 million, €-106 and €-163 million respectively, and the valuation adjustments to the derivative liabilities as "Debit Valuation Adjustment" (DVA) was €124 million, €117 and €214 million, respectively. The impact recorded under "Gains or (-) losses on financial assets and liabilities held for trading, net" in the consolidated income statement as of December 31, 2020, 2019 and 2018 corresponding to the mentioned adjustments was a net impact of €-29 million, €67 and €-24 million respectively.

Additionally, as of December 31, 2020, 2019 and 2018, €-9, €-8 and €-12 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the consolidated balance sheet, being the impact on results €-1 million, €4 and €-2 million, respectively.

Financial assets and liabilities classified as Level 3

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying consolidated balance sheets are as follows:

Financial assets Level 3: Changes in the year (Millions of Euros)

	2020		2019		2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	**3,754**	**2,220**	**3,527**	**4,115**	**835**	**1,386**
Changes in fair value recognized in profit and loss (*)	609	293	112	71	(167)	(28)
Changes in fair value not recognized in profit and loss	(89)	(4)	2	-	(4)	-
Acquisitions, disposals and liquidations (**)	(699)	(393)	5	595	2,102	2,710
Net transfers to Level 3	549	287	77	(2,751)	761	47
Exchange differences and others	(160)	(35)	31	189	-	-
Discontinued operations (***)	(518)	(5)	-	-	-	-
Balance at the end	**3,446**	**2,363**	**3,754**	**2,219**	**3,527**	**4,115**

(*) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2020, 2019 and 2018. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".

(**) Of which, in 2020, the assets roll forward is comprised of €326 million of acquisitions, €1,014 million of disposals and €11 million of liquidations. The liabilities roll forward is comprised of €115 million of acquisitions, €449 million of sales and €11 million of liquidations.

(***) Amount in 2020 are mainly due to the stake in BBVA USA (see Notes 3 and 21).

During the 2020 financial year, the level of significance of the unobservable inputs used to determine the fair value hierarchy of loans and advances to customers at amortized cost has been reviewed, resulting in a greater 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 consolidated results and solvency ratios, resulting from this review, does not represent any change (see Note 8.2).

During 2019, certain interest rate yields were adapted to those observable in the market, which mainly affected the valuation of certain deposit classes recorded under "Financial liabilities at amortized cost" and certain insurance products recorded under "Financial liabilities designated at fair value through profit or loss - Other financial liabilities", and, as a result thereof, their classification changed from Level 3 to Level 2. Additionally, €1,285 million in assets held for trading and €649 million in liabilities held for trading were classified in Level 3, mainly due to certain reverse repurchase and repurchase agreements, 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.

As of December 31, 2020, 2019 and 2018, the profit/loss on sales of financial instruments classified as Level 3 recognized in the accompanying consolidated income statement was not material.

Transfers between levels

The Global Valuation Area, in collaboration with the Group, has established the rules for an appropriate financial instruments held for trading classification according to the fair value hierarchy defined by IFRS.

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 years ended December 31, 2020, 2019 and 2018 are at the following amounts in the accompanying consolidated balance sheets as of December 31, 2020, 2019 and 2018:

Transfer between Levels. December 2020 (Millions of Euros)

From:	Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level2
ASSETS						
Financial assets held for trading	1,460	11	203	548	4	98
Non-trading financial assets mandatorily at fair value through profit or loss	9	11	4	-	-	17
Financial assets designated at fair value through profit or loss	143	-	-	-	-	-
Financial assets at fair value through other comprehensive income	484	-	135	96	-	6
Derivatives – Hedge accounting	-	-	-	8	-	-
Total	**2,096**	**23**	**342**	**652**	**4**	**122**
LIABILITIES						
Financial liabilities held for trading	8	3	-	268	-	13
Financial liabilities designated at fair value through profit or loss	-	-	-	56	-	27
Derivatives – Hedge accounting	-	-	-	-	-	-
Total	**8**	**3**	**-**	**324**	**-**	**40**

Transfer between levels (Millions of Euros).

	2019						2018					
From:	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level2	Level 2	Level 3	Level 1	Level 3	Level 1	Level2
ASSETS												
Financial assets held for trading	74	-	1,119	502	1	160	1,171	2	2	6	-	2
Non-trading financial assets mandatorily at fair value through profit or loss	-	-	23	2	-	44	-	-	9	67	-	24
Financial assets designated at fair value through profit or loss	-	-	-	-	1	-	-	-	-	-	-	-
Financial assets at fair value through other comprehensive income	6	6	4	209	-	454	134	72	-	515	-	-
Derivatives – Hedge accounting	-	-	-	26	-	10	-	-	-	52	118	49
Total	**79**	**6**	**1,145**	**739**	**2**	**667**	**1,305**	**74**	**11**	**641**	**118**	**75**
LIABILITIES												
Financial liabilities held for trading	1	-	-	-	-	-	-	-	-	138	-	37
Financial liabilities designated at fair value through profit or loss	-	-	-	27	-	2,679	-	-	-	-	-	-
Derivatives – Hedge accounting	-	-	-	27	-	125	-	-	-	-	-	-
Total	**1**	**-**	**-**	**54**	**-**	**2,804**	**-**	**-**	**-**	**138**	**-**	**37**

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 generally affect derivative and debt securities transactions, for which inputs observable in the market have 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 valuation 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 consolidated 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	229	(60)	-	-
Loans and advances	204	(29)	-	-
Debt securities	15	(15)	-	-
Equity instruments	9	(16)	-	-
Financial assets designated at fair value through profit or loss	-	-	-	-
Financial assets at fair value through other comprehensive income	-	-	22	(23)
Total	**239**	**(101)**	**22**	**(23)**

8.2 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 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 consolidated balance sheets as of December 31, 2020, 2019 and 2018, 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			2018		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS									
Cash, cash balances at central banks and other demand deposits	65,355	-	165	44,111	-	192	58,024	-	172
Financial assets at amortized cost	35,196	15,066	324,005	29,391	217,279	196,119	21,419	204,619	193,819
LIABILITIES									
Financial liabilities at amortized cost	90,839	255,278	144,889	67,229	289,599	159,082	58,225	269,128	182,948

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, 2019 and 2018:

Fair Value of financial Instruments at amortized cost by valuation technique. December 2020 (Millions of Euros)

	2020		2019		2018		Valuation technique(s)	Main inputs used
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3		
ASSETS								
Financial assets at amortized cost	**15,066**	**324,005**	**217,279**	**196,119**	**204,619**	**193,819**		
Central banks	-	-	-	2	-	1	**Present-value method** (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	1,883	12,641	9,049	4,628	4,934	4,291		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	3,904	310,924	194,897	190,144	190,666	183,645		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	9,279	440	13,333	1,345	9,019	5,881		- Credit spread - Interest rate yield
LIABILITIES								
Financial liabilities at amortized cost	**255,278**	**144,889**	**289,599**	**159,082**	**269,128**	**182,948**		
Deposits from central banks	-	207	129	-	196	-	**Present-value method** (Discounted future cash flows)	- Issuer´s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions	22,914	4,633	21,575	6,831	22,281	9,852		
Deposits from customers	210,097	129,525	245,720	135,514	240,547	135,270		
Debt certificates	14,413	4,848	14,194	11,133	6,104	25,096		
Other financial liabilities	7,854	5,676	7,981	5,604	-	12,730		

9. 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 consolidated balance sheets is as follows:

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

	Notes	2020	2019	2018
Cash on hand		6,447	7,060	6,346
Cash balances at central banks (*)		53,079	31,755	43,880
Other demand deposits		5,994	5,488	7,970
Total	**8.1**	**65,520**	**44,303**	**58,196**

(*) The variation in 2020 is mainly due to an increase in balances of BBVA, S.A. at the Bank of Spain.

10. Financial assets and liabilities held for trading

10.1 Breakdown of the balance

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

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

	Notes	2020	2019	2018
ASSETS				
Derivatives (*)		40,183	32,232	29,523
Equity instruments	7.2.2	11,458	8,892	5,254
Credit institutions		633	1,037	880
Other sectors		10,824	7,855	4,374
Debt securities	7.2.2	23,970	26,309	25,577
Issued by central banks		1,011	840	1,001
Issued by public administrations		19,942	23,918	22,950
Issued by financial institutions		1,479	679	790
Other debt securities		1,538	872	836
Loans and advances	7.2.2	32,647	34,303	28,750
Loans and advances to central banks		53	535	2,163
Reverse repurchase agreement (**)		*53*	*535*	*2,163*
Loans and advances to credit institutions		20,499	21,286	14,566
Reverse repurchase agreement (**)		*20,491*	*21,219*	*13,305*
Loans and advances to customers		12,095	12,482	12,021
Reverse repurchase agreement (**)		*11,493*	*12,187*	*11,794*
Total assets	**8.1**	**108,257**	**101,735**	**89,103**
LIABILITIES				
Derivatives (*)		41,680	34,066	30,801
Short positions		12,312	12,249	11,025
Deposits		32,496	42,365	37,934
Deposits from central banks		6,277	7,635	10,511
Repurchase agreement (**)		*6,277*	*7,635*	*10,511*
Deposits from credit institutions		16,558	24,969	15,687
Repurchase agreement (**)		*16,217*	*24,578*	*14,839*
Customer deposits		9,660	9,761	11,736
Repurchase agreement (**)		*9,616*	*9,689*	*11,466*
Total liabilities	**8.1**	**86,488**	**88,680**	**79,761**

(*) The variation in 2020 is mainly due to the evolution of exchange rate derivatives at BBVA, S.A. The information for 2019 and 2018 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 35.

As of December 31, 2020, 2019 and 2018 "Short positions" include €11,696, €11,649 and €10,255 million, respectively, held with general governments.

10.2 Derivatives

The derivatives portfolio arises from the Group's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Group's customers. As of December 31, 2020, 2019 and 2018, 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 consolidated 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			2018		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	**26,451**	**26,028**	**3,252,066**	**21,004**	**20,378**	**3,024,794**	**18,546**	**18,169**	**2,929,371**
OTC	26,447	26,020	3,233,718	21,004	20,377	2,997,443	18,546	18,169	2,910,016
Organized market	3	8	18,348	-	1	27,351	-	-	19,355
Equity instruments	**2,626**	**4,143**	**72,176**	**2,263**	**3,499**	**84,140**	**2,799**	**2,956**	**114,184**
OTC	584	1,836	42,351	353	1,435	40,507	631	463	39,599
Organized market	2,042	2,307	29,825	1,910	2,065	43,633	2,168	2,492	74,586
Foreign exchange and gold	**10,952**	**11,216**	**461,898**	**8,608**	**9,788**	**472,194**	**7,942**	**9,280**	**432,283**
OTC	10,942	11,216	457,180	8,571	9,782	463,662	7,931	9,225	426,952
Organized market	10	-	4,719	37	6	8,532	11	55	5,331
Credit	**153**	**292**	**23,411**	**353**	**397**	**29,077**	**232**	**393**	**25,452**
Credit default swap	146	156	21,529	338	283	26,702	228	248	22,791
Credit spread option	-	-	-	-	2	150	2	-	500
Total return swap	7	136	1,882	14	113	2,225	2	145	2,161
Other	-	-	-	-	-	-	-	-	-
Commodities	**1**	**1**	**26**	**4**	**4**	**64**	**3**	**3**	**67**
Other	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
DERIVATIVES	**40,183**	**41,680**	**3,809,577**	**32,232**	**34,066**	**3,610,269**	**29,523**	**30,801**	**3,501,358**
Of which: OTC - credit institutions	*24,432*	*27,244*	*958,017*	*19,962*	*22,973*	*1,000,243*	*16,305*	*18,055*	*897,384*
Of which: OTC - other financial corporations	*8,211*	*8,493*	*2,663,978*	*6,028*	*6,089*	*2,370,988*	*7,136*	*7,522*	*2,355,784*
Of which: OTC - other	*5,484*	*3,627*	*134,690*	*4,294*	*2,932*	*159,521*	*3,902*	*2,677*	*148,917*

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

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

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

	Notes	2020	2019	2018
Equity instruments	7.2.2	4,133	4,327	3,095
Debt securities	7.2.2	356	110	237
Loans and advances to customers	7.2.2	709	1,120	1,803
Total	**8.1**	**5,198**	**5,557**	**5,135**

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

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	2020	2019	2018
ASSETS				
Debt securities	7.2.2	1,117	1,214	1,313
LIABILITIES				
Customer deposits		902	944	976
Debt certificates		4,531	4,656	2,858
Other financial liabilities: Unit-linked products		4,617	4,410	3,159
Total liabilities	**8.1**	**10,050**	**10,010**	**6,993**

Within "Financial liabilities designated at fair value through profit or loss", liabilities linked to insurance products where the policyholder bears the risk ("*Unit-Link*") are recorded. Since the liabilities linked to insurance products in which the policyholder assumes the risk are valued the same way as the assets associated to these insurance products, there is no credit risk component borne by the Group in relation to these liabilities.

In addition, the assets and liabilities are included in these headings to reduce inconsistencies (asymmetries) in the valuation of those operations and those used to manage their risk.

13. Financial assets at fair value through other comprehensive income

13.1 Breakdown of the balance

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

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

	Notes	2020	2019	2018
Equity instruments	7.2.2	1,100	2,420	2,595
Debt securities (*)		68,308	58,731	53,709
Loans and advances to credit institutions	7.2.2	33	33	33
Total	**8.1**	**69,440**	**61,183**	**56,337**
Of which: loss allowances of debt securities		*(97)*	*(110)*	*(28)*

(*) 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".

13.2 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying consolidated financial statements as of December 31, 2020, 2019 and 2018 is as follows:

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

	2020				2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Equity instruments												
Spanish companies shares	2,182	-	(1,309)	873	2,181	-	(507)	1,674	2,172	-	(210)	1,962
Foreign companies shares	100	38	(17)	121	136	87	(11)	213	90	43	(12)	121
The United States	27	-	-	27	30	47	-	78	20	17	-	37
Mexico	1	33	-	34	1	33	-	34	1	25	-	26
Turkey	2	4	-	6	3	2	-	5	3	-	(1)	2
Other countries	70	1	(17)	54	102	5	(11)	96	66	1	(11)	56
Subtotal equity instruments listed	**2,282**	**38**	**(1,326)**	**995**	**2,317**	**87**	**(518)**	**1,886**	**2,262**	**43**	**(222)**	**2,083**
Equity instruments												
Spanish companies shares	5	1	-	5	5	1	-	5	6	1	-	7
Foreign companies shares	58	43	(1)	100	450	79	(1)	528	453	54	(1)	506
The United States	-	-	-	-	387	32	-	419	388	23	-	411
Mexico	-	-	-	-	-	-	-	-	-	-	-	-
Turkey	5	-	-	5	5	4	-	9	6	4	-	10
Other countries	52	43	(1)	94	57	43	(1)	99	59	27	(1)	85
Subtotal unlisted equity instruments	**62**	**44**	**(1)**	**105**	**454**	**80**	**(1)**	**533**	**459**	**55**	**(1)**	**513**
Total	**2,344**	**82**	**(1,327)**	**1,100**	**2,772**	**167**	**(519)**	**2,420**	**2,721**	**98**	**(223)**	**2,595**

13.3 Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying consolidated financial statements as of December 31, 2020, 2019 and 2018, broken down by issuers, is as follows:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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

	2020				2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	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	28,582	801	(16)	29,367	20,740	830	(20)	21,550	17,205	661	(9)	17,857
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	1,363	76	(0)	1,439	959	65	-	1,024	793	63	-	855
Other issuers	867	40	(1)	906	907	40	-	947	804	37	(1)	841
Subtotal	**30,811**	**917**	**(17)**	**31,712**	**22,607**	**935**	**(21)**	**23,521**	**18,802**	**761**	**(10)**	**19,553**
Foreign debt securities												
Mexico	**9,107**	**291**	**(3)**	**9,395**	**7,790**	**22**	**(26)**	**7,786**	**6,299**	**6**	**(142)**	**6,163**
Government and other government agency debt securities	8,309	271	(1)	8,579	6,869	18	(19)	6,868	5,286	4	(121)	5,169
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	113	5	-	118	77	2	-	78	35	-	(1)	34
Other issuers	685	15	(2)	698	843	2	(6)	840	978	2	(20)	961
The United States	**4,642**	**52**	**(3)**	**4,691**	**11,376**	**68**	**(51)**	**11,393**	**14,507**	**47**	**(217)**	**14,338**
Government securities	2,307	9	(1)	2,315	8,570	42	(12)	8,599	11,227	37	(135)	11,130
Treasury and other government agencies	2,307	9	(1)	2,315	5,595	32	(2)	5,624	7,285	29	(56)	7,258
States and political subdivisions	-	-	-	-	2,975	10	(10)	2,975	3,942	8	(79)	3,872
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	186	3	-	188	122	2	-	124	49	1	-	50
Other issuers	2,149	40	(2)	2,187	2,684	24	(39)	2,670	3,231	9	(82)	3,158
Turkey	**3,456**	**90**	**(73)**	**3,473**	**3,752**	**38**	**(76)**	**3,713**	**4,164**	**20**	**(269)**	**3,916**
Government and other government agency debt securities	3,456	90	(73)	3,473	3,752	38	(76)	3,713	4,007	20	(256)	3,771
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	-	-	-	-	157	-	(13)	145
Other issuers	-	-	-	-	-	-	-	-	-	-	-	-
Other countries	**18,340**	**739**	**(42)**	**19,037**	**11,870**	**554**	**(106)**	**12,318**	**9,551**	**319**	**(130)**	**9,740**
Other foreign governments and other government agency debt securities	10,458	502	(17)	10,943	6,963	383	(78)	7,269	4,510	173	(82)	4,601
Central banks	1,599	21	(8)	1,611	1,005	9	(4)	1,010	987	2	(4)	986
Credit institutions	2,521	116	(8)	2,629	1,795	109	(12)	1,892	1,856	111	(20)	1,947
Other issuers	3,762	100	(8)	3,854	2,106	53	(12)	2,147	2,197	33	(25)	2,206
Subtotal	**35,545**	**1,172**	**(120)**	**36,596**	**34,788**	**681**	**(259)**	**35,210**	**34,521**	**392**	**(758)**	**34,157**
Total	**66,356**	**2,089**	**(137)**	**68,308**	**57,395**	**1,617**	**(280)**	**58,731**	**53,323**	**1,153**	**(768)**	**53,709**

The credit ratings of the issuers of debt securities as of December 31, 2020, 2019 and 2018 are as follows:

Debt securities by rating

	2020		2019		2018	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%
AAA	4,345	6.4%	3,669	6.2%	531	1.0%
AA+	595	0.9%	7,279	12.4%	13,100	24.4%
AA	449	0.7%	317	0.5%	222	0.4%
AA-	406	0.6%	265	0.5%	409	0.8%
A+	5,912	8.7%	3,367	5.7%	632	1.2%
A	2,112	3.1%	12,895	22.0%	687	1.3%
A-	31,614	46.3%	10,947	18.6%	18,426	34.3%
BBB+	8,629	12.6%	9,946	16.9%	9,195	17.1%
BBB	4,054	5.9%	2,966	5.1%	4,607	8.6%
BBB-	5,116	7.5%	1,927	3.3%	1,003	1.9%
BB+ or below	4,731	6.9%	4,712	8.0%	4,453	8.3%
Unclassified	345	0.5%	441	0.8%	445	0.8%
Total	**68,308**	**100.0%**	**58,731**	**100.0%**	**53,709**	**100.0%**

13.4 Gains/losses

The changes in the gains/losses (net of taxes) in December 31, 2020, 2019 and 2018 of debt securities recognized under the equity heading "Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income" and equity instruments recognized under the equity heading "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss –Fair value changes of equity instruments measured at fair value through other comprehensive income" in the accompanying consolidated balance sheets are as follows:

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

		Debt securities			Equity instruments		
	Notes	2020	2019	2018	2020	2019	2018
Balance at the beginning		**1,760**	**943**	**1,557**	**(403)**	**(155)**	**84**
Effect of changes in accounting policies (IFRS 9)				(58)			(40)
Valuation gains and losses		489	1,267	(640)	(876)	(238)	(174)
Amounts transferred to income		(72)	(119)	(137)			
Amounts transferred to Reserves						-	-
Income tax and other		(107)	(331)	221	23	(10)	(25)
Balance at the end	**30**	**2,069**	**1,760**	**943**	**(1,256)**	**(403)**	**(155)**

In 2020, the debt securities impaired recognized in 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" in the accompanying consolidated income statement amounted to €19 million (see Note 47).

In 2019, the debt securities impaired recognized in 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" in the accompanying consolidated income statement amounted to €82 million (see Note 47) as a result of the decrease in the rating of debt securities in Argentina during the last quarter of 2019.

In 2018, the debt securities impaired recognized in 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" in the accompanying consolidated income statement amounted to €1 million (see Note 47).

In 2020, equity securities presented a decrease of 876 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, 2019 and 2018 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 47).

14. Financial assets at amortized cost

14.1 Breakdown of the balance

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

Financial assets at amortized cost (Millions of Euros)

	Notes	2020	2019	2018
Debt securities		**35,737**	**38,877**	**32,530**
Government		28,727	31,526	25,014
Credit institutions		783	719	644
Other financial corporations		5,027	5,254	5,421
Non-financial corporations		1,200	1,379	1,451
Loans and advances to central banks		**6,209**	**4,275**	**3,941**
Loans and advances to credit institutions		**14,575**	**13,649**	**9,163**
Reverse repurchase agreements (**)		1,914	1,817	478
Other loans and advances		12,661	11,832	8,685
Loans and advances to customers (***)		**311,147**	**382,360**	**374,027**
Government		19,391	28,222	28,114
Other financial corporations		9,817	11,207	9,468
Non-financial corporations		136,424	166,789	163,922
Other		145,515	176,142	172,522
Total	**8.1**	**367,668**	**439,162**	**419,660**
Of which: impaired assets of loans and advances to customers (*)		*14,672*	*15,954*	*16,349*
Of which: loss allowances of loans and advances (*)		*(12,141)*	*(12,427)*	*(12,217)*
Of which: loss allowances of debt securities		*(48)*	*(52)*	*(51)*

(*) See Note 7.2
(**) See Note 35.
(***) Amount in 2020 is mainly due to the stake in BBVA USA (see Note 21).

During financial years 2020, 2019 and 2018, there have been no significant reclassifications neither from "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

14.2 Debt securities

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

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Financial assets at amortized cost: Debt securities. (Millions of Euros)

	2020				2019				2018			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities												
Government and other government agencies	13,656	1,212	-	14,868	12,755	630	(21)	13,363	10,953	458	(265)	11,146
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	-	-	-	-	26	-	-	26	53	-	-	53
Other issuers	4,835	59	(7)	4,887	4,903	38	(10)	4,931	5,014	41	(25)	5,030
Subtotal	**18,492**	**1,271**	**(7)**	**19,756**	**17,684**	**668**	**(31)**	**18,320**	**16,019**	**499**	**(290)**	**16,228**
Foreign debt securities												
Mexico	**7,771**	**534**	**(16)**	**8,289**	**6,374**	**168**	**(18)**	**6,525**	**5,148**	**10**	**-**	**5,157**
Government and other government agencies debt securities	6,963	479	-	7,442	5,576	166	-	5,742	4,571	9	-	4,579
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	632	55	-	687	526	2	-	529	350	1	-	351
Other issuers	176	-	(16)	160	272	-	(18)	254	227	-	-	227
The United States	**52**	**-**	**(26)**	**26**	**6,125**	**111**	**(20)**	**6,217**	**2,559**	**15**	**(3)**	**2,570**
Government securities	14	-	-	14	5,690	111	(18)	5,783	2,070	-	-	2,070
Treasury and other government agencies	14	-	-	14	1,161	50	(17)	1,193	118	-	-	118
States and political subdivisions	-	-	-	-	4,530	61	(1)	4,590	1,952	-	-	1,952
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	23	-	(16)	7	25	-	(1)	25	23	9	(2)	30
Other issuers	15	-	(10)	5	410	-	(1)	409	466	6	(1)	470
Turkey	**3,628**	**95**	**(25)**	**3,698**	**4,113**	**48**	**(65)**	**4,097**	**4,062**	**-**	**(261)**	**3,801**
Government and other government agencies debt securities	3,621	95	(25)	3,691	4,105	47	(65)	4,088	4,054	-	(261)	3,793
Central banks	-	-	-	-	-	-	-	-	-	-	-	-
Credit institutions	6	-	-	6	7	1	-	8	7	-	-	7
Other issuers	1	-	-	1	1	-	-	1	1	-	-	1
Other countries	**5,795**	**505**	**(1)**	**6,299**	**4,581**	**82**	**(26)**	**4,637**	**4,741**	**32**	**(152)**	**4,622**
Other foreign governments and other government agency debt securities	4,473	467	(1)	4,939	3,400	82	(22)	3,459	3,366	27	(152)	3,242
Central banks	-	-	-	-	-	-	-	-	64	-	-	64
Credit institutions	122	-	-	122	135	-	-	135	147	-	-	147
Other issuers	1,200	38	-	1,238	1,047	-	(4)	1,043	1,164	5	-	1,169
Subtotal	**17,245**	**1,134**	**(68)**	**18,311**	**21,194**	**409**	**(129)**	**21,476**	**16,510**	**57**	**(416)**	**16,150**
Total	**35,737**	**2,405**	**(75)**	**38,067**	**38,877**	**1,077**	**(160)**	**39,796**	**32,530**	**556**	**(706)**	**32,378**

As of December 31, 2020, 2019 and 2018, the credit ratings of the issuers of debt securities classified as follows:

Debt securities by rating

	2020		2019		2018	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	151	0.4%	39	0.1%	49	0.2%
AA+	74	0.2%	6,481	16.7%	1,969	6.1%
AA	64	0.2%	14	-	62	0.2%
AA-	48	0.1%	713	1.8%	-	-
A+	42	0	-	-	607	1.9%
A	590	1.7%	16,806	43.2%	21	0.1%
A-	16,736	46.8%	607	1.6%	6,117	18.8%
BBB+	7,919	22.2%	3,715	9.6%	13,894	42.7%
BBB	942	2.6%	551	1.4%	1,623	5.0%
BBB-	4,499	12.6%	3,745	9.6%	2,694	8.3%
BB+ or below	3,928	11.0%	5,123	13.2%	4,371	13.4%
Unclassified	743	2.1%	1,083	2.8%	1,123	3.5%
Total	**35,737**	**100.0%**	**38,877**	**100.0%**	**32,530**	**100.0%**

14.3 Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)

	2020	2019	2018
On demand and short notice	2,835	3,050	3,641
Credit card debt	13,093	16,354	15,445
Trade receivables	15,544	17,276	17,436
Finance leases	7,650	8,711	8,650
Reverse repurchase agreements	71	26	294
Other term loans	267,031	332,160	324,767
Advances that are not loans	4,924	4,784	3,794
Total	**311,147**	**382,360**	**374,027**

The heading "Financial assets at amortized cost – Loans and advances to customers" in the accompanying consolidated 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.

The following table sets forth a breakdown of the gross carrying amount "Loans and advances to customers" with maturity greater than one year by fixed and variable rate as of December 31, 2020:

Interest sensitivity of outstanding loans and advances maturing in more than one year (Millions of Euros)

	2020			2019		
	Domestic	Foreign	Total	Domestic	Foreign	Total
Fixed rate	46,104	66,444	112,548	55,920	68,915	124,835
Variable rate	86,710	41,452	128,162	79,329	97,765	177,095
Total	**132,814**	**107,895**	**240,710**	**135,249**	**166,680**	**301,929**

As of December 31, 2020, 2019 and 2018, 47%, 41% and 38%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 53%, 59% and 62%, respectively, have variable interest rates.

This heading also includes some loans that have been securitized. The balances recognized in the accompanying consolidated balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)

	2020	2019	2018
Securitized mortgage assets	23,953	26,169	26,556
Other securitized assets	6,144	4,249	3,221
Total	**30,098**	**30,418**	**29,777**

15. 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 consolidated balance sheets is as follows:

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)

	2020	2019	2018
ASSETS			
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)
LIABILITIES			
Hedging derivatives	2,318	2,233	2,680
Fair value changes of the hedged items in portfolio hedges of interest rate risk	-	-	-

As of December 31, 2020, 2019 and 2018, the main positions hedged by the Group and the derivatives designated 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, interest-rate swaps, inflation and FRA's ("Forward Rate Agreement").
- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 7 analyzes the Group's main risks that are hedged using these derivatives.

The details of the net positions by hedged risk of the fair value of the hedging derivatives recognized in the accompanying consolidated balance sheets are as follows:

Derivatives - Hedge accounting breakdown by type of risk and type of hedge. (Millions of Euros)

	2020		2019		2018	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
Interest rate	**989**	**525**	**920**	**488**	**982**	**513**
OTC	989	525	920	488	982	513
Organized market	-	-	-	-	-	-
Equity	**-**	**-**	**-**	**3**	**6**	**-**
OTC	-	-	-	3	6	-
Organized market	-	-	-	-	-	-
Foreign exchange and gold	**435**	**350**	**420**	**316**	**587**	**398**
OTC	435	350	420	316	587	398
Organized market	-	-	-	-	-	-
Credit	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Other	-	-	-	-	-	-
FAIR VALUE HEDGES	**1,424**	**874**	**1,341**	**808**	**1,575**	**912**
Interest rate	**154**	**1,055**	**224**	**850**	**221**	**562**
OTC	154	1,041	224	839	219	562
Organized market	-	15	-	11	2	-
Equity	**-**	**-**	**-**	**-**	**-**	**-**
Foreign exchange and gold	**225**	**55**	**115**	**18**	**955**	**873**
OTC	225	50	115	18	955	873
Organized market	-	5	-	-	-	-
Credit	-	-	-	-	-	-
Commodities	-	-	-	-	-	-
Other	-	-	-	-	-	-
CASH FLOW HEDGES	**379**	**1,111**	**339**	**868**	**1,176**	**1,435**
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	**166**	**139**	**12**	**242**	**92**	**231**
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	**18**	**170**	**37**	**216**	**33**	**90**
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	**3**	**23**	**1**	**99**	**15**	**12**
DERIVATIVES-HEDGE ACCOUNTING	**1,991**	**2,318**	**1,729**	**2,233**	**2,892**	**2,680**
of which: OTC - credit institutions	*1,718*	*1,965*	*1,423*	*1,787*	*2,534*	*2,462*
of which: OTC - other financial corporations	*273*	*333*	*306*	*426*	*355*	*216*
of which: OTC - other	-	-	-	*8*	*2*	*2*

Below there is a breakdown of the items covered by fair value hedges:

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	**28,091**	**(99)**	**12**	**-**
Interest rate	28,059			
Other	33			
Financial assets measured at amortized cost	**11,177**	**386**	**3**	**2,500**
Interest rate	11,177			
LIABILITIES				
Financial liabilities measured at amortized costs	**23,546**	**(576)**	**2**	**-**
Interest rate	23,543			
Equity	-			
Foreign exchange and gold	3			

The following is the calendar of the notional maturities of the hedging instruments as of December 31, 2020:

Calendar of the notional maturities of the hedging instruments (Millions of Euros)

	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
FAIR VALUE HEDGES	**3,581**	**10,945**	**28,487**	**18,656**	**61,668**
Of which: Interest rate	3,569	10,879	26,946	18,609	60,003
CASH FLOW HEDGES	**10,495**	**2,808**	**2,576**	**6,972**	**22,852**
Of which: Interest rate	6,756	154	1,816	6,600	15,326
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	**101**	**11**	**1,049**	**-**	**1,161**
DERIVATIVES-HEDGE ACCOUNTING	**15,933**	**17,340**	**33,984**	**26,623**	**93,881**

In 2020, 2019 and 2018, there was no reclassification in the accompanying consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity (see Note 41).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in December 31, 2020, 2019 and 2018 were not material.

16. Investments in joint ventures and associates

16.1 Joint ventures and associates

The breakdown of the balance of "Investments in joint ventures and associates" in the accompanying consolidated balance sheets is as follows:

Joint ventures and associates. Breakdown by entities (Millions of Euros)

	2020	2019	2018
Joint ventures			
Altura Markets, S.V., S.A.	77	73	69
RCI Colombia	36	37	32
Desarrollo Metropolitanos del Sur, S.L.	17	14	13
Other	19	30	59
Subtotal	**149**	**154**	**173**
Associates			
Divarian Propiedad, S.A.U.	567	630	591
Metrovacesa, S.A.	285	443	508
BBVA Allianz Seguros y Reaseguros, S.A.	250	-	-
ATOM Bank PLC	64	136	138
Solarisbank AG	39	36	37
Cofides	25	23	22
Redsys servicios de procesamiento, S.L.	14	14	12
Servicios Electrónicos Globales S.A. de CV	11	11	9
Other	33	41	88
Subtotal	**1,288**	**1,334**	**1,405**
Total	**1,437**	**1,488**	**1,578**

Details of the joint ventures and associates as of December 31, 2020 are shown in Appendix II.

The following is a summary of the changes in the in December 31, 2020, 2019 and 2018 under this heading in the accompanying consolidated balance sheets:

Joint ventures and associates. Changes in the year (Millions of Euros)

	Notes	2020	2019	2018
Balance at the beginning		**1,488**	**1,578**	**1,588**
Acquisitions and capital increases		257	161	309
Disposals and capital reductions		(47)	(149)	(516)
Transfers and changes of consolidation method		(7)	(27)	211
Share of profit and loss	39	(39)	(42)	(7)
Exchange differences		(27)	10	2
Dividends, valuation adjustments and others		(188)	(43)	(8)
Balance at the end		**1,437**	**1,488**	**1,578**

During the year 2020, the most significant changes in the heading "Investments in joint ventures and associates" correspond to the valuation of Metrovacesa and BBVA Allianz Seguros y Reaseguros, S.A.

During the year 2019, there was no significant change in the heading "Investment in joint ventures and associates".

The variation during the year 2018 was mainly explained by the decrease of BBVA Group stakes in Testa Residencial, S.A., Metrovacesa Suelo y Promoción, S.A. and the contribution of assets and subsequent sale to Cerberus of 80% of the capital stake in Divarian Propiedad, S.A.U., (see Note 3 and Appendix III).

Appendix III provides notifications on acquisitions and disposals of holdings in subsidiaries, joint ventures and associates, in compliance with article 155 of the Corporations Act and article 125 of the Securities Market Act 4/2015.

16.2 Other information about associates and joint ventures

If these entities had been consolidated rather than accounted for using the equity method, the change in each of the lines of balance sheet and the consolidated income statement would not be significant.

As of December 31, 2020, 2019 and 2018 there was no financial support agreement or other contractual commitment to associates and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 53.2).

As of December 31, 2020, 2019 and 2018 there was no contingent liability in connection with the investments in joint ventures and associates (see Note 53.2).

16.3 Impairment

As described in IAS 36, the book value of the associates and joint venture entities has been compared with their recoverable amount, being the latter calculated as the higher between the value in use and the fair value minus the cost of sale. For the year ended December 31, 2020, €158 million have been recorded in the Group's consolidated income statement due to impairment. For the year ended December 31, 2019, €46 million were recorded due to impairment. There were no impairments recognized in 2018 (see Note 48).

17. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying consolidated 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)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset		Investment properties	Assets leased out under an operating lease	Total
					Own use	Investment properties			
Cost									
Balance at the beginning		6,001	56	6,351	3,516	101	216	337	16,578
Additions		157	54	255	183	-	2	-	651
Retirements		(10)	(23)	(294)	(157)	(3)	(11)	-	(498)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Companies held for sale (*)		(925)	(31)	(366)	(294)	-	-	-	(1,616)
Transfers		(248)	(2)	(5)	(60)	25	18	-	(272)
Exchange difference and other		(595)	(2)	(426)	(127)	-	(24)	8	(1,166)
Balance at the end		4,380	52	5,515	3,061	123	201	345	13,677
Accrued depreciation									
Balance at the beginning		1,253	-	4,344	370	11	15	74	6,067
Additions	45	83	-	370	312	12	3	1	781
Additions transfer to discontinued operations (*)		24	-	20	32	-	-	-	76
Retirements		(2)	-	(248)	(10)	-	-	-	(260)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Companies held for sale (*)		(373)	-	(321)	(71)	-	-	-	(765)
Transfers		(42)	-	(12)	(9)	4	1	-	(58)
Exchange difference and other		(110)	-	(294)	(42)	-	(3)	(21)	(470)
Balance at the end		833	-	3,859	582	27	16	54	5,371
Impairment									
Balance at the beginning		212	-	-	191	14	26	-	443
Additions	49	18	-	26	68	12	1	-	125
Retirements		-	-	-	-	-	-	-	-
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Companies held for sale (*)		(8)	-	-	-	-	-	-	(8)
Transfers		(68)	-	-	10	-	7	-	(51)
Exchange difference and other		(5)	-	(26)	5	-	-	-	(26)
Balance at the end		149	-	-	274	26	34	-	483
Net tangible assets									
Balance at the beginning		4,536	56	2,007	2,955	76	175	263	10,068
Balance at the end		3,398	52	1,656	2,205	70	151	291	7,823

(*) Amount is mainly due to the stake in BBVA USA (see Note 3).

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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	Right to use asset: Own use	Right to use asset: Investment properties	Investment properties	Assets leased out under an operating lease	Total
Cost									
Balance at the beginning		**5,939**	**70**	**6,314**	**-**	**-**	**201**	**386**	**12,910**
Additions		90	63	335	3,574	101	12	-	4,175
Retirements		(44)	(20)	(302)	(57)	-	(10)	-	(433)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-	-
Transfers		(41)	(51)	(8)	(1)	-	13	-	(88)
Exchange difference and other		57	(6)	12	-	-	-	(49)	14
Balance at the end		**6,001**	**56**	**6,351**	**3,516**	**101**	**216**	**337**	**16,578**
Accrued depreciation									
Balance at the beginning		**1,138**	**-**	**4,212**	**-**	**-**	**11**	**76**	**5,437**
Additions	45	92	-	431	338	11	4	-	876
Additions transfer to discontinued operations (*)		34	-	26	43	-	-	-	103
Retirements		(38)	-	(255)	(3)	-	-	-	(296)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-	-
Transfers		(16)	-	(13)	(1)	-	-	-	(30)
Exchange difference and other		43	-	(57)	(7)	-	-	(2)	(23)
Balance at the end		**1,253**	**-**	**4,344**	**370**	**11**	**15**	**74**	**6,067**
Impairment									
Balance at the beginning		**217**	**-**	**-**	**-**	**-**	**27**	**-**	**244**
Additions	49	14	-	20	60	-	-	-	94
Retirements		(3)	-	-	-	-	-	-	(3)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-	-
Transfers		(16)	-	-	127	14	(4)	-	121
Exchange difference and other		-	-	(20)	4	-	3	-	(13)
Balance at the end		**212**	**-**	**-**	**191**	**14**	**26**	**-**	**443**
Net tangible assets									
Balance at the beginning		**4,584**	**70**	**2,102**	**-**	**-**	**163**	**310**	**7,229**
Balance at the end		**4,536**	**56**	**2,007**	**2,955**	**76**	**175**	**263**	**10,068**

(*) Amount in 2019 is mainly due to the stake in BBVA USA (see Note 3).

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches located in the countries where the Group operates whose average term is between 5 and 20 years. 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.

Tangible assets. Breakdown by type of assets and changes in the year 2018 (Millions of Euros)

	Notes	For own use			Total tangible asset of own use	Investment properties	Assets leased out under an operating lease	Total
		Land and buildings	Work in progress	Furniture, fixtures and vehicles				
Cost								
Balance at the beginning		**5,490**	**234**	**6,628**	**12,352**	**228**	**492**	**13,072**
Additions		445	78	404	927	11	-	938
Retirements		(98)	(17)	(492)	(607)	(149)	(1)	(757)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		64	(177)	(12)	(125)	(5)	-	(130)
Exchange difference and other		38	(48)	(214)	(224)	116	(105)	(213)
Balance at the end		**5,939**	**70**	**6,314**	**12,323**	**201**	**386**	**12,910**
Accrued depreciation								
Balance at the beginning		**1,076**	**-**	**4,380**	**5,456**	**13**	**77**	**5,546**
Additions	45	86	-	442	528	5	-	533
Additions transfer to discontinued operations (*)		34	-	27	61	-	-	61
Retirements		(36)	-	(403)	(439)	(8)	-	(447)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		(3)	-	-	(3)	-	-	(3)
Transfers		(31)	-	(22)	(53)	(2)	-	(55)
Exchange difference and other		12	-	(212)	(200)	3	(1)	(198)
Balance at the end		**1,138**	**-**	**4,212**	**5,350**	**11**	**76**	**5,437**
Impairment								
Balance at the beginning		**315**	**-**	**-**	**315**	**20**	**-**	**335**
Additions	49	29	-	-	29	(25)	-	4
Additions transfer to discontinued operations (*)		1	-	-	1	-	-	1
Retirements		-	-	-	-	(27)	-	(27)
Acquisition of subsidiaries in the year		-	-	-	-	-	-	-
Disposal of entities in the year		-	-	-	-	-	-	-
Transfers		(77)	-	-	(77)	(3)	-	(80)
Exchange difference and other		(51)	-	-	(51)	62	-	11
Balance at the end		**217**	**-**	**-**	**217**	**27**	**-**	**244**
Net tangible assets								
Balance at the beginning		**4,099**	**234**	**2,248**	**6,581**	**195**	**415**	**7,191**
Balance at the end		**4,584**	**70**	**2,102**	**6,756**	**163**	**310**	**7,229**

(*) Amount is mainly due to the stake in BBVA USA (see Note 3).

As of December 31, 2020, 2019 and 2018, the cost of fully amortized tangible assets that remained in use were €2,299, €2,658 and €2,624 million respectively while its recoverable residual value was not significant.

As of December 31, 2020, 2019 and 2018 the amount of tangible assets under financial lease schemes on which the purchase option is expected to be exercised was not material. The main activity of the Group 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	2018
Spain	2,482	2,642	2,840
Mexico	1,746	1,860	1,836
South America	1,514	1,530	1,543
The United States	639	643	646
Turkey	1,021	1,038	1,066
Rest of Eurasia	30	31	32
Total	**7,432**	**7,744**	**7,963**

The following table shows the detail of the net carrying amount of the tangible assets corresponding to Spanish and foreign subsidiaries as of December 31, 2020, 2019 and 2018:

Tangible assets by Spanish and foreign subsidiaries. Net assets values (Millions of euros)

	2020	2019	2018
BBVA and Spanish subsidiaries	4,294	4,865	2,705
Foreign subsidiaries	3,529	5,203	4,524
Total	**7,823**	**10,068**	**7,229**

18. Intangible assets

18.1 Goodwill

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, according to the cash-generating unit (hereinafter "CGU") to which goodwill has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the year (Millions of Euros)

	The United States	Mexico	Turkey	Colombia	Chile	Other	Total
Balance as of December 31, 2017	**4,837**	**493**	**509**	**168**	**32**	**23**	**6,062**
Additions	-	-	-	-	-	-	-
Exchange difference	229	26	(127)	(7)	(3)	-	118
Impairment	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Balance as of December 31, 2018	**5,066**	**519**	**382**	**161**	**29**	**23**	**6,180**
Additions	-	-	-	-	-	-	-
Exchange difference	98	31	(36)	3	(2)	(1)	93
Impairment	(1,318)	-	-	-	-	-	(1,318)
Other	-	-	-	-	-	-	-
Balance as of December 31, 2019	**3,846**	**550**	**346**	**164**	**27**	**22**	**4,955**
Additions	-	-	-	-	-	-	-
Exchange difference	(22)	(72)	(92)	(21)	-	(1)	(208)
Impairment	(2,084)	-	-	-	-	(13)	(2,097)
Companies held for sale	(1,740)	-	-	-	-	-	(1,740)
Other	-	-	-	-	-	-	-
Balance as of December 31, 2020	**-**	**478**	**254**	**143**	**27**	**8**	**910**

As of December 31, 2020, the remaining goodwill of the United States CGU was reclassified to the heading "Non-current assets and disposal groups classified as held for sale" of the consolidated balance sheet, whereas the impairment was reclassified to the heading "Profit (loss) after tax from discontinued operations" of the consolidated income statements (see Notes 1.3, 3 and 21).

Goodwill in business combinations

There were no significant business combinations during 2020, 2019 and 2018.

Impairment Test

As mentioned in Note 2.2.8, the CGUs to which goodwill has been allocated, are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment. Furthermore, it is analyzed whether certain changes in the valuation assumptions used could give rise to differences in the result of the impairment test.

The BBVA Group performs estimations on the recoverable amount of certain CGU´s by calculating the value in use through the discounted value of future cash flows method.

The main hypotheses used for the value in use calculation are the following:

- The forecast cash flows, including net interest margin and cost of risk, estimated by the Group's management, and based on the latest available budgets for the next 4 to 5 years, considering the macroeconomic variables of each CGU, regarding the existing balance structure as well as macroeconomic variables such as the evolution of interest rates and the CPI of the geography where the CGU is located, among others.
- The constant growth rate for extrapolating cash flows, starting in the fourth or fifth year, beyond the period covered by the budgets or forecasts.
- The discount rate on future cash flows, which coincides with the cost of capital assigned to each CGU, and which consists of a risk-free rate plus a premium that reflects the inherent risk of each of the businesses evaluated.

The focus used by the Group's management to determine the values of the assumptions is based both on its projections and past experience. These values are verified and use external sources of information, wherever possible. Additionally, the valuation of the goodwill of the CGU of Turkey has been reviewed by independent experts (not the Group's external auditors).

As of December 31, 2020, as a result of the CGU´s assessment, the Group concluded there is no evidence of further indicators of impairment losses that requires recognizing significant additional impairment losses in any of the CGUs where goodwill that the Group has recognized in the consolidated balance sheet is allocated.

As of March 31, 2020, the Group identified an indicator of impairment of goodwill in the United States CGU and as a result of the goodwill impairment test, the Group estimated impairment in the United States CGU, of €2,084 million, which was mainly due to the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic (see Note 1.5) and the expected evolution of interest rates. This recognition did not affect the tangible book value nor the liquidity nor the solvency ratio of the BBVA Group.

As of December 31, 2019, the Group estimated impairment losses in the United States CGU of €1,318 million, which was mainly as a result of the negative evolution of interest rates, especially in the second half of the year, which accompanied by the slowdown of the economy caused the expected evolution of results below the previous estimation. This recognition did not affect the tangible book value nor the liquidity nor the solvency ratio of the BBVA Group.

As of December 31, 2018, no impairment had been identified in any of the main CGUs.

Goodwill - the United States CGU

As of December 31, 2020, the remaining goodwill corresponding to the United States CGU has been reclassified to the heading "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheets (see Notes 1.3, 3 and 21). Pursuant to IFRS 5.15, the CGU must be measured at the lower of fair value less costs to sell and the carrying amount. Given the price agreed in the sale agreement, the fair value less costs to sell is higher than carrying amount of the assets and liabilities of the CGU, which means that as of December 31, 2020 these will remain valued at their carrying amount (included goodwill) on the reclassification date.

The most significant assumptions used in the latest impairment tests of such CGU are:

Impairment test assumptions CGU goodwill - United States

	March 2020	December 2019	December 2018
Discount rate (*)	10.3%	10.0%	10.5%
Sustainable growth rate	3.0%	3.5%	4.0%

(*) Post-tax discount rates.

In accordance with paragraph 33.c of IAS 36, as of March 31, 2020, the Group used a constant growth rate of 3.0%, based on the real GDP growth rate of the United States, the expected inflation and the potential growth of the banking sector in the United States.

The assumptions that carry the most weight and whose volatility could affect the most in determining the present value of cash flows from the fifth year on are the discount rate and the growth rate. The following shows the amount that would increase (or decrease) the recoverable value of the CGU, as a consequence of a reasonably possible variation (in basis points, "bp") of each of the key assumptions as of March 31, 2020:

Sensitivity analysis for main assumptions - United States (Millions of Euros)

	Increase of 50 basis points (*)	Decrease of 50 basis points (*)
Discount rate	(755)	869
Sustainable growth rate	270	(235)

(*) The use of very different discount or growth rates would be inconsistent with the macroeconomic assumptions under which the Unit builds its business plan, such as inflation assumptions or interest rate curves used to determine cash flows.

Goodwill - Mexico CGU

The Group's most significant goodwill corresponds to the CGU in Mexico, the main significant assumptions used in the impairment test of this mentioned CGU as of December 31, 2020, 2019 and 2018:

Impairment test assumptions CGU goodwill in Mexico

	2020	2019	2018
Discount rate (*)	15.3%	14.8%	14.8%
Sustainable growth rate	5.7%	5.9%	5.6%

(*) Post-tax discount rates.

In accordance with paragraph 33.c of IAS 36, as of December 31, 2020, the Group used a growth rate of 5.7% based on the real GDP growth rate of Mexico, the expected inflation and the potential growth of the banking sector in Mexico.

The assumptions with a greater relative weight and whose volatility could have a greater impact in determining the present value of the cash flows starting on the fourth year are the discount rate and the growth rate. Below, in a simplified way, is shown the increased (or decreased) amount of the CGU recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions, considered in isolation as of December 31, 2020, where, in any case, the value in use would continue to exceed their book value:

Sensitivity analysis for main assumptions - Mexico (Millions of Euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(1,043)	1,156
Growth rate	688	(620)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Goodwill - Turkey CGU

The main significant assumptions used in the impairment test of the CGU of Turkey as of December 31, 2020, 2019 and 2018 are:

Impairment test assumptions CGU goodwill in Turkey

	2020	2019	2018
Discount rate (*)	21.0%	17.4%	24.3%
Growth rate	7.0%	7.0%	7.0%

(*) Post-tax discount rates.

Given the potential growth of the sector in Turkey, in accordance with paragraph 33.c of IAS 36, as of December 31, 2020, 2019 and 2018 the Group used a steady growth rate of 7.0% based on the real GDP growth rate of Turkey and expected inflation.

The assumptions with a greater relative weight and whose volatility could affect more in determining the present value of the cash flows starting on the fifth year are the discount rate and the growth rate. Below, in a simplified way, is shown the increased (or decreased) amount of the recoverable amount as a result of a reasonable variation (in basis points) of each of the key assumptions, considered in isolation as of December 31, 2020, where, in any case, the value in use would continue to exceed their book value:

Sensitivity analysis for main assumptions - Turkey (Millions of Euros)

	Impact of an increase of 50 basis points (*)	Impact of a decrease of 50 basis points (*)
Discount rate	(164)	175
Growth rate	29	(26)

(*) Based on historical changes, the use of 50 basis points to calculate the sensitivity analysis would be a reasonable variation with respect to the observed variations over the last five years.

Considering the uncertainty caused by the current economic situation, the Group has carried out additional sensitivities on other variables such as the net interest income and the cost of risk forecasts, not having detected any modification on the result of the impairment test on the CGU.

As of March 31, 2020, a goodwill impairment test of the Turkey CGU was carried out due to the identification of indicators of impairment. As a result of such test, the Group determined that there was no impairment in this CGU.

Goodwill - Other CGUs

The sensitivity analysis on the main assumptions carried out for the rest of the CGUs of the Group indicate that their value in use would continue to exceed their book value.

18.2 Other intangible assets

The breakdown of the balance and changes of this heading in the accompanying consolidated balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)

	2020	2019	2018
Computer software acquisition expense	1,202	1,598	1,605
Other intangible assets with an infinite useful life	12	11	11
Other intangible assets with a definite useful life	221	401	518
Total	**1,435**	**2,010**	**2,134**

The changes of this heading in December 31, 2020, 2019 and 2018, are as follows:

Other intangible assets (Millions of Euros)

	Notes	2020			2019			2018		
		Computer software	Other intangible assets	Total of intangible assets	Computer software	Other intangible assets	Total of intangible assets	Computer software	Other intangible assets	Total of intangible assets
Balance at the beginning		**1,598**	**412**	**2,010**	**1,605**	**529**	**2,134**	**1,682**	**721**	**2,402**
Additions		452	8	460	525	8	533	540	12	552
Amortization in the year	45	(448)	(59)	(507)	(447)	(63)	(510)	(436)	(65)	(500)
Amortization transfer to discontinued operations (*)		(77)	(3)	(80)	(106)	(4)	(110)	(105)	(8)	(114)
Exchange differences and other		(38)	(91)	(129)	32	(58)	(25)	(74)	(49)	(123)
Impairment		(6)	-	(6)	(11)	(1)	(12)	(2)	(81)	(83)
Decreases by companies held for sale (*)		(279)	(34)	(313)	-	-	-	-	-	-
Balance at the end		**1,202**	**233**	**1,435**	**1,598**	**412**	**2,010**	**1,605**	**529**	**2,134**

(*) Amount is mainly due to the stake in BBVA USA (see Note 3).

As of December 31, 2020, 2019 and 2018, the cost of fully amortized intangible assets that remained in use were €2,622 million, €2,702 million, €2,412 million respectively, while their recoverable value was not significant.

19. Tax assets and liabilities

19.1 Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

19.2 Years open for review by the tax authorities

At 31 December 2020, the BBVA consolidated tax group in Spain is currently under inspection for the years 2014 to 2016 inclusive for the main taxes applicable to it.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

On the other hand, in relation to the main jurisdictions in which the Group is present and carries out its activity, in the case of Mexico, BBVA Bancomer S.A., is currently under inspection by the Mexican Tax Authorities for the years 2016 and 2017 corresponding to Corporate Income Tax and Value Added Tax.

In addition, in the case of Turkey, the head entity in this country, Garanti BBVA A.S., is currently under inspection by the Tax Authorities of that country for all the taxes applicable to it corresponding to the years 2017 and 2018.

In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that may be conducted by the tax authorities in the future may give rise to contingent tax liabilities which cannot be reasonably estimated at the present time. However, the Group 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 Group's accompanying consolidated financial statements.

19.3 Reconciliation

The reconciliation of the Group's corporate income tax expense resulting from the application of the Spanish corporation income tax rate and the income tax expense recognized in the accompanying consolidated income statements is as follows:

Reconciliation of taxation at the Spanish corporation tax rate to the tax expense recorded for the year (Millions of Euros)

	2020		2019		2018	
	Amount	Effective tax %	Amount	Effective tax %	Amount	Effective tax %
Profit or (-) loss before tax	**3,576**		**6,398**		**8,446**	
From continuing operations	5,248		7,046		7,565	
From discontinued operations	(1,672)		(648)		881	
Taxation at Spanish corporation tax rate 30%	1,073		1,920		2,534	
Lower effective tax rate from foreign entities (*)	(181)		(381)		(234)	
Mexico	(32)	29%	(112)	27%	(78)	28%
Chile	(2)	23%	(2)	27%	(18)	21%
Colombia	3	31%	6	32%	10	33%
Peru	(7)	28%	(12)	28%	(12)	28%
Turkey	(73)	25%	(86)	23%	(132)	20%
USA	(75)	16%	(97)	17%	(97)	20%
Others	5		(78)		93	
Revenues with lower tax rate (dividends/capital gains)	(49)		(49)		(57)	
Equity accounted earnings	12		18		3	
Other effects (**)	661		545		(27)	
Income tax	**1,516**		**2,053**		**2,219**	
Of which: Continuing operations	*1,459*		*1,943*		*2,042*	
Of which: Discontinued operations	*57*		*110*		*177*	

(*) Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction.
(**) This amount is generated in 2020 and 2019 mainly as a result of the impact of the goodwill impairment of The United States' CGU.

The effective income tax rate for the Group in the years ended December 31, 2020, 2019 and 2018 is as follows:

Effective tax rate (Millions of Euros)

	2020	2019	2018
Income from:			
Consolidated tax group in Spain	259	(718)	1,482
Other Spanish entities	7	7	33
Foreign entities	4,982	7,757	6,050
Gains (losses) before taxes 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
Effective tax rate	**27.8%**	**27.6%**	**27.0%**

In the year 2020, in the main countries in which the Group has presence, there has been no changes in the nominal tax rate on corporate income tax except for Colombia, where the applicable tax rate is 36% compared to the tax rate applicable last year 33%. In the year 2019, there has been no changes in the nominal tax rate on corporate income tax, except for Colombia where the applicable tax rate has been 33% compared to the initially forecasted 37%.

19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the accompanying consolidated income statements, the Group has recognized the following income tax charges for these items in the consolidated total equity:

Tax recognized in total equity (Millions of Euros)

	2020	2019	2018
Charges to total equity			
Debt securities and others	(230)	(130)	(87)
Equity instruments	(43)	(40)	(56)
Subtotal	**(273)**	**(170)**	**(143)**
Total	**(273)**	**(170)**	**(143)**

19.5 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying consolidated balance sheets includes current and deferred tax assets. The balance under the "Tax liabilities" heading includes the Group's various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

Tax assets and liabilities (Millions of Euros)

	2020	2019	2018
Tax assets			
Current tax assets	1,199	1,765	2,784
Deferred tax assets	15,327	15,318	15,316
Pensions	439	456	405
Financial Instruments	1,292	1,386	1,401
Loss allowances	1,683	1,636	1,375
Other	1,069	1,045	1,292
Secured tax assets	9,361	9,363	9,363
Tax losses	1,483	1,432	1,480
Total	**16,526**	**17,083**	**18,100**
Tax liabilities			
Current tax liabilities	545	880	1,230
Deferred tax liabilities	1,809	1,928	2,046
Financial Instruments	908	1,014	1,136
Other	901	914	910
Total	**2,355**	**2,808**	**3,276**

The most significant variations of the deferred assets and liabilities in the years 2020, 2019 and 2018 derived from the followings causes:

Deferred tax assets and liabilities. Annual variations (Millions of Euros)

	2020		2019		2018	
	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities	Deferred assets	Deferred liabilities
Balance at the beginning	**15,318**	**1,928**	**15,316**	**2,046**	**14,725**	**2,184**
Pensions	(17)	-	51	-	10	-
Financials instruments	(94)	(106)	(15)	(122)	(52)	(291)
Loss allowances	47	-	261	-	370	-
Others	24	(13)	(247)	4	65	153
Guaranteed tax assets	(2)	-	-	-	(70)	-
Tax losses	51	-	(48)	-	268	-
Balance at the end	**15,327**	**1,809**	**15,318**	**1,928**	**15,316**	**2,046**

With respect to the changes in assets and liabilities due to deferred tax in 2020 contained in the above table, the following should be pointed out:

- Secured tax assets maintain a very similar balance to that of the previous year.
- The increase in tax assets due to tax loss arises as a result of the generation of tax losses and deductions in the year.
- The evolution of deferred tax assets (other than those guaranteed and those linked to tax losses) net of deferred tax liabilities is due to the agreement to sell the US business unit (its deferred tax assets and liabilities in 2020 are shown under "Non-current assets or liabilities and disposal groups classified as held for sale"), the effect of exchange rates,

especially in the case of Mexico and Turkey, and the operation of corporate income tax, where the differences between accounting and taxation give rise to constant movements in deferred taxes.

On the deferred tax assets and liabilities contained in the table above, those included in section 19.4 above have been recognized against the entity's equity, and the rest against earnings for the year or reserves.

As of December 31, 2020, 2019 and 2018, the estimated amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, which were not recognized deferred tax liabilities in the accompanying consolidated balance sheets, amounted to 106 million euros, 473 million euros and 443 million euros, respectively.

Of the deferred tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish government, broken down by the items that originated those assets is as follows:

Secured tax assets (Millions of Euros)

	2020	2019	2018
Pensions	1,924	1,924	1,924
Loss allowances	7,437	7,439	7,439
Total	**9,361**	**9,363**	**9,363**

As of December 31, 2020, non-guaranteed net deferred tax assets of the above table amounted to €4,156 million (€4,027 and €3,907 million as of December 31, 2019 and 2018 respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,590 million as of December 31, 2020 (€2,447 and €2,653 million as of December 31, 2019 and 2018, respectively). €1,480 million of the figure recorded in the year ended December 31, 2020 for net deferred tax assets related to tax credits and tax loss carry forwards and €1,110 million relate to temporary differences.

- Mexico: Net deferred tax assets recognized in Mexico amounted to €1,036 million as of December 31, 2020 (€1,083 and €826 million as of December 31, 2019 and 2018, respectively). Practically all of deferred tax assets as of December 31, 2020 relate to temporary differences.

- South America: Net deferred tax assets recognized in South America amounted to €126 million as of December 31, 2020 (€84 and €0.4 million as of December 31, 2019 and 2018, respectively). Practically all the deferred tax assets are related to temporary differences.

- The United States: Net deferred tax assets recognized in the United States amounted to €2 million as of December 31, 2020 (€122 and €164 as of December 31, 2019 and 2018, respectively). All the deferred tax assets relate to temporary differences. In this respect, it should be noted that the 2020 figure is affected by the sale agreement of the US business unit (the deferred tax assets and liabilities of the business subject to the sale agreement in 2020 are shown as "Non-current assets or liabilities and disposal groups that have been classified as held for sale").

- Turkey: Net deferred tax assets recognized in Turkey amounted to €395 million as of December 31, 2020 (€278 and €250 million as of December 31, 2019 and 2018, respectively). Practically all the deferred tax assets are related to temporary differences.

Based on the information available as of December 31, 2020, including historical levels of benefits and projected results available to the Group for the coming 15 years, the Group has carried out an analysis of its recovery of deferred tax assets and liabilities taking into account the impact of COVID-19 pandemic (see Note 1.5). It is considered that sufficient taxable income will be generated for the recovery of above mentioned unsecured deferred tax assets when they become deductible according to the tax laws.

On the other hand, the Group has not recognized certain negative tax bases and deductions for which, in general, there is no legal period for offsetting, amounting to approximately € 2,156 million euros, which are mainly originated by Catalunya Banc.

20. Other assets and Liabilities

The composition of the balance of these captions of the accompanying consolidated balance sheets is:

Other assets and liabilities (Millions of Euros)

	2020	2019	2018
ASSETS			
Inventories	572	581	635
Transactions in progress	160	138	249
Accruals	756	804	702
Other items	1,025	2,277	3,886
Total	**2,513**	**3,800**	**5,472**
LIABILITIES			
Transactions in progress	75	39	39
Accruals	1,584	2,456	2,558
Other items	1,144	1,247	1,704
Total	**2,802**	**3,742**	**4,301**

21. 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 consolidated 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	2018
Foreclosures and recoveries (*)	1,398	1,647	2,210
Assets from tangible assets	480	310	433
Companies held for sale (**)	84,792	1,716	29
Accrued amortization (***)	(89)	(51)	(44)
Impairment losses	(594)	(543)	(628)
Total non-current assets and disposal groups classified as held for sale	**85,987**	**3,079**	**2,001**
Companies held for sale (**)	75,446	1,554	-
Total liabilities included in disposal groups classified as held for sale	**75,446**	**1,554**	**-**

(*) 2018 figures correspond mainly to the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

(**) 2020 figures correspond mainly to the sale of BBVA´s stake in BBVA USA (see Note 3). 2019 figures correspond mainly to the BBVA´s stake in BBVA Paraguay (see Note 3).

(***) Corresponds to the accumulated depreciation of assets before their classification as "Non-current assets and disposal groups classified as held for sale".

Assets and liabilities from discontinued operations

As mentioned in Note 3, in 2020 the agreement for the sale of the BBVA subsidiary in the United States was announced. The assets and liabilities corresponding to the companies for sale were reclassified to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" of the consolidated balance sheet as of December 31, 2020; and the earnings of these companies for the years ended December 31, 2020, 2019 and 2018 were classified under the heading "Profit (loss) after tax from discontinued operations" of the accompanying consolidated income statements (see Note 1.3).

The condensed consolidated balance sheets, condensed consolidated income statements and condensed consolidated statements of cash flow of the companies for sale in the United States subsidiary for the years 2020, 2019 and 2018 are provided below:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Condensed balance sheets of companies held for sale in the United States subsidiary as of December 31, 2020, 2019 and 2018

CONDENSED ASSETS (Millions of Euros)

	2020	2019	2018
Cash, cash balances at central banks and other demand deposits	11,368	5,678	2,326
Financial assets held for trading	821	513	228
Non-trading financial assets mandatorily at fair value through profit or loss	13	18	18
Financial assets at fair value through other comprehensive income	4,974	6,834	10,030
Financial assets at amortized cost	61,558	62,860	59,302
Derivatives - hedge accounting	9	10	23
Tangible assets	799	900	665
Intangible assets	1,949	4,183	5,438
Tax assets	360	263	446
Other assets	1,390	1,463	1,401
Non-current assets and disposal groups classified as held for sale	16	31	30
TOTAL ASSETS	**83,257**	**82,751**	**79,908**

CONDENSED LIABILITIES (Millions of Euros)

	2020	2019	2018
Financial liabilities held for trading	98	94	114
Financial liabilities at amortized cost	73,132	70,438	66,635
Derivatives - hedge accounting	2	11	21
Provisions	157	186	172
Tax liabilities	201	87	249
Other liabilities	492	464	497
TOTAL LIABILITIES	**74,082**	**71,279**	**67,688**

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Millions of Euros)

	2020	2019	2018
Actuarial gains (losses) on defined benefit pension plans	(66)	(80)	(69)
Hedge of net investments in foreign operations (effective portion)	(432)	(432)	(432)
Foreign currency translation	801	1,576	1,337
Hedging derivatives. Cash flow hedges (effective portion)	250	81	5
Fair value changes of debt instruments measured at fair value through other comprehensive income	70	(11)	(130)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**622**	**1,134**	**710**

Condensed income statements of companies held for sale in the United States subsidiary for the years ended December 31, 2020, 2019 and 2018

CONDENSED INCOME STATEMENTS (Millions of Euros)	2020	2019	2018
Interest and other income	2,638	3,221	2,797
Interest expense	(429)	(887)	(570)
NET INTEREST INCOME	**2,209**	**2,335**	**2,227**
Dividend income	4	10	13
Fee and commission income	677	736	670
Fee and commission expense	(183)	(205)	(194)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	19	54	25
Gains (losses) on financial assets and liabilities held for trading, net	90	30	66
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	8	-	-
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	5	3	3
Gains (losses) from hedge accounting, net	4	4	3
Exchange differences, net	19	5	(22)
Other operating income	19	32	20
Other operating expense	(63)	(64)	(79)
GROSS INCOME	**2,808**	**2,941**	**2,731**
Administration costs	(1,462)	(1,534)	(1,474)
Depreciation and amortization	(205)	(214)	(174)
Provisions or reversal of provisions	2	(3)	22
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(729)	(521)	(221)
NET OPERATING INCOME	**413**	**670**	**884**
Impairment or reversal of impairment on non-financial assets	(2,084)	(1,318)	(1)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(3)	2	(2)
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	2	(2)	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**(1,671)**	**(648)**	**881**
Tax expense or income related to profit or loss from continuing operations	(57)	(110)	(177)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**(1,729)**	**(758)**	**704**
Profit (loss) after tax from discontinued operations	-	-	-
PROFIT (LOSS) FOR THE PERIOD	**(1,729)**	**(758)**	**704**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**-**	**-**	**-**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(1,729)**	**(758)**	**704**

Condensed statements of cash flows of companies held for sale in the United States subsidiary for the years ended December 31, 2020, 2019 and 2018

CONDENSED STATEMENTS OF CASH FLOWS (Millions of Euros)	2020	2019	2018
A) CASH FLOWS FROM OPERATING ACTIVITIES	6,874	3,888	(228)
B) CASH FLOWS FROM INVESTING ACTIVITIES	(145)	(133)	(123)
C) CASH FLOWS FROM FINANCING ACTIVITIES	(65)	(468)	(256)
D) EFFECT OF EXCHANGE RATE CHANGES	(974)	65	84
(INCREASE/DECREASE) NET CASH AND CASH EQUIVALENTS (A+B+C+D)	**5,690**	**3,352**	**(522)**

Non-current assets and disposal groups classified as held for sale

The changes in the balances of "Non-current assets and disposal groups classified as held for sale" in 2020, 2019 and 2018 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	Property, Plant and Equipment (*)	Companies held for sale (**)	Total
Cost (1)					
Balance at the beginning		**1,648**	**258**	**1,716**	**3,622**
Additions		285	-	83,266	83,551
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(288)	(45)	(190)	(523)
Transfers, other movements and exchange differences (**)		(228)	180	-	(48)
Disposals by companies held for sale		(19)	(2)	-	(21)
Balance at the end		**1,398**	**391**	**84,792**	**86,581**
Impairment (2)					
Balance at the beginning		**411**	**132**	**-**	**543**
Additions	50	74	29	-	103
Additions transfer to discontinued operations		-	-	-	-
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(56)	(13)	-	(69)
Other movements and exchange differences		(42)	60	-	18
Disposals by companies held for sale		(1)	-	-	(1)
Balance at the end		**386**	**208**	**-**	**594**
Balance at the end of net carrying value (1)-(2)		**1,012**	**183**	**84,792**	**85,987**

(*) Net of accumulated amortization until assets were reclassified as "Non-current assets and disposal groups classified as held for sale"

(**) The variation corresponds mainly to the agreement for the sale of BBVA USA (see Note 3).

Non-current assets and disposal groups classified as held for sale. Changes in the year 2019 (Millions of Euros)

	Notes	Foreclosed assets	Property, Plant and Equipment (*)	Companies held for sale (**)	Total
Cost (1)					
Balance at the beginning		**2,211**	**389**	**29**	**2,629**
Additions		665	10	1,676	2,351
Contributions from merger transactions		2	-	-	2
Retirements (sales and other decreases)		(1,023)	(206)	-	(1,229)
Transfers, other movements and exchange differences (**)		(207)	65	11	(131)
Balance at the end		**1,648**	**258**	**1,716**	**3,622**
Impairment (2)					
Balance at the beginning		**504**	**124**	**-**	**628**
Additions	50	67	5	-	72
Additions transfer to discontinued operations		5	-	-	5
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(164)	(22)	-	(186)
Other movements and exchange differences		(1)	25	-	24
Balance at the end		**411**	**132**	**-**	**543**
Balance at the end of net carrying value (1)-(2)		**1,237**	**126**	**1,716**	**3,079**

(*) Net of accumulated amortization until assets were reclassified as "Non-current assets and disposal groups classified as held for sale"

(**) The variation corresponds mainly to the BBVA's stake in BBVA Paraguay (see Note 3).

Non-current assets and disposal groups classified as held for sale. Changes in the year 2018 (Millions of Euros)

	Notes	Foreclosed assets	From own use assets (*)	Companies held for sale (**)	Total
Cost (1)					
Balance at the beginning		**6,207**	**371**	**18,623**	**25,201**
Additions		692	4	-	696
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(4,489)	(227)	(18,594)	(23,310)
Transfers, other movements and exchange differences (**)		(199)	241	-	42
Balance at the end		**2,211**	**389**	**29**	**2,629**
Impairment (2)					
Balance at the beginning		**1,154**	**194**	**-**	**1,348**
Additions	50	204	2	-	206
Additions transfer to discontinued operations		2	-	-	2
Contributions from merger transactions		-	-	-	-
Retirements (sales and other decreases)		(830)	(101)	-	(931)
Other movements and exchange differences		(26)	29	-	3
Balance at the end		**504**	**124**	**-**	**628**
Balance at the end of net carrying value (1)-(2)		**1,707**	**265**	**29**	**2,001**

(*) Net of accumulated amortization until assets were reclassified as "Non-current assets and disposal groups classified as held for sale"

(**) The variation corresponds mainly to the BBVA's stake in BBVA Chile and the agreement with Cerberus to transfer the "Real Estate" business in Spain (see Note 3).

As indicated in Note 2.2.4, "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 carrying amount. As of December 31, 2020, 2019 and 2018 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

As of December 31, 2020, 2019 and 2018, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €747, €871 and €1,072 million in assets for residential use; €215, €259 and €182 million in assets for tertiary use (industrial, commercial or office) and €21, €28 and €19 million in assets for agricultural use, respectively.

In December 31, 2020, 2019 and 2018, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2020, 2019 and 2018, some of the sale transactions for these assets were financed by Group companies. The amount of loans granted to the buyers of these assets in those years amounted to €78, €79 and €82 million, respectively; with an average financing of 28.3% of the sales price during 2020.

As of December 31, 2020, 2019 and 2018, the amount of the profits arising from the sale of assets financed by Group companies that are not recognized in the consolidated income statement amounted to €1 million.

22. Financial liabilities at amortized cost

22.1 Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)

	2020	2019	2018
Deposits	415,467	438,919	435,229
Deposits from central banks	45,177	25,950	27,281
Demand deposits	163	23	20
Time deposits and other	38,274	25,101	26,885
Repurchase agreements (*)	6,740	826	375
Deposits from credit institutions	27,629	28,751	31,978
Demand deposits	7,196	7,161	8,370
Time deposits and other	16,079	18,896	19,015
Repurchase agreements (*)	4,354	2,693	4,593
Customer deposits (**)	342,661	384,219	375,970
Demand deposits	266,250	280,391	260,573
Time deposits and other	75,666	103,293	114,188
Repurchase agreements (*)	746	535	1,209
Debt certificates	61,780	63,963	61,112
Other financial liabilities	13,358	13,758	12,844
Total	**490,606**	**516,641**	**509,185**

(*) See Note 35.
(**) Amount in 2020 is mainly due to the stake in BBVA USA (see Note 21).

The amount recorded in Deposits from central banks - Time deposits includes the provisions of the TLTRO III facilities of the European Central Bank, mainly BBVA S.A. amounting to €35,032 million as of December 31, 2020, that basically explains the change compared to the previous year (see Note 7.5).

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 Group 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 consolidated income statements and amounts to €211 million as of December 31, 2020 (See Note 37.1).

22.2 Deposits from credit institutions

The breakdown by geographical area and the nature of the related instruments of this heading in the accompanying consolidated balance sheets is as follows:

Deposits from credit institutions. December 2020 (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
Spain	345	1,405	1	1,751
Mexico	689	672	188	1,549
Turkey	8	580	28	617
South America	557	1,484	-	2,041
Rest of Europe	2,842	4,531	4,070	11,444
Rest of the world	2,755	7,406	67	10,228
Total	**7,196**	**16,079**	**4,354**	**27,629**

(*) Subordinated deposits are included amounting €12 million.

Deposits from credit institutions. December 2019 (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
Spain	2,104	1,113	1	3,218
The United States	2,082	4,295	-	6,377
Mexico	432	1,033	168	1,634
Turkey	302	617	4	924
South America	394	2,285	161	2,840
Rest of Europe	1,652	5,180	2,358	9,190
Rest of the world	194	4,374	-	4,568
Total	**7,161**	**18,896**	**2,693**	**28,751**

(*) Subordinated deposits are included amounting €195 million.

Deposits from credit institutions. December 2018 (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
Spain	1,981	2,527	55	4,563
The United States	1,701	2,677	-	4,379
Mexico	280	286	-	566
Turkey	651	669	4	1,323
South America	442	1,892	-	2,335
Rest of Europe	3,108	6,903	4,534	14,545
Rest of the world	207	4,061	-	4,268
Total	**8,370**	**19,015**	**4,593**	**31,978**

(*) Subordinated deposits are included amounting €191 million.

22.3 Customer deposits

The breakdown by geographical area of this heading in the accompanying consolidated balance sheets, by type of instrument is as follows:

Customer deposits. December 2020 (Millions of Euros)

	Demand deposits	Time deposits and other	Repurchase agreements	Total
Spain	168,690	20,065	2	188,757
Mexico	43,768	10,514	117	54,398
Turkey	17,906	16,707	8	34,621
South America	25,730	11,259	-	36,989
Rest of Europe	8,435	12,373	619	21,427
Rest of the world	1,720	4,748	-	6,468
Total	**266,250**	**75,666**	**746**	**342,661**

Customer deposits. December 2019 (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
Spain	146,651	24,958	2	171,611
The United States	46,372	19,810	-	66,181
Mexico	43,326	12,714	523	56,564
Turkey	13,775	22,257	10	36,042
South America	22,748	13,913	-	36,661
Rest of Europe	6,610	8,749	-	15,360
Rest of the world	909	892	-	1,801
Total	**280,391**	**103,293**	**535**	**384,219**

(*) Subordinated deposits are included amounting to €189 million.

Customer deposits. December 2018 (Millions of Euros)

	Demand deposits	Time deposits and other (*)	Repurchase agreements	Total
Spain	138,236	28,165	3	166,403
The United States	41,222	21,317	-	62,539
Mexico	38,383	11,837	770	50,991
Turkey	10,856	22,564	7	33,427
South America	23,811	14,159	-	37,970
Rest of Europe	7,233	14,415	429	22,077
Rest of the world	831	1,731	-	2,563
Total	**260,573**	**114,188**	**1,209**	**375,970**

(*) Subordinated deposits are included amounting to €220 million.

22.4 Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

Debt certificates (Millions of Euros)

	2020	2019	2018
In Euros	**42,462**	**40,185**	**37,436**
Promissory bills and notes	860	737	267
Non-convertible bonds and debentures	14,538	12,248	9,638
Covered bonds (*)	13,274	15,542	15,809
Hybrid financial instruments (**)	355	518	814
Securitization bonds	2,538	1,354	1,630
Wholesale funding	2,331	1,817	142
Subordinated liabilities	8,566	7,968	9,136
Convertible perpetual certificates	4,500	5,000	5,490
Convertible subordinated debt	-	-	-
Non-convertible preferred stock	159	83	107
Other non-convertible subordinated liabilities	3,907	2,885	3,540
In foreign currencies	**19,318**	**23,778**	**23,676**
Promissory bills and notes	1,024	1,210	3,237
Non-convertible bonds and debentures	8,691	10,587	9,335
Covered bonds (*)	217	362	569
Hybrid financial instruments (**)	455	1,156	1,455
Securitization bonds	4	17	38
Wholesale funding	1,016	780	544
Subordinated liabilities	7,911	9,666	8,499
Convertible perpetual certificates	1,633	1,782	873
Convertible subordinated debt	-	-	-
Non- convertible preferred stock	35	76	74
Other non-convertible subordinated liabilities	6,243	7,808	7,552
Total	**61,780**	**63,963**	**61,112**

(*) Including mortgage-covered bonds (see Appendix X).
(**) Corresponds to the issuance of structured notes whose underlying risk differs from the underlying risk of the derivative.

Most of the foreign currency issues are denominated in U.S. dollars.

22.4.1. Subordinated liabilities

The breakdown of this heading, is as follows:

Memorandum item: Subordinated liabilities at amortized cost

	2020	2019	2018
Subordinated deposits	12	384	411
Subordinated certificates	16,476	17,635	17,635
Preferred stock	194	159	181
Compound convertible financial instruments	6,133	6,782	6,363
Other non-convertible subordinated liabilities (*)	10,149	10,693	11,092
Total	**16,488**	**18,018**	**18,047**

(*) Subordinated issues of BBVA Paraguay as of December 31, 2020 and 2019 are recorded in the consolidated balance sheet under the heading "Liabilities included in disposal groups classified as held for sale" amounting to €37 and €40 million, respectively. The subordinated issues of BBVA USA as of December 31, 2020 are recognized in the consolidated balance sheet under the heading "Liabilities included in disposal groups classified as held for sale" amounting to €735 million (see Note 21).

The issuances of BBVA International Preferred, S.A.U., Ltd., Caixa Terrassa Societat de Participacions Preferents, S.A.U. and CaixaSabadell Preferents, S.A.U. are jointly, severally and irrevocably guaranteed by the Bank.

The balance variances are mainly due to 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 for 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 qualify 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 instruments), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of €1 billion each. These issuances are listed in the AIAF Fixed Income Securities Market and were targeted only at professional clients and eligible counterparties, 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 instruments), with exclusion of pre-emptive subscription rights of shareholders, for a total nominal amount of $1 billion. 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 July 15, 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.

Additionally, an issue of perpetually convertible securities (additional Tier 1 capital instruments) is outstanding, 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 issuances 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 May 9, 2018, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on May 9, 2013, 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.
- On February 19, 2019 the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments), 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 had 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.

Preferred securities

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

Preferred securities by issuer (Millions of Euros)

	2020	2019	2018
BBVA International Preferred, S.A.U. (1)	35	37	35
Unnim Group (2)	159	83	98
BBVA USA	-	19	19
BBVA Colombia	-	20	19
Other	-	-	9
Total	**194**	**159**	**181**

(1) Call exercised.
(2) Unnim Group: Issuances prior to the acquisition by BBVA.

These issuances were fully subscribed at the moment of the issue by qualified/institutional investors outside the Group and are redeemable, totally or partially, at the issuer's option after five years from the issue date, depending on the terms of each issuance and with the prior consent from the Bank of Spain or the relevant authority.

In connection with the above, once the necessary authorization from the European Central Bank was received and in conformity with its authority to redeem:

- The Extraordinary and Universal General Meeting of Caixasabadell Preferents, S.A. Unipersonal, at its meeting held on December 11, 2020, decided to delegate on the company's Board of Directors the authority to agree on the total early redemption of its only live issuance, subject to the applicable legal provisions and having previously obtained all necessary authorisations. In use of such delegation, having satisfied all legal and contractual formalities required and having obtained all relevant authorizations, the company's Board of Directors, on the same date, agreed to carry out the early redemption of the total nominal amount of the issuance on January 14, 2021. As a result, once all necessary communications were released, on January 14, 2021 the total early redemption of the issuance took place.
- The Extraordinary and Universal General Meeting of BBVA International Preferred, S.A. Unipersonal, at its meeting held on December 11, 2020, decided to delegate on the company's Board of Directors the authority to agree on the total early redemption of its only live issuance, subject to the applicable legal provisions and having previously obtained all necessary authorisations. In use of such delegation, having satisfied all legal and contractual formalities required and having obtained all relevant authorizations, the company's Board of Directors, on the same date, agreed to carry out the early redemption of the total nominal amount of the issuance on January 19, 2021. As a result, once all necessary communications were released, on January 19, 2021 the total early redemption of the issuance took place.
- The Extraordinary and Universal General Meeting of Caixa Terrassa Societat de Participacions Preferents, S.A. Unipersonal, at its meeting held on December 11, 2020, decided to delegate on the company's Board of Directors the implementation of all necessary actions in order to modify its only live issuance so as to include a new clause regarding the early redemption of the preferred securities. In use of the delegated authority and having obtained all necessary authorizations, the company's Board of Directors, on the same date, agreed to modify the relevant issuance in order to include a new clause for the total early redemption of the preferred securities on January 29, 2021, therefore convening the relevant meeting of noteholders of the issuance to be held in Bilbao, on January 14, 2021, at first call, or on January 15, 2021, at second call. Having satisfied all applicable legal requirements, the noteholders' meeting was held at first call and passed, with the necessary majority of votes, among other resolutions, the inclusion of a new total early redemption clause. As a result, on January 29, 2021 the total early redemption of the issuance took place.

22.5 Other financial liabilities

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

Other financial liabilities (Millions of Euros)

	2020	2019	2018
Lease liabilities	2,674	3,335	
Creditors for other financial liabilities	2,408	2,623	2,891
Collection accounts	3,275	3,306	4,305
Creditors for other payment obligations	5,000	4,494	5,648
Total	**13,358**	**13,758**	**12,844**

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	244	430	397	1,602	2,674

23. Assets and liabilities under insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main product offered by the insurance subsidiaries is life insurance to cover the risk of death (risk insurance) and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

There are two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The insurance business is affected by different risks, including those that are related to the BBVA Group such as credit risk, market risk, liquidity risk and operational risk and the methodology for risk measurement applied in the insurance activity is similar (see Note 7 and Management Report - Risk), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments. Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each country. In this regard, it should be noted that the insurance industry is undergoing a gradual regulatory transformation through new risk-based capital regulations, which have already been published in several countries.

The heading "Assets under reinsurance and insurance contracts" in the accompanying consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2020, 2019 and 2018, the balance under this heading amounted to €306 million, €341 million and €366 million respectively.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance and reinsurance contracts" in the accompanying consolidated balance sheets.

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

Technical reserves (Millions of Euros)

	2020	2019	2018
Mathematical reserves	8,731	9,247	8,504
Individual life insurance [1]	6,268	6,731	6,201
Savings	5,431	5,906	5,180
Risk	836	825	1,021
Group insurance [2]	2,463	2,517	2,303
Savings	2,298	2,334	2,210
Risk	165	182	93
Provision for unpaid claims reported	672	641	662
Provisions for unexpired risks and other provisions	548	718	668
Total	**9,951**	**10,606**	**9,834**

(1) Provides coverage in the event of death or disability.

(2) The insurance policies purchased by employers (other than BBVA Group) on behalf of its employees

The cash flows of those "Liabilities under insurance and reinsurance contracts" are shown below:

Maturity (Millions of euros). Liabilities under insurance and reinsurance contracts

	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2020	1,227	950	1,616	6,158	9,951
2019	1,571	1,197	1,806	6,032	10,606
2018	1,686	1,041	1,822	5,285	9,834

The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are actuarial and financial methods and modeling techniques approved by the respective country's insurance regulator or supervisor. The most important insurance entities are located in Spain and Mexico (which together account for approximately 96% of the insurance revenues), where the modeling methods and techniques are reviewed by the insurance regulator in Spain (General Directorate of Insurance) and Mexico (National Insurance and Bonding Commission), respectively. The modeling methods and techniques used to calculate the mathematical reserves for the insurance products are compliant with IFRS and primarily involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each policy. To ensure this technical interest rate, asset-liability management is carried out, acquiring a portfolio of securities that generate the cash flows needed to cover the payment commitments assumed with the customers.

The table below shows the key assumptions as of December 31, 2020, used in the calculation of the mathematical reserves for insurance products in Spain and Mexico, respectively:

Mathematical reserves

	2020				2019				2018			
	Mortality table		Average technical interest type		Mortality table		Average technical interest type		Mortality table		Average technical interest type	
	Spain	Mexico	Spain	Mexico	Spain	Mexico	Spain	Mexico	Spain	Mexico	Spain	Mexico
Individual life insurance [1]	GRMF 80-2, GKM 80 / GKMF 95, PASEM, GKMF 80/95, PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.25% - 2.87%	2.5%	GRMF 80-2, GKMF 80/95. PASEM, PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.25% - 2.91%	2.50%	GRMF 80-2, GKM 80 / GKMF 95 PERMF 2000 PASEM	Tables of the Comisión Nacional de Seguros y Fianzas 2000-individual	0.26%- 3.27%	2.50%
Group insurance[2]	PERFM 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.5%	PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%	PERMF 2000	Tables of the Comisión Nacional de Seguros y Fianzas 2000-grupo	Depending on the related portfolio	5.50%

(1) Provides coverage in the case of one or more of the following events: death and disability.

(2) Insurance policies purchased by companies (other than BBVA Group entities) on behalf of their employees.

24. Provisions

The breakdown of the balance under this heading in the accompanying consolidated balance sheets, based on type of provisions, is as follows:

Provisions. Breakdown by concepts (Millions of Euros)

	Notes	2020	2019	2018
Provisions for pensions and similar obligations	25	4,272	4,631	4,787
Other long term employee benefits	25	49	61	62
Provisions for taxes and other legal contingencies		612	677	686
Provisions for contingent risks and commitments		728	711	636
Other provisions (*)		479	457	601
Total		**6,141**	**6,538**	**6,772**

(*) Individually insignificant provisions or contingencies, for various concepts in different geographies.

The change in provisions for pensions and similar obligations for the years ended December 31, 2020, 2019 and 2018 is as follows:

Provisions for pensions and similar obligations. Changes over the year (Millions of Euros)

	Notes	2020	2019	2018
Balance at the beginning		**4,631**	**4,787**	**5,407**
Add				
Charges to income for the year		298	327	125
Interest expense and similar charges		44	63	77
Personnel expense	44.1	49	49	58
Provision expense		205	215	(10)
Charges to equity (1)		191	329	41
Transfers and other changes (2)		(71)	(29)	96
Less				
Benefit payments	25	(654)	(718)	(779)
Employer contributions	25	(124)	(65)	(103)
Balance at the end		**4,272**	**4,631**	**4,787**

(1) Correspond to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions recognized in "Equity" (see Note 2.2.12).
(2) It includes the amount of the sale of BBVA´s U.S. subsidiary (see Notes 1.3, 3 and 21).

Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)

	2020	2019	2018
Balance at beginning	**1,134**	**1,286**	**1,425**
Additions	555	396	455
Acquisition of subsidiaries	-	-	-
Unused amounts reversed during the year	(215)	(96)	(184)
Amount used and other variations	(383)	(453)	(410)
Balance at the end	**1,091**	**1,134**	**1,286**

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 7.1 "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 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 (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.

25. Post-employment and other employee benefit commitments

As stated in Note 2.2.11, the Group has assumed commitments with employees including short-term employee benefits (see Note 44.1), defined contribution and defined benefit plans (see Glossary), healthcare and other long-term employee benefits.

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The breakdown of the net defined benefit liability recorded on the balance sheet as of December 31, 2020, 2019 and 2018 is provided below:

Net defined benefit liability (asset) on the consolidated balance sheet (Millions of Euros)

	Notes	2020	2019	2018
Pension commitments		4,539	5,050	4,678
Early retirement commitments		1,247	1,486	1,793
Medical benefits commitments		1,562	1,580	1,114
Other long term employee benefits		49	61	62
Total commitments		**7,398**	**8,177**	**7,647**
Pension plan assets		1,608	1,961	1,694
Medical benefit plan assets		1,484	1,532	1,146
Total plan assets (1)		**3,092**	**3,493**	**2,840**
Total net liability / asset		**4,305**	**4,684**	**4,807**
Of which: Net asset on the consolidated balance sheet (2)		*(16)*	*(8)*	*(41)*
Of which: +Net liability on the consolidated balance sheet for provisions for pensions and similar obligations (3)	*24*	*4,272*	*4,631*	*4,787*
Of which: Net liability on the consolidated balance sheet for other long term employee benefits (4)	*24*	*49*	*61*	*62*

(1) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of €125 million as of December 31, 2020 which, in accordance with IFRS regarding the asset ceiling, has not been recognized in the Consolidated Financial Statements, because although it could be used to reduce future pension contributions it could not be immediately refunded to the employer.

(2) Recorded under the heading "Other Assets - Other" of the consolidated balance sheet (see Note 20).

(3) Recorded under the heading "Provisions - Provisions for pensions and similar obligations" of the consolidated balance sheet.

(4) Recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet.

The impact relating to benefit commitments charged to consolidated income statement for the years 2020, 2019 and 2018 is as follows:

Consolidated income statement impact (Millions of Euros)

	Notes	2020	2019	2018
Interest and other expense		**44**	**63**	**77**
Interest expense		265	293	282
Interest income		(220)	(230)	(206)
Personnel expense		**121**	**143**	**130**
Defined contribution plan expense	44.1	72	95	72
Defined benefit plan expense	44.1	49	49	58
Provisions or (reversal) of provisions	46	**210**	**213**	**125**
Early retirement expense		224	190	141
Past service cost expense		(8)	18	(33)
Remeasurements (*)		(11)	7	(10)
Other provision expense		4	(1)	28
Total impact on consolidated income statement: debit (credit)		**375**	**419**	**332**

(*) 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 statements (see Note 2.2.12).

The amounts relating to post-employment benefits charged to the consolidated balance sheet correspond to the actuarial gains (losses) on remeasurement of the net defined benefit liability relating to pension and medical commitments before income taxes as of December 31 2020, 2019 and 2018 are as follows:

Equity impact (Millions of Euros)

	2020	2019	2018
Defined benefit plans	161	254	81
Post-employment medical benefits	30	74	(47)
Total impact on equity: debit (credit)	**191**	**329**	**34**

In 2020, the aggregate impact of this heading amounted to €191 million euros driven by, first of all, the variation in interest rates, €91 million euros losses on commitments in Mexico and €68 million euros in Spain, and secondly due to updating of the mortality tables in Spain (€49 million euros losses). These amounts are partially offset by the effect in other geographies and experience. In 2019, this heading amounted to €329 million euros mainly due to the variation in two geographies. Firstly, as a consequence of the €231 million euros increase in actuarial losses on commitments in Spain, due to the variation in discount rates from 1.75% to 1%. Secondly, driven by the €83 million euros increase in actuarial losses on commitments in Mexico, due to the decrease in discount rates from 10.45% to 9.04%.

25.1 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, the Group pays the required premiums to fully insure the related liability. The change in these pension commitments during the years ended December 31 2020, 2019 and 2018 is presented below:

Defined benefits (Millions of Euros)

	2020			2019			2018		
	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	**8,116**	**3,493**	**4,622**	**7,585**	**2,839**	**4,746**	**8,384**	**3,006**	**5,378**
Current service cost	53	-	53	52	-	52	61	-	61
Interest income/expense	261	219	42	290	230	60	279	206	74
Contributions by plan participants	4	4	-	4	4	-	4	3	1
Employer contributions	-	124	(124)	-	65	(65)	-	103	(103)
Past service costs (1)	219	-	219	210	-	210	109	-	109
Remeasurements:	364	176	187	783	454	329	(263)	(286)	21
Return on plan assets (2)	-	176	(176)	-	454	(454)	-	(286)	286
From changes in demographic assumptions	57	-	57	(15)	-	(15)	14	-	14
From changes in financial assumptions	276	-	276	688	-	688	(274)	-	(274)
Other actuarial gains and losses	30	-	30	110	-	110	(3)	-	(3)
Benefit payments	(839)	(185)	(654)	(905)	(187)	(718)	(979)	(200)	(779)
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals (*)	(371)	(327)	(44)	15	12	3	13	11	2
Effect on changes in foreign exchange rates	(459)	(409)	(50)	63	69	(6)	(31)	(9)	(22)
Conversions to defined contributions	-	-	-	-	-	-	-	-	-
Other effects	1	(3)	4	19	6	13	10	6	4
Balance at the end	**7,348**	**3,092**	**4,256**	**8,116**	**3,493**	**4,623**	**7,585**	**2,840**	**4,745**
Of which: Spain	*4,288*	*249*	*4,039*	*4,592*	*266*	*4,326*	*4,807*	*260*	*4,547*
Of which: Mexico	*2,219*	*2,122*	*97*	*2,231*	*2,124*	*107*	*1,615*	*1,587*	*28*
Of which: The United States	-	-	-	*375*	*323*	*52*	*326*	*287*	*39*
Of which: Turkey	*367*	*282*	*85*	*444*	*359*	*86*	*422*	*339*	*83*

(*) The amount in 2020 in mainly due to the stake in BBVA USA (see Note 3).

(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 consolidated balance sheet as of December 31, 2020 includes €356 million relating to post-employment benefit commitments to former members of the Board of Directors and the Bank's Management (see Note 54).

The most significant commitments are those in Spain and Mexico and, to a lesser extent, in Turkey. The remaining commitments are located mostly in Portugal and South America. Unless otherwise required by local regulation, all defined benefit plans have been closed to new entrants, who instead are able to participate in the Group´s defined contribution plans.

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 Group has established specific benefits committees. These benefit committees include members from the different areas of the business 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 of December 31, 2020, 2019 and 2018:

Actuarial assumptions (%)

	2020			2019				2018			
	Spain	Mexico	Turkey	Spain	Mexico	The United States	Turkey	Spain	Mexico	The United States	Turkey
Discount rate	0.53%	8.37%	13.00%	0.68%	9.04%	3.24%	12.50%	1.28%	10.45%	4.23%	16.30%
Rate of salary increase	-	4.00%	11.20%	-	4.75%	-	9.70%	-	4.75%	-	14.00%
Rate of pension increase	-	1.94%	9.70%	-	2.47%	-	8.20%	-	2.51%	-	12.50%
Medical cost trend rate	-	7.00%	13.90%	-	7.00%	-	12.40%	-	7.00%	-	16.70%
Mortality tables	PER 2020	EMSSA09	CSO2001	PERM/F 2000P	EMSSA09	RP 2014	CSO2001	PERM/F 2000P	EMSSA09	RP 2014	CSO2001

In Spain, 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.

In Mexico, the discount rate shown as of December 31, 2020, corresponds to the weighted average rate, with the discount rates between 6.84% and 8.76% depending on the plan.

Discount rates used to value future benefit cash flows have been determined by reference to high quality corporate bonds (Note 2.2.12) denominated in Euro in the case of Spain and Mexican peso for Mexico, and government bonds denominated in Turkish Lira for Turkey.

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, the contractually agreed age in the case of early retirements in Spain or by using retirement rates.

Changes in the main actuarial assumptions may affect the valuation of the commitments. The table below shows the sensitivity of the benefit obligations to changes in the key assumptions:

Sensitivity analysis (Millions of Euros)

	Basis points change	2020		2019		2018	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
Discount rate	50	(354)	390	(367)	405	(298)	332
Rate of salary increase	50	4	(4)	3	(3)	3	(3)
Rate of pension increase	50	29	(27)	27	(26)	19	(18)
Medical cost trend rate	50	145	(129)	169	(133)	115	(91)
Change in obligation from each additional year of longevity	-	211	-	137	-	108	-

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. As of December 31, 2020, 2019 and 2018, the actuarial liabilities for the outstanding awards amounted to €50, €61 million and €62 million, respectively. These commitments are recorded under the heading "Provisions - Other long-term employee benefits" of the accompanying consolidated balance sheet (see Note 24).

25.1.1 Post-employment commitments and similar obligations

These commitments relate mostly to pension payments, and which have been determined based on salary and years of service. For most plans, pension payments are due on retirement, death and long term disability.

In addition, during the year 2020, Group entities in Spain offered certain employees the option to take retirement or early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 781 employees (616 and 489 during years 2019 and 2018, respectively). These commitments include the compensation and indemnities due as well as the contributions payable to external pension funds during the early retirement period. As of December 31, 2020, 2019 and 2018, the value of these commitments amounted to €1,247, €1,486 million and €1,793 million, respectively.

The change in the benefit plan obligations and plan assets during the year ended December 31, 2020 was as follows:

Post-employment commitments 2020 (Millions of Euros)	Spain	Mexico	The United States	Turkey	Rest of the world
Defined benefit obligation					
Balance at the beginning	**4,592**	**664**	**375**	**444**	**460**
Current service cost	5	5	1	18	3
Interest income or expense	30	50	12	45	7
Contributions by plan participants	-	-	-	4	-
Employer contributions	-	-	-	-	-
Past service costs [1]	224	(1)	-	2	3
Remeasurements:	136	93	31	(4)	12
Return on plan assets [2]	-	-	-	-	-
From changes in demographic assumptions	60	-	(3)	-	-
From changes in financial assumptions	79	(19)	34	54	17
Other actuarial gains and losses	(3)	112	-	(59)	(5)
Benefit payments	(703)	(58)	(15)	(15)	(12)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	-	(371)	-	-
Effect on changes in foreign exchange rates	-	(87)	(32)	(126)	(9)
Conversions to defined contributions	-	-	-	-	-
Other effects	3	-	(1)	-	(1)
Balance at the end	**4,288**	**666**	**-**	**367**	**465**
Of which: Vested benefit obligation relating to current employees	*4198*				
Of which: Vested benefit obligation relating to retired employees	*90*				
Plan assets					
Balance at the beginning	**266**	**592**	**323**	**359**	**422**
Current service cost	-	-	-	-	-
Interest income or expense	2	44	10	37	6
Contributions by plan participants	-	-	-	4	-
Employer contributions	-	86	-	14	1
Past service costs [1]	-	-	-	-	-
Remeasurements:	41	31	35	(23)	26
Return on plan assets [2]	41	31	35	(23)	26
From changes in demographic assumptions	-	-	-	-	-
From changes in financial assumptions	-	-	-	-	-
Other actuarial gains and losses	-	-	-	-	-
Benefit payments	(60)	(57)	(13)	(8)	(11)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	19	(327)	-	-
Effect on changes in foreign exchange rates	-	(77)	(27)	(100)	(5)
Conversions to defined contributions	-	-	-	-	-
Other effects	-	-	(1)	-	(1)
Balance at the end	**249**	**638**	**-**	**282**	**439**

Net liability (asset)

Balance at the beginning	**4,326**	**72**	**52**	**86**	**38**
Current service cost	5	5	1	18	3
Interest income or expense	28	6	2	8	1
Contributions by plan participants	-	-	-	-	-
Employer contributions	-	(86)	-	(14)	(1)
Past service costs [1]	224	(1)	-	2	3
Remeasurements:	95	62	(4)	18	(14)
Return on plan assets [2]	(41)	(31)	(35)	23	(26)
From changes in demographic assumptions	60	-	(3)	-	-
From changes in financial assumptions	79	(19)	34	54	17
Other actuarial gains and losses	(3)	112	-	(59)	(5)
Benefit payments	(643)	(1)	(2)	(6)	(1)
Settlement payments	-	-	-	-	-
Business combinations and disposals	-	(19)	(44)	-	-
Effect on changes in foreign exchange rates	-	(10)	(5)	(26)	(4)
Conversions to defined contributions	-	-	-	-	-
Other effects	3	-	-	-	-
Balance at the end	**4,039**	**28**	**-**	**85**	**27**

(1) Including gains and losses arising from settlements.
(2) Excluding interest, which is recorded under "Interest income or expense".

The change in net liabilities (assets) during the years ended 2019 and 2018 was as follows:

Post-employment commitments (Millions of Euros)

	2019: Net liability (asset)					2018: Net liability (asset)				
	Spain	Mexico	The United States	Turkey	Rest of the world	Spain	Mexico	The United States	Turkey	Rest of the world
Balance at the beginning	**4,547**	**71**	**39**	**83**	**36**	**5,122**	**(18)**	**51**	**96**	**36**
Current service cost	4	4	-	20	3	4	5	-	21	4
Interest income or expense	42	9	-	11	3	59	(2)	-	8	2
Contributions by plan participants	-	-	-	-	-	-	-	-	-	1
Employer contributions	-	(47)	(3)	(14)	(1)	-	-	(2)	(13)	(18)
Past service costs [1]	190	15	-	3	2	148	(1)	-	2	2
Remeasurements:	231	9	16	2	(1)	(28)	88	(11)	3	14
Return on plan assets [2]	(67)	(90)	(28)	5	(50)	4	70	17	21	11
From changes in demographic assumptions	-	-	-	(13)	(2)	-	-	(1)	-	15
From changes in financial assumptions	239	87	42	(41)	52	-	(9)	(28)	(45)	(12)
Other actuarial gains and losses	59	12	2	51	(1)	(32)	27	1	29	-
Benefit payments	(702)	(1)	(2)	(11)	(3)	(763)	-	(2)	(11)	(3)
Settlement payments	-	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	7	3	-	-	-	-	2	-	-
Effect on changes in foreign exchange rates	-	5	-	(9)	1	-	(1)	2	(26)	(1)
Conversions to defined contributions	-	-	-	-	-	-	-	-	-	-
Other effects	14	-	(1)	-	0	5	(0)	(1)	-	-
Balance at the end	**4,326**	**72**	**52**	**86**	**38**	**4,547**	**71**	**39**	**83**	**36**

(1) Includes gains and losses from settlements.
(2) Excludes interest which is reflected in the line item "Interest income and 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.

In the Spanish entities these commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. – a consolidated subsidiary and related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other postemployment defined benefit obligations" of the accompanying consolidated balance sheet (see Note 24), while the related assets held by the insurance company are included within the Group´s consolidated assets (recorded according to the classification of the corresponding financial instruments). As of December 31, 2020 the value of these separate assets was €2,572 million, (€2,620 and €2,543 million as of December 31, 2019 and 2018, respectively) representing direct rights of the insured employees held in the consolidated balance sheet, hence these benefits are effectively fully funded.

On the other hand, some pension commitments have been funded through insurance contracts with insurance companies not related to the Group. In this case the accompanying consolidated balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2020, 2019 and 2018, the value of the aforementioned insurance policies (€249, €266 and €260 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the accompanying consolidated balance sheet.

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.

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In 2008, the Turkish government passed a law to unify the different existing pension systems under a single umbrella Social Security system. Such system provides for the transfer of the various previously established funds.

The financial sector is in this stage at present, maintaining these pension commitments managed by external pension funds (foundations) established for that purpose.

The foundation that maintains the assets and liabilities relating to employees of Garanti BBVA in Turkey, as per the local regulatory requirements, has registered an obligation amounting to €250 million as of December 31, 2020 pending future transfer to the Social Security system.

Furthermore, Garanti BBVA has set up a defined benefit pension plan for employees, additional to the social security benefits, reflected in the consolidated balance sheet.

25.1.2 Medical benefit commitments

The change in defined benefit obligations and plan assets during the years 2020, 2019 and 2018 was as follows:

Medical benefits commitments

	2020			2019			2018		
	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	**1,580**	**1,532**	**48**	**1,114**	**1,146**	**(32)**	**1,204**	**1,114**	**91**
Current service cost	21	-	21	21	-	21	27	-	27
Interest income or expense	117	120	(3)	119	123	(4)	116	109	8
Contributions by plan participants	-	-	-	-	-	-	-	-	-
Employer contributions	-	22	(22)	-	-	-	-	71	(71)
Past service costs (1)	(8)	-	(8)	-	-	-	(42)	-	(42)
Remeasurements:	95	66	30	298	224	74	(210)	(164)	(47)
Return on plan assets (2)	-	66	(66)	-	224	(224)	-	(164)	164
From changes in demographic assumptions	-	-	-	-	-	-	-	-	-
From changes in financial assumptions	110	-	110	311	-	311	(182)	-	(182)
Other actuarial gain and losses	(15)	-	(15)	(13)	-	(13)	(28)	-	(28)
Benefit payments	(37)	(37)	-	(39)	(39)	(1)	(34)	(33)	(1)
Settlement payments	-	-	-	-	-	-	-	-	-
Business combinations and disposals	-	(19)	19	-	7	(7)	-	-	-
Effect on changes in foreign exchange rates	(207)	(201)	(6)	68	71	(2)	62	59	3
Other effects	-	-	-	(1)	-	(1)	(9)	(9)	-
Balance at the end	**1,562**	**1,484**	**77**	**1,580**	**1,532**	**48**	**1,114**	**1,146**	**(32)**

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

In Mexico, there is a medical benefit plan for employees hired prior to 2007. New employees from 2007 are covered by a medical insurance policy. An external trust has been constituted locally to fund the plan, in accordance with local legislation and Group policy.

In Turkey, employees are currently provided with medical benefits through a foundation in collaboration with the Social Security system, although local legislation prescribes the future unification of this and similar systems into the general Social Security system itself.

The valuation of these benefits and their accounting treatment follow the same methodology as that employed in the valuation of pension commitments.

25.1.3 Estimated benefit payments

As of December 31, 2020, the estimated benefit payments over the next ten years for all the entities in Spain, Mexico and Turkey are as follows:

Estimated benefit payments (Millions of Euros)

	2021	2022	2023	2024	2025	2026-2030
Commitments in Spain	556	474	388	313	257	856
Commitments in Mexico	111	110	114	121	129	774
Commitments in Turkey	16	18	16	18	22	180
Total	**683**	**602**	**518**	**452**	**408**	**1,810**

25.1.4 Plan assets

The majority of the Group´s defined benefit plans are funded by plan assets held in external funds/trusts legally separate from the Group sponsoring entity. However, in accordance with local regulation, some commitments are not externally funded and covered through internally held provisions, principally those relating to early retirements.

Plan assets are those assets which will be used to directly settle the assumed commitments and which meet the following conditions: they are not part of the Group sponsoring entities assets, they are available only to pay post-employment benefits and they cannot be returned to the Group sponsoring entity.

To manage the assets associated with defined benefit plans, BBVA Group has established investment policies designed according to criteria of prudence and minimizing the financial risks associated with plan assets.

The investment policy consists of investing in a low risk and diversified portfolio of assets with maturities consistent with the term of the benefit obligation and which, together with contributions made to the plan, will be sufficient to meet benefit payments when due, thus mitigating the plans' risks.

In those countries where plan assets are held in pension funds or trusts, the investment policy is developed consistently with local regulation. When selecting specific assets, current market conditions, the risk profile of the assets and their future market outlook are all taken into consideration. In all the cases, the selection of assets takes into consideration the term of the benefit obligations as well as short-term liquidity requirements.

The risks associated with these commitments are those which give rise to a deficit in the plan assets. A deficit could arise from factors such as a fall in the market value of plan assets, an increase in long-term interest rates leading to a decrease in the fair value of fixed income securities, or a deterioration of the economy resulting in more write-downs and credit rating downgrades.

The table below shows the allocation of plan assets of the main companies of the BBVA Group as of December 31, 2020, 2019 and 2018:

Plan assets breakdown (Millions of Euros)

	2020	2019	2018
Cash or cash equivalents	38	56	26
Debt securities (government bonds)	2,707	2,668	2,080
Mutual funds	1	2	2
Insurance contracts	140	142	132
Total	**2,887**	**2,869**	**2,241**
Of which: Bank account in BBVA	*4*	*4*	*3*
Of which: Debt securities issued by BBVA	-	-	-
Of which: Property occupied by BBVA	-	-	-

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2020, 2019 and 2018:

Investments in listed markets

	2020	2019	2018
Cash or cash equivalents	38	56	26
Debt securities (Government bonds)	2,707	2,668	2,080
Mutual funds	1	2	2
Total	**2,747**	**2,727**	**2,109**
Of which: Bank account in BBVA	*4*	*4*	*3*
Of which: Debt securities issued by BBVA	-	-	-
Of which: Property occupied by BBVA	-	-	-

The remainders of the assets are mainly invested in Level 2 assets in in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2020, almost all of the assets related to employee commitments corresponded to fixed income securities.

25.2 Defined contribution plans

Certain Group entities sponsor defined contribution plans. Some of these plans allow employees to make contributions which are then matched by the employer.

Contributions are recognized as and when they are accrued, with a charge to the consolidated income statement in the corresponding year. No liability is therefore recognized in the accompanying consolidated balance sheet (see Note 44.1).

26. 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.

BBVA banking subsidiaries, associates and joint ventures worldwide, are subject to supervision and regulation from a variety of regulatory bodies in relation to, among other aspects, the satisfaction of minimum capital requirements. The obligation to satisfy such capital requirements may affect the ability of such entities to transfer funds in the form of cash dividends, loans or advances. In addition, under the laws of the various jurisdictions where such entities are incorporated, dividends may only be paid out through funds legally available

for such purpose. Even when the minimum capital requirements are met and funds are legally available, the relevant regulators or other public administrations could discourage or delay the transfer of funds to the Group in the form of cash, dividends, loans or advances for prudential reasons.

Resolutions adopted by the Annual General Meeting

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:

Note 22.4 introduces the details of the convertible and/or exchangeable securities.

27. Share premium

As of December 31 2020, 2019 and 2018, the balance under this heading in the accompanying consolidated 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 (see Note 26).

28. Retained earnings, revaluation reserves and other reserves

28.1 Breakdown of the balance

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

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of Euros)

	2020	2019	2018
Legal reserve	653	653	653
Restricted reserve	120	124	133
Reserves for regularizations and balance revaluations	-	-	3
Voluntary reserves	8,117	8,331	8,010
Total reserves holding company (*)	**8,890**	**9,108**	**8,799**
Consolidation reserves attributed to the Bank and subsidiary consolidated companies.	21,454	20,161	18,018
Total	**30,344**	**29,269**	**26,028**

(*) Total reserves of BBVA, S.A. (See Appendix IX).

28.2 Legal reserve

Under the amended Spanish 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.

28.3 Restricted reserves

As of December 31, 2020, 2019 and 2018, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)

	2020	2019	2018
Restricted reserve for retired capital	88	88	88
Restricted reserve for parent company shares and loans for those shares	30	34	44
Restricted reserve for redenomination of capital in euros	2	2	2
Total	**120**	**124**	**133**

The restricted reserve for retired capital resulted from 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 parent company common stock in euros.

28.4 Retained earnings, Revaluation reserves and Other reserves by entity

The breakdown, by company or corporate group, under the headings "Retained earnings", "Revaluation reserves" and "other reserves" in the accompanying consolidated balance sheets is as follows:

Retained earnings, revaluation reserves and other reserves. Breakdown by company or corporate group (Millions of Euros)

	2020	2019	2018
Retained earnings (losses) and revaluation reserves			
Holding Company	15,014	16,623	14,698
BBVA Bancomer Group	12,890	10,645	10,014
Garanti BBVA Group	2,509	1,985	1,415
BBVA Banco Provincial Group	1,731	1,736	1,745
BBVA Argentine Group	1,302	1,148	1,220
BBVA Colombia Group	1,287	1,130	998
Corporación General Financiera S.A.	920	932	1,084
BBVA Perú Group	984	848	756
BBVA Chile Group	619	597	168
BBVA Paraguay	160	130	119
Pecri Inversión S.L.	114	(50)	(74)
Bilbao Vizcaya Holding, S.A.	77	62	49
Compañía de Cartera de Inversiones, S.A.	59	47	108
Gran Jorge Juan, S.A.	42	27	(33)
Banco Industrial de Bilbao, S.A.	(12)	(13)	-
BBVA Seguros, S.A.	(35)	(99)	(127)
BBVA Suiza, S.A.	(47)	(52)	(53)
BBVA Portugal Group	(52)	(59)	(66)
Anida Grupo Inmobiliario	(594)	(587)	363
Sociedades inmobiliarias Unnim	(617)	(594)	(587)
BBVA USA Bancshares Group	(1,078)	(317)	(586)
Anida Operaciones Singulares, S.A.	(5,409)	(5,375)	(5,317)
Other	644	624	172
Subtotal	**30,508**	**29,388**	**26,066**
Other reserves or accumulated losses of investments in joint ventures and associates			
ATOM Bank PLC	(91)	(56)	(28)
Metrovacesa, S.A.	(84)	(75)	(61)
Other	11	12	51
Subtotal	**(164)**	**(119)**	**(38)**
Total	**30,344**	**29,269**	**26,028**

For the purpose of allocating the reserves and accumulated losses to the consolidated entities and to the parent company, the transfers of reserves arising from the dividends paid and transactions between these entities are taken into account in the period in which they took place.

29. Treasury shares

In the years ended December 31, 2020, 2019 and 2018 the Group entities performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of euros)

	2020		2019		2018	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	**12,617,189**	**62**	**47,257,691**	**296**	**13,339,582**	**96**
+ Purchases	234,691,887	807	214,925,699	1,088	279,903,844	1,683
- Sales and other changes	(232,956,244)	(830)	(249,566,201)	(1,298)	(245,985,735)	(1,505)
+/- Derivatives on BBVA shares	-	7	-	(23)	-	23
+/- Other changes	-	-	-	-	-	-
Balance at the end	**14,352,832**	**46**	**12,617,189**	**62**	**47,257,691**	**296**
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*	*47,257,691*	*296*
Held by other subsidiaries	-	-	-	-	-	-
Average purchase price in Euros	3.44	-	5.06	-	6.11	-
Average selling price in Euros	3.63	-	5.20	-	6.25	-
Net gains or losses on transactions (Shareholders' funds-Reserves)		-		13		(24)

The percentages of treasury shares held by the Group in the years ended December 31, 2020, 2019 and 2018 are as follows:

Treasury Stock

	2020			2019			2018		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.008%	0.464%	0.215%	0.138%	0.746%	0.213%	0.200%	0.850%	0.709%

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2020, 2019 and 2018 is as follows:

Shares of BBVA accepted in pledge

	2020	2019	2018
Number of shares in pledge	39,407,590	43,018,382	61,632,832
Nominal value	0.49	0.49	0.49
% of share capital	0.59%	0.65%	0.92%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2020, 2019 and 2018 is as follows:

Shares of BBVA owned by third parties but managed by the Group

	2020	2019	2018
Number of shares owned by third parties	18,266,509	23,807,398	25,306,229
Nominal value	0.49	0.49	0.49
% of share capital	0.27%	0.36%	0.38%

30. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (loss) (Millions of Euros)

	Notes	2020	2019	2018
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 in subsidiaries, joint ventures and associates		-	-	-
Fair value changes of equity instruments measured at fair value through other comprehensive income	13.4	(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 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)
Of which: US Dollar		*-*	*(432)*	*(432)*
Of which: Mexican peso		*(362)*	*(588)*	*(78)*
Of which: Turkish lira		*317*	*163*	*322*
Of which: other exchanges		*(18)*	*(38)*	*(29)*
Foreign currency translation		(14,185)	(9,147)	(9,630)
Of which: US Dollar		*(16)*	*1,565*	*1,326*
Of which: Mexican peso		*(5,220)*	*(3,557)*	*(4,205)*
Of which: Turkish lira		*(4,960)*	*(3,750)*	*(3,326)*
Of which: Argentine peso		*(1,247)*	*(1,124)*	*(1,118)*
Of which: Venezuelan Bolívar		*(1,860)*	*(1,854)*	*(1,862)*
Of which: other exchanges		*(882)*	*(427)*	*(445)*
Hedging derivatives. Cash flow hedges (effective portion)		10	(44)	(6)
Fair value changes of debt instruments measured at fair value through other comprehensive income	13.4	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 subsidiaries, joint ventures and associates		(17)	(5)	(29)
Total		**(14,356)**	**(10,226)**	**(10,223)**

(*) The variation for the year 2020 corresponds, mainly, to the BBVA USA sale agreement (see Notes 21).

The balances recognized under these headings are presented net of tax.

The main changes in 2020 are explained as a result of the depreciation of the main currencies of the geographies where the Group operates against the euro. The main depreciations against the euro have been: US dollar (-8.5%), Mexican peso (-13.1%), Turkish lira (-26.7%), Peruvian sol (-16.3%), Colombian peso (-12.6%) and Argentine peso (-34.8%).

31. Non-controlling interest

The table below is a breakdown by groups of consolidated entities of the balance under the heading "Minority interests (non-controlling interest)" of total equity in the accompanying consolidated balance sheets is as follows:

Non-controlling interests: breakdown by subgroups (Millions of Euros)

	2020	2019	2018
Garanti BBVA	3,692	4,240	4,058
BBVA Peru	1,171	1,334	1,167
BBVA Argentina	416	422	352
BBVA Colombia	70	76	67
BBVA Venezuela	65	71	67
Other entities	56	57	53
Total	**5,471**	**6,201**	**5,764**

These amounts are broken down by groups of consolidated entities under the heading "Attributable to minority interests (non-controlling interests)" in the accompanying consolidated income statements:

Profit attributable to non-controlling interests (Millions of Euros)

	2020	2019	2018
Garanti BBVA	579	524	585
BBVA Peru	126	236	227
BBVA Argentina	38	60	(18)
BBVA Colombia	6	11	9
BBVA Venezuela	2	(1)	(5)
Other entities	5	4	30
Total	**756**	**833**	**827**

Dividends distributed to non-controlling interest of the Group during the year 2020 are:

BBVA Banco Continental Group €79 million, BBVA Garanti Group €31 million, BBVA Colombia Group €4 million, and other Group entities accounted for €4 million.

32. Capital base and capital management

32.1 Capital base

As of December 31, 2020, 2019 and 2018, own funds is calculated in accordance to the applicable regulation of each year on minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated group– that establish 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.

With respect to the 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 partially 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 8.59% and the requirement in terms of total capital at 12.75%, both requirements at consolidated 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

From 2021 onwards, the BBVA Group has set the objective of maintaining a fully-loaded CET1 ratio at a consolidated level of between 11.5% -12.0%, increasing the target distance to the minimum requirement (currently at 8.59 %) at 291-341 basis points. At closing of the financial year 2020, the fully-loaded CET1 ratio is within this target management range.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2020, 2019 and 2018 is shown below:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Eligible capital resources (Millions of Euros)

	Notes	2020 (*)	2019 (**)	2018 (**)
Capital	26	3,267	3,267	3,267
Share premium	27	23,992	23,992	23,992
Retained earnings, revaluation reserves and other reserves	28	30,344	29,269	26,028
Other equity instruments, net		42	56	50
Treasury shares	29	(46)	(62)	(296)
Profit (loss) attributable to the parent company	6	1,305	3,512	5,400
Interim dividend		-	(1,084)	(1,109)
Total equity		**58,904**	**58,950**	**57,333**
Accumulated other comprehensive income (loss)	30	(14,356)	(10,226)	(10,223)
Non-controlling interest	31	5,471	6,201	5,764
Shareholders' equity		**50,020**	**54,925**	**52,874**
Goodwill and other intangible assets		(3,455)	(6,803)	(8,199)
Indirect and synthetic treasury shares		(320)	(422)	(135)
Deductions		**(3,774)**	**(7,225)**	**(8,334)**
Differences from solvency and accounting perimeter		(186)	(215)	(176)
Equity not eligible at solvency level		**(186)**	**(215)**	**(176)**
Other adjustments and deductions (1)		**(3,129)**	**(3,832)**	**(4,049)**
Common Equity Tier 1 (CET 1)		**42,931**	**43,653**	**40,313**
Additional Tier 1 before Regulatory Adjustments		**6,667**	**6,048**	**5,634**
Total Regulatory Adjustments to Additional Tier 1		**-**	**-**	**-**
Tier 1		**49,597**	**49,701**	**45,947**
Tier 2		**8,549**	**8,304**	**8,756**
Total Capital (Total Capital=Tier 1 + Tier 2)		**58,147**	**58,005**	**54,703**
Total Minimum equity required		**45,042**	**46,540**	**41,576**

(*) Provisional data.

(**) December 31, 2019 and 2018 figures have been restated for comparative purposes (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. In addition it includes other remuneration to shareholders (see Note 4)

The Group's own funds in accordance with the aforementioned applicable regulation as of December 31, 2020, 2019 and 2018 are shown below:

Amount of capital CC1 (Millions of Euros)

	2020 (*)	2019 (**)	2018 (**)
Capital and share premium	27,259	27,259	27,259
Retained earnings and equity instruments	29,974	29,127	25,896
Other accumulated income and other reserves	(14,023)	(10,133)	(10,130)
Minority interests	3,656	4,404	3,809
Net interim attributable profit	1,253	1,316	3,188
Common Equity Tier I (CET1) before other regulatory adjustments	**48,119**	**51,974**	**50,022**
Goodwill and intangible assets	(3,455)	(6,803)	(8,199)
Direct and indirect holdings in own Common Equity Tier I instruments	(366)	(484)	(432)
Deferred tax assets	(1,478)	(1,420)	(1,463)
Other deductions and filters (***)	110	386	386
Total common equity Tier 1 regulatory adjustments	**(5,189)**	**(8,321)**	**(9,709)**
Common equity TIER 1 (CET1)	**42,931**	**43,653**	**40,313**
Capital instruments and share premium accounts classified as liabilities and qualifying as Additional Tier I	6,130	5,400	5,005
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	537	648	629
Additional Tier 1 (CET 1) before regulatory adjustments	**6,667**	**6,048**	**5,634**
Transitional CET 1 adjustments	-	-	-
Total regulatory adjustments to additional Tier 1	**-**	**-**	**-**
Additional Tier 1 (AT1)	**6,667**	**6,048**	**5,634**
Tier 1 (Common equity TIER 1+ additional TIER 1)	**49,597**	**49,701**	**45,947**
Capital instruments and share premium accounted as Tier 2	4,540	3,242	3,768
Qualifying Tier 2 capital included in consolidated T2 capital issued by subsidiaries and held by third parties	3,410	4,512	4,409
Credit risk adjustments	606	631	579
Tier 2 before regulatory adjustments	**8,556**	**8,385**	**8,756**
Tier 2 regulatory adjustments	**(7)**	**(82)**	**-**
Tier 2	**8,549**	**8,304**	**8,756**
Total capital (Total capital=Tier 1 + Tier 2)	**58,147**	**58,005**	**54,703**
Total RWA's	**353,272**	**364,448**	**348,264**
CET 1 (phased-in)	12.2%	12.0%	11.6%
Tier 1 (phased-in)	14.0%	13.6%	13.2%
Total capital (phased-in)	16.5%	15.9%	15.7%

(*) 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, it includes other shareholder remuneration (see Note 4)

As of December 2020 Common Equity Tier 1 (CET1) phased-in ratio stood at 12.15% which represented and in increase of +17 basis points with respect to 2019. In terms of CET1 fully loaded, the consolidated ratio stood at 11.73% (which represents a reduction of 1 basis point compared to 2019). The difference is mainly explained by the effect of the transitory adjustments for the treatment in the solvency ratios of the impacts of IFRS 9 and subsequent modifications in response to the COVID-19 pandemic.

This evolution had been affected by the positive BBVA´s organic profit generation which has it made possible to cover the growth of risk weighted assets (RWA) and the relative stabilization of the financial markets during the second half of the year, largely motivated by the measures to stimulate the economy and the announced guaranteed programs by the different national and supranational authorities and the approval by the Parliament and the European Council of regulation 2020/873 (known as CRR quick fix).

Regarding the shareholder remuneration proposal in relation to the Group's 2020 result, explained in Note 4, this amount has been anticipated as a prudential buffer in the Group's capital ratios, with an impact of 11 basis points

Phased-in additional Tier 1 capital (AT1) stood at 1, 89% at the end of December 2020, an improvement of +23 basis points compared to the previous year. In this respect, in July 2020, the first green CoCo from a financial institution worldwide was issued for an amount of €1,000 million, with a coupon of 6% and an option for early amortization in five and a half years. Moreover, a CoCo of €1,500 million (coupon of 6.75%) was amortized in February, on the first date of the early amortization option; in January 2021, the early amortization options were implemented for two preferential issuances, issued by BBVA International Preferred and Caixa Sabadell Preferents for 31 million pounds sterling and €90m respectively; and finally, for a third preferential issuance issued by Caixa Terrassa Societat de Participacions Preferents, the bondholders' meeting has approved its early amortization on January 29, 2021 (versus the amortization option date of August 10, 2021). As of December 31, 2020, these issuances do not form part of the Group's capital adequacy ratios.

The phased-in Tier 2 ratio stood at 2.42%, an increase of +14 basis points over the previous years. Two Tier 2 issuances were issued in 2020: an issuance of €1,000 million in January, with a maturity of 10 years and an amortization option from the fifth year, with a coupon of 1%; and another issuance of 300 million pounds sterling in July, with a maturity of 11 years and with an early amortization option from the sixth year, with a coupon of 3.104%.

Regarding the MREL (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA has continued its issuance plan during 2020 by closing two public issuances of non-preferred senior debt, one in January 2020 for €1,250m with a maturity of seven years and a coupon of 0.5%, and another in February 2020 for CHF 160m with a maturity of six and a half years and a coupon of 0.125%. In May 2020, the first issuance of a COVID-19 social bond by a private financial institution in Europe was completed. This is a five-year senior preferred bond, for €1,000 million and a coupon of 0.75%. Finally, in order to optimize the MREL requirement, in September BBVA issued preferred senior debt of USD 2,000 million in two tranches, with maturities of three and five years, for USD 1,200 million and USD 800 million and coupons of 0.875% and 1.125% respectively.

The Group estimates that, following the entry into force of Regulation (EU) No. 2019/877 of the European Parliament and of the Council of May 20 (which, among other matters, establishes the MREL in terms of RWAs and new periods for said requirement's transition and implementation), the current structure of shareholders' funds and admissible liabilities enables compliance with the MREL.

32.2 Leverage ratio

The leverage ratio (LR) is a regulatory measure complementing capital designed to guarantee the soundness and financial strength of institutions in terms of indebtedness. This measurement can be used to estimate the percentage of the assets and off-balance sheet arrangements financed with Tier 1 capital, being the carrying amount of the assets used in this ratio adjusted to reflect the bank's current or potential leverage of a given balance-sheet position (Leverage ratio exposure).

Breakdown of leverage ratio as of December 31, 2020, 2019 and 2018, calculated according to CCR, is as follows:

Leverage ratio

	2020 (*)	2019	2018
Tier 1 (millions of euros) (a)	49,597	49,701	45,947
Exposure (millions of euros) (b)	735,697	731,087	705,299
Leverage ratio (a)/(b) (percentage)	6.74%	6.80%	6.51%

(*) Provisional data.

32.3 Capital management

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

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33. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)

	Notes	2020	2019	2018
Loan commitments given	7.2.2	**132,584**	**130,923**	**118,959**
Of which: defaulted		*265*	*270*	*247*
Central banks		-	-	-
General governments		*2,919*	*3,117*	*2,318*
Credit institutions		*11,426*	*11,742*	*9,635*
Other financial corporations		*5,862*	*4,578*	*5,664*
Non-financial corporations		*71,011*	*65,475*	*58,405*
Households		*41,366*	*46,011*	*42,936*
Financial guarantees given	7.2.2	**10,665**	**10,984**	**16,454**
Of which: defaulted (*)		*290*	*224*	*332*
Central banks		*1*	-	*2*
General governments		*132*	*125*	*159*
Credit institutions		*339*	*995*	*1,274*
Other financial corporations		*587*	*583*	*730*
Non-financial corporations		*9,376*	*8,986*	*13,970*
Households		*231*	*295*	*319*
Other commitments given	7.2.2	**36,190**	**39,209**	**35,098**
Of which: defaulted (*)		*477*	*506*	*408*
Central banks		*124*	*1*	*1*
General governments		*199*	*521*	*248*
Credit institutions		*5,285*	*5,952*	*5,875*
Other financial corporations		*2,902*	*2,902*	*2,990*
Non-financial corporations		*27,496*	*29,682*	*25,723*
Households		*182*	*151*	*261*
Total	7.2.2	**179,440**	**181,116**	**170,511**

(*) Non-performing financial guarantees given amounted to €767, €731 and €740 million, respectively, as of December 31, 2020, 2019 and 2018.

As of December 31, 2020, the provisions for loan commitments given, financial guarantees given and other commitments given, recorded in the consolidated balance sheet amounted €280 million, €182 million and 266€ million, respectively (see Note 24).

Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered to be the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In the years 2020, 2019 and 2018, no issuance of debt securities carried out by associates of the BBVA Group, joint venture entities or non-Group entities have been guaranteed,

34. Other contingent assets and liabilities

As of December, 2020, 2019 and 2018 there were no material contingent assets or liabilities other than those disclosed in the accompanying Notes to the consolidated financial statements.

35. Purchase and sale commitments and future payment obligations

The purchase and sale commitments of the BBVA Group are disclosed in Notes 10, 14 and 22.

Future payment obligations mainly correspond to leases payable derived from operating lease contracts, as detailed in Note 22.5, and estimated employee benefit payments, as detailed in Note 25.1.3.

36. Transactions on behalf of third parties

As of December 31, 2020, 2019 and 2018 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	2018
Financial instruments entrusted to BBVA by third parties	357,022	693,497	689,157
Conditional bills and other securities received for collection	10,459	13,133	13,484
Securities lending	5,285	7,129	4,866
Total	**372,766**	**713,759**	**707,508**

37. Net interest income

37.1 Interest and other income

The breakdown of the interest and other income recognized in the accompanying consolidated income statement is as follows:

Interest and other income. Breakdown by origin (Millions of Euros)

	2020	2019	2018
Financial assets held for trading	1,189	2,037	2,055
Financial assets designated at fair value through profit or loss	8	5	4
Financial assets at fair value through other comprehensive income	1,392	1,629	1,620
Financial assets at amortized cost	18,357	22,741	22,029
Insurance activity	1,021	1,079	1,141
Adjustments of income as a result of hedging transactions	(112)	(72)	(162)
Other income (*)	534	343	268
Total	**22,389**	**27,762**	**26,954**

(*) Includes accrued interest following TLTRO III transactions in 2020 and 2019 (see Note 22).

The amounts recognized in consolidated equity in connection with hedging derivatives for the years ended December 31, 2020, 2019 and 2018 and the amounts derecognized from the consolidated equity and taken to the consolidated income statements during those years are included in the accompanying "Consolidated statements of recognized income and expenses".

37.2 Interest expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Interest expense. Breakdown by origin (Millions of Euros)

	2020	2019	2018
Financial liabilities held for trading	742	1,229	1,210
Financial liabilities designated at fair value through profit or loss	61	6	41
Financial liabilities at amortized cost	6,346	9,953	9,757
Adjustments of expense as a result of hedging transactions	(413)	(250)	(351)
Insurance activity	721	753	832
Cost attributable to pension funds	57	85	71
Other expense	284	196	108
Total	**7,797**	**11,972**	**11,669**

38. Dividend income

The balances for this heading in the accompanying consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 39), as can be seen in the breakdown below:

Dividend income (Millions of Euros)

	2020	2019	2018
Non-trading financial assets mandatorily at fair value through profit or loss	15	26	19
Financial assets at fair value through other comprehensive income	122	126	126
Total	**137**	**153**	**145**

39. Share of profit or loss of entities accounted for using the equity method

Results from "Share of profit or loss of entities accounted for using the equity method" resulted in a negative impact of €39 million as of December 31, 2020, compared with the negative impact of €42 and the negative impact of €7 million recorded as of December 31, 2019 and 2018, respectively.

40. Fee and commission income and expense

The breakdown of the balance under these headings in the accompanying consolidated income statements is as follows:

Fee and commission income. Breakdown by origin (Millions of Euros)

	2020	2019	2018
Bills receivables	27	39	39
Demand accounts	322	301	249
Credit and debit cards and ATMs	2,089	2,862	2,690
Checks	136	198	188
Transfers and other payment orders	555	623	595
Insurance product commissions	159	158	169
Loan commitments given	185	187	183
Other commitments and financial guarantees given	349	377	374
Asset management	1,100	1,026	986
Securities fees	367	294	301
Custody securities	135	123	123
Other fees and commissions	556	599	564
Total	**5,980**	**6,786**	**6,462**

The breakdown of fee and commission expense under these heading in the accompanying consolidated income statements is as follows:

Fee and commission expense. Breakdown by origin (Millions of Euros)

	2020	2019	2018
Demand accounts	5	6	11
Credit and debit cards	1,130	1,566	1,403
Transfers and other payment orders	97	81	36
Commissions for selling insurance	54	54	48
Custody securities	52	30	29
Other fees and commissions	519	548	531
Total	**1,857**	**2,284**	**2,059**

41. 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 consolidated income statement is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	2020	2019	2018
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	139	186	191
Financial assets at amortized cost	106	44	37
Other financial assets and liabilities	33	141	155
Gains (losses) on financial assets and liabilities held for trading, net	777	419	640
Reclassification of financial assets from fair value through other comprehensive income	-	-	-
Reclassification of financial assets from amortized cost	-	-	-
Other gains (losses)	777	419	640
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	208	143	96
Reclassification of financial assets from fair value through other comprehensive income	-	-	-
Reclassification of financial assets from amortized cost	-	-	-
Other gains (losses)	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
Subtotal gains (losses) on financial assets and liabilities	**1,187**	**705**	**1,136**
Exchange differences, net	359	581	13
Total	**1,546**	**1,286**	**1,148**

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	2018
Debt instruments	848	945	354
Equity instruments	(28)	1,336	(253)
Trading derivatives and hedge accounting	277	(1,133)	858
Loans and advances to customers	128	78	(190)
Customer deposits	(79)	(26)	239
Other	42	(497)	127
Total	**1,187**	**705**	**1,136**

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the accompanying consolidated income statements is as follows:

Derivatives - Hedge accounting (Millions of Euros)

	2020	2019	2018
Derivatives			
Interest rate agreements	269	(85)	61
Securities agreements	(36)	(1,072)	298
Commodity agreements	1	5	(2)
Credit derivative agreements	(89)	74	(109)
Foreign-exchange agreements	88	(75)	565
Other agreements	37	(35)	(24)
Subtotal	**270**	**(1,187)**	**790**
Hedging derivatives ineffectiveness			
Fair value hedges	5	55	68
Hedging derivative	(151)	(36)	(135)
Hedged item	156	91	203
Cash flow hedges	2	-	1
Subtotal	**7**	**55**	**69**
Total	**277**	**(1,133)**	**858**

In addition, in the years ended December 31, 2020, 2019 and 2018, under the heading "Exchange differences, net" in the accompanying consolidated income statements negative amounts of €57 million, €225 million and €113 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

42. Other operating income and expense

The breakdown of the balance under the heading "Other operating income" in the accompanying consolidated income statements is as follows:

Other operating income (Millions of Euros)

	2020	2019	2018
Gains from sales of non-financial services	244	258	458
Hyperinflation adjustment (*)	94	146	120
Other operating income	154	235	351
Total	**492**	**639**	**929**

(*) See Note 2.2.19.

The breakdown of the balance under the heading "Other operating expense" in the accompanying consolidated income statements is as follows:

Other operating expense (Millions of Euros)

	2020	2019	2018
Change in inventories	124	107	292
Contributions to guaranteed banks deposits funds	800	746	670
Hyperinflation adjustment (*)	348	538	494
Other operating expense	390	551	565
Total	**1,662**	**1,943**	**2,021**

(*) See Note 2.2.19.

43. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the accompanying consolidated income statements is as follows:

Income and expense from insurance and reinsurance contracts (Millions of Euros)

	2020	2019	2018
Income from insurance and reinsurance contracts	2,497	2,890	2,949
Expense from insurance and reinsurance contracts	(1,520)	(1,751)	(1,894)
Total	**977**	**1,138**	**1,055**

The table below shows the contribution of each insurance product to the Group´s income for the years ended December 31, 2020, 2019 and 2018:

Income by type of insurance product (Millions of Euros)

	2020	2019	2018
Life insurance	497	631	682
Individual	439	477	486
Savings	92	116	56
Risk	346	361	430
Group insurance	59	154	196
Savings	5	26	39
Risk	54	127	157
Non-Life insurance	480	508	373
Home insurance	91	90	110
Other non-life insurance products	389	418	263
Total	**977**	**1,138**	**1,055**

44. Administration costs

44.1 Personnel expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Personnel expense (Millions of Euros)

	Notes	2020	2019	2018
Wages and salaries		3,610	4,103	4,031
Social security costs		671	725	670
Defined contribution plan expense	25	72	95	72
Defined benefit plan expense	25	49	49	58
Other personnel expense		293	379	373
Total		**4,695**	**5,351**	**5,205**

44.1.1 Share-based employee remuneration

The amounts recognized under the heading "Administration costs - Personnel expense - Other personnel expense" in the consolidated income statements for the year ended December 31, 2020, 2019 and 2018, corresponding to the remuneration plans based on equity instruments in each year, amounted to €16 million, €31 million and €29 million, respectively. These amounts have been recognized with a corresponding entry under the heading "Shareholders' funds - Other equity instruments" in the accompanying consolidated 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 November 29, 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 5,754,101 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 4,220,900 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 3,085,476 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 54.

Lastly, in line with specific regulation applicable in Portugal and Brazil, BBVA IFIC and BBVA Brazil Banco de Investimento have identified respectively the staff in these countries whose Annual Variable Remuneration should be subject to a specific settlement and payment scheme, more specifically:

- A percentage of the Annual Variable Remuneration is subject to a three years deferral that shall be paid yearly over the mentioned period.
- 50% of the Annual Variable Remuneration, both the Upfront Portion and Deferred Component, shall be established in BBVA Shares.
- In BBVA IFIC, resulting cash portions of the Deferred Component of Annual Variable Remuneration and subject to multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI) measured as year-on-year price variation.
- In BBVA Brasil Banco de Investimento, both the cash amounts and share amounts of the Deferred Component may be subject to update adjustments in cash.

According to this remuneration scheme, during financial year 2020 a total of 18,879 BBVA shares corresponding to the Upfront Portion of 2019 Annual Variable Remuneration have been delivered to this staff in Portugal and Brazil.

Additionally, during 2020 there have been delivered to this staff in Portugal and Brazil a total of 5,083 BBVA shares corresponding to the first third of the Deferred Component of 2018 Annual Variable Remuneration, as well as 1,323 euros as adjustments for updates. A total of 9,558 BBVA shares corresponding to the second third of the Deferred Component of 2017 Annual Variable Remuneration and 4,873 euros as adjustments for updates; and a total of 12,142 BBVA shares corresponding to the last third of the Deferred Component of 2016 Annual Variable Remuneration and 8,873 euros as adjustments for updates.

44.2 Other administrative expense

The breakdown of the balance under this heading in the accompanying consolidated income statements is as follows:

Other administrative expense (Millions of Euros)

	2020	2019	2018
Technology and systems	1,088	1,060	1,000
Communications	172	181	193
Advertising	186	250	265
Property, fixtures and materials	404	477	865
Taxes other than income tax	344	378	395
Surveillance and cash courier services	161	188	177
Other expense	749	885	921
Total	**3,105**	**3,418**	**3,816**

45. Depreciation and amortization

The breakdown of the balance under this heading in the accompanying consolidated income statements for the years ended December 2020, 2019 and 2018 is as follows:

Depreciation and amortization (Millions of Euros)

	Notes	2020	2019	2018
Tangible assets	17	781	876	533
For own use		453	523	529
Right-of-use assets		324	349	
Investment properties and other		3	3	5
Intangible assets	18.2	507	510	500
Total		**1,288**	**1,386**	**1,034**

46. Provisions or reversal of provisions

For the years ended December 31, 2020, 2019 and 2018, the net provisions recognized in this income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)

	Notes	2020	2019	2018
Pensions and other post employment defined benefit obligations	25	210	213	125
Commitments and guarantees given (*)		192	96	(27)
Pending legal issues and tax litigation		208	171	135
Other provisions		136	133	162
Total		**746**	**614**	**395**

(*) 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 7.2).

47. 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 or net gains by modification by the nature of those assets in the accompanying consolidated income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)

	Notes	2020	2019 (*)	2018 (*)
Financial assets at fair value through other comprehensive income - Debt securities		19	82	1
Financial assets at amortized cost (*)		5,160	3,470	3,680
Of which: recovery of written-off assets	7.2.5	(339)	(919)	(589)
Total		**5,179**	**3,552**	**3,681**

(*) 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 7.2).

48. Impairment or reversal of impairment of investments in joint ventures and associates

The heading "Impairment or reversal of the impairment of investments in joint ventures or associates" resulted in a loss of €190 and 46 million euros for the years ended December 31, 2020 and 2019. There was no impairment recorded for the year ended December 31, 2018 (see Note 16.3).

49. 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 consolidated income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)

	Notes	2020	2019	2018
Tangible assets	17	125	94	4
Intangible assets		19	12	83
Others		9	23	50
Total		**153**	**128**	**137**

50. Gains (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	2018
Gains on sale of real estate		116	86	126
Impairment of non-current assets held for sale	21	(103)	(72)	(206)
Gains (losses) on sale of investments classified as non-current assets held for sale (*)		431	10	894
Gains on sale of equity instruments classified as non-current assets held for sale		-	-	-
Total		**444**	**23**	**815**

(*) The variation in year 2020 is mainly due to the transfer of half plus one share in BBVA Allianz Seguros y Reaseguros, S.A. (see Note 3). The variation in year 2018 is mainly due to the sale of the BBVA stake in BBVA Chile (see Note 3).

51. Consolidated statements of cash flows

The mapping of the heading cash and equivalents in the consolidated statement of cash flows has been modified, and this modification is not relevant to the consolidated condensed interim financial statements as a whole. In order for the information to be comparable, the information for the 2019 and 2018 financial years has been restated.

The variation between 2020, 2019 and 2018 of the financial liabilities from financing activities is the following:

Liabilities from financing activities. December 2020 (Millions of Euros)

			Non-cash changes					
	December 31, 2019	Cash flows	Acquisition	Disposal	Disposals by companies held for sale (**)	Foreign exchange movement	Fair value changes	December 31, 2020
Liabilities at amortized cost: Debt certificates	63,963	3,003	-	-	(3,160)	(2,026)	-	61,780
Of which: Issuances of subordinated liabilities (*)	*17,675*	*(8)*	-	-	-	*(419)*	-	*17,248*

(*) Additionally, there are €12 million of issuances of subordinated liabilities as of December 2020 (see Note 22 and Appendix VI). The subordinated issuances of BBVA Paraguay and of the BBVA USA sale perimeter as of December 31, 2020 are recorded in the heading "Liabilities included in disposal groups classified as held for sale" of the consolidated balance which amount to €37 and €735 million, respectively.

(**) The amount is mainly due to the sale of the stake in BBVA USA (see Note 3).

Liabilities from financing activities. December 2019 (Millions of Euros)

			Non-cash changes				
	December 31, 2018	Cash flows	Acquisition	Disposal	Foreign exchange movement	Fair value changes	December 31, 2019
Liabilities at amortized cost: Debt certificates	61,112	2,643	-	-	209	-	63,963
Of which: Issuances of subordinated liabilities (*)	17,635	*(190)*	-	-	*229*	-	*17,675*

(*) Additionally, there are €384 million of issuances of subordinated liabilities as of December 2019 (see Note 22 and Appendix VI). Subordinated liabilities corresponding to BBVA Paraguay as of December 2019 were recorded in the heading "Liabilities included in disposal groups classified as held for sale" amounting to €40 million.

Liabilities from financing activities. December 2018 (Millions of Euros)

			Non-cash changes				
	December 31, 2017	Cash flows	Acquisition	Disposal	Foreign exchange movement	Fair value changes	December 31, 2018
Liabilities at amortized cost: Debt certificates	61,649	2,152	-	(1,828)	(862)	-	61,112
Of which: Issuances of subordinated liabilities (*)	17,443	*857*	-	*(694)*	*29*	-	*17,635*

(*) Additionally, there are subordinated deposits for 411 million euros as of December 31, 2018 (see Note 22 and Annex VI). The subordinated issues of BBVA Chile as of December 31, 2017 are recorded under the line "Liabilities included in disposal groups of items that have been classified as held for sale" on the consolidated balance sheet with a balance of 574 million euros.

52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group for the years ended December 31, 2020, 2019 and 2018 with their respective auditors and other audit entities are as follows:

Fees for Audits conducted and other related services (Millions of euros) (**)

	2020	2019	2018
Audits of the companies audited by firms belonging to the KPMG worldwide organization and other reports related with the audit (*)	27.7	28.1	26.1
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 KPMG worldwide organization	1.3	1.5	1.5
Fees for audits conducted by other firms	0.2	-	0.1

(*) Including fees pertaining to annual legal audits (€23.6, €24.1 and €22.4 million as of December 31, 2020, 2019 and 2018, respectively).
(**) Regardless of the billed year.

In the years ended December 31, 2020, 2019 and 2018, certain entities in the BBVA Group contracted other services (other than audits) as follows:

Other services rendered (Millions of Euros)

	2020	2019	2018
Firms belonging to the KPMG worldwide organization	0.4	0.3	0.3

This total of contracted services includes the detail of the services provided by KPMG Auditores, S.L. to BBVA, S.A. or its controlled companies at the date of preparation of these consolidated financial statements as follows:

Fees for audits conducted (*) (Millions of Euros)

	2020	2019	2018
Legal audit of BBVA,S.A. or its companies under control	6.5	6.5	6.7
Other audit services of BBVA, S.A. or its companies under control	5.4	5.5	5.9
Limited Review of BBVA, S.A. or its companies under control	0.9	0.9	1.1
Reports related to issuances	0.3	0.3	0.3
Assurance services and other required by the regulator	0.9	0.8	0.9
Other	-	-	-

(*) Services provided by KPMG Auditores, S.L. to companies located in Spain, to the branch of BBVA in New York and to the branch of BBVA in London.

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).

53. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. These transactions are not relevant and are carried out under normal market conditions. As of December 31, 2020, 2019 and 2018 the following are the transactions with related parties:

53.1 Transactions with significant shareholders

As of December 31, 2020, 2019 and 2018, there were no shareholders considered significant (see Note 26).

53.2 Transactions with BBVA Group entities

The balances of the main captions in the accompanying consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

Balances arising from transactions with entities of the Group (Millions of Euros)

	2020	2019	2018
Assets			
Loans and advances to credit institutions	148	26	132
Loans and advances to customers	1,743	1,682	1,866
Liabilities	-		
Deposits from credit institutions	-	3	2
Customer deposits	791	453	521
Debt certificates	-	-	-
Memorandum accounts	-		
Financial guarantees given	132	166	152
Other contingent commitments given	1,400	1,042	1,358
Loan commitments given	11	106	78

The balances of the main aggregates in the accompanying consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)

	2020	2019	2018
Income statement			
Interest and other income	20	19	55
Interest expense	1	1	2
Fee and commission income	5	4	5
Fee and commission expense	34	53	48

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar commitments (see Note 25) and the derivatives transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the accompanying consolidated financial statements.

53.3 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 BBVA, 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 and 2018, 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 and €611 thousand, respectively. On those same dates, there were no loans or credits granted to parties related to the members of the Board of Directors.

As of December 31, 2020, 2019 and 2018, 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, €4,414 and €3,783 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, €57 and €69 thousand, respectively.

As of December 31, 2020, 2019 and 2018 no guarantees had been granted to any member of the Board of Directors or their related parties.

The amount availed against guarantees arranged with members of Senior Management as of December 31, 2020, 2019 and 2018 amounted to €10, €10, and €38 thousand, respectively.

As of December 31, 2020 and 2019, the amount availed against guarantees and commercial loans arranged with parties related to the members of the Bank's Board of Directors and Senior Management amounted to €25 thousand, on both dates. As of December 31, 2018, no guarantees and commercial loans have been granted to parties related to the members of Senior Management.

The information on the remuneration of the members of the BBVA Board of Directors and Senior Management is included in Note 54

53.4 Transactions with other related parties

As of December 31, 2020, 2019 and 2018, the Group has not carried out operations with other related parties that do not belong to the line of business or ordinary traffic of its activity, that are not carried out under normal market conditions and that are not of low relevance; understanding by such those whose information is not necessary to give the true image of the assets, the financial situation and the results, consolidated, of the BBVA Group.

54. 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.

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55. Other information

55.1 Environmental impact

Given the activities BBVA Group entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated 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/318/2018, 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.

55.2 Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash during 2020, 2019 and 2018 (cash basis dividend, regardless of the year in which they were accrued). See Note 4 for a complete analysis of all remuneration awarded to the shareholders in 2020, 2019 and 2018.

Dividends paid

	2020			2019			2018		
	% Over nominal	Euros per share	Amount (Millions of Euros)	% 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	51.02%	0.25	1,667
Rest of shares	-	-	-	-	-	-	-	-	-
Total dividends paid in cash	**32.65%**	**0.16**	**1,067**	**53.06%**	**0.26**	**1,734**	**51.02%**	**0.25**	**1,667**
Dividends with charge to income	32.65%	0.16	1,067	53.06%	0.26	1,734	51.02%	0.25	1,667
Dividends with charge to reserve or share premium	-	-	-	-	-	-	-	-	-
Dividends in kind	-	-	-	-	-	-	-	-	-
Flexible payment	-	-	-	-	-	-	-	-	-

Ordinary income and attributable profit by operating segment

The detail of the consolidated ordinary income and profit for each operating segment is as follows as of December 2020 and 2019:

Ordinary income and attributable profit by operating segment (Millions of Euros)

	Income from ordinary activities (1)		Profit/ (loss) (2)	
	2020	2019	2020	2019
Spain	8,564	9,736	606	1,386
The United States (3)	3,941	4,516	429	590
Mexico	11,026	13,131	1,759	2,699
Turkey	6,594	8,868	563	506
South America	5,621	6,786	446	721
Rest of Eurasia	642	685	137	127
Subtotal operating segments	**36,387**	**43,721**	**3,940**	**6,029**
Corporate Center	(241)	(696)	(2,635)	(2,517)
Total	**36,146**	**43,026**	**1,305**	**3,512**

(1) The line comprises interest income; dividend income; fee and commission income; gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net; gains (losses) on financial assets and liabilities held for trading, net; gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net; gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net; gains (losses) from hedge accounting, net; other operating income; and income from insurance and reinsurance contracts.

(2) See Note 6.

(3) In accordance with IFRS 5, information on the operating segment of The United States (classified as non-current asset held for sale) is presented following IFRS 8 "Operating Segments" (see Note 6).

Interest income by geographical area

The breakdown of the balance of "Interest income and similar income" in the accompanying consolidated income statements by geographical area is as follows:

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Interest income. Breakdown by geographical area (Millions of Euros)

	Notes	2020	2019 (*)	2018 (*)
Domestic		4,677	4,884	4,872
Foreign		17,712	22,878	22,082
European Union		400	470	509
Eurozone		243	304	391
Not Eurozone		157	166	117
Other countries		17,312	22,408	21,573
Total	**37.1**	**22,389**	**27,762**	**26,954**

(*) Amounts in December 2019 and 2018 have been restated (see Note 1.3).

Number of employees

The detail of the average number of employees is as follows as of December 2020, 2019 and 2018:

Average number of employees

	2020	2019	2018
Men	57,814	58,365	59,547
Women	67,076	67,778	69,790
Total	**124,891**	**126,143**	**129,336**

The breakdown of the average number of employees in the BBVA Group as of December 31, 2020, 2019 and 2018 is as follows:

Average number of employees

	2020	2019	2018
Spanish banks			
Management Team	1,013	1,049	1,047
Other line personnel	20,955	21,438	21,840
Clerical staff	2,192	2,626	2,818
Branches abroad	979	1,000	589
Subtotal	**25,138**	**26,114**	**26,294**
Companies abroad			
Mexico	33,753	33,377	31,655
The United States	9,758	9,712	9,786
Turkey	21,946	22,026	22,322
Venezuela	2,227	2,806	3,631
Argentina	6,048	6,193	6,074
Colombia	5,326	5,301	5,185
Peru	6,149	5,976	5,879
Other	1,612	1,605	3,767
Subtotal	**86,819**	**86,995**	**88,299**
Pension fund managers	**435**	**396**	**395**
Other non-banking companies	**12,499**	**12,638**	**14,349**
Total	**124,891**	**126,143**	**129,336**

The breakdown of the number of employees in the BBVA Group as of December 31, 2020, 2019 and 2018 by category and gender is as follows:

Number of employees at the year end. Professional category and gender

	2020		2019		2018	
	Male	Female	Male	Female	Male	Female
Management team	2,195	1,015	2,200	989	1,197	339
Other line personnel	34,518	34,240	37,337	39,108	37,461	38,918
Clerical staff	20,268	30,938	19,194	28,145	19,315	28,397
Total	**56,981**	**66,193**	**58,731**	**68,242**	**57,973**	**67,654**

55.3 Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24 (which developed certain aspects of Act 2/1981, dated March 25, on the regulation of the mortgage market and other mortgage and financial market regulations), can be found in Appendix X.

56. 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 amounts to approximately USD250 million (€210 million). The transaction results in a capital loss of approximately €9 million net of taxes. 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 half of 2021 (see Note 3).

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 4).

From January 1, 2021 to the date of preparation of these consolidated 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.

57. Explanation added for translation into English

These accompanying consolidated financial statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

Appendices

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I. Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2020

			% 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)

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2020 (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.

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2020 (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.

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2020 (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)

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2020 (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
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 TICTAS	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

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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)
(2) The percentage of voting rights owned by the Group entities in this company is 99.97%

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2020 (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
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.

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 2020 (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

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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.

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Additional information on subsidiaries and structured entities composing the BBVA Group as of December 2020 (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

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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.

This Appendix is an integral part of Note 3 of the consolidated financial statements for the year ended December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX II. Additional information on investments joint ventures and associates 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 Notes 3 and 16.1 of the consolidated financial statements for the year ended December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX III. Changes and notifications of participations 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

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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

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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

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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 Notes 3 and 16.1 of the consolidated financial statements for the year ended December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX IV. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2020

		% of voting rights controlled by the Bank		
Company	**Activity**	**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
PROSALUD, 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

This Appendix is an integral part of Note 3 of the consolidated financial statements for the year ended December 31, 2020.

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APPENDIX V. BBVA Group's structured entities in 2020. Securitization funds

			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 VI. Details of the outstanding subordinated debt and preferred securities issued by the Bank or entities in the Group consolidated as of December 31, 2020, 2019 and 2018

Outstanding as of December 31, 2020, 2019 and 2018 of subordinated issues

Issuer entity and issued date	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2020	Maturity Date
		December 2020	December 2019	December 2018		
Issues in Euros						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
March-08	EUR	125	125	125	6.03%	03-Mar-33
July-08	EUR	100	100	100	6.20%	04-Jul-23
February-14	EUR	-	-	1,500	7.00%	Perpetual
April-14	EUR	-	-	1,494	3.50%	11-Apr-24
February-15	EUR	-	1,500	1,500	6.75%	Perpetual
April-16	EUR	1,000	1,000	1,000	8.88%	Perpetual
February-17	EUR	1,000	1,000	1,000	3.50%	10-Feb-27
February-17	EUR	165	165	165	4.00%	24-Feb-32
May-17	EUR	150	150	150	2.54%	24-May-27
May-17	EUR	500	500	500	5.88%	Perpetual
September-18	EUR	1,000	1,000	990	5.88%	Perpetual
February-19	EUR	750	750	-	2.58%	22-Feb-29
March-19	EUR	1,000	1,000	-	6.00%	Perpetual
January-20	EUR	994	-	-	1.00%	16-Jan-30
July-20	EUR	1,000	-	-	6.00%	Perpetual
Different issues	EUR	330	379	384		
Subtotal	**EUR**	**8,113**	**7,668**	**8,906**		
Total issued in Euros	**EUR**	**8,113**	**7,668**	**8,906**		

(*) The issuances of BBVA Subordinated Capital, S.A.U. are jointly, severally and unconditionally guaranteed by the Bank.

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Outstanding as of December 31, 2020, 2019 and 2018 of subordinated issues (continued)

Issuer entity and issued date	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2020	Maturity Date
		December 2020	December 2019	December 2018		
Issues in foreign currency						
BANCO BILBAO VIZCAYA ARGENTARIA S.A.						
March-17	USD	98	107	105	5.70%	31-Mar-32
November-17	USD	815	890	873	6.13%	Perpetual
May-18	USD	243	265	260	5.25%	29-May-33
September-19	USD	815	890	-	6.50%	Perpetual
Subtotal	**USD**	**1,970**	**2,152**	**1,238**		
May-17	CHF	19	18	18	1.60%	24-May-27
Subtotal	**CHF**	**19**	**18**	**18**		
July-20	GBP	334	-	-	3.10%	15-Jul-31
Subtotal	**GBP**	**334**	**-**	**-**		
BBVA GLOBAL FINANCE LTD						
December-95	USD	162	177	169	7.00%	01-Dec-25
Subtotal	**USD**	**162**	**177**	**169**		
BBVA BANCOMER S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER						
April-10	USD	-	667	874	7.25%	22-Apr-20
March-11	USD	612	667	1,092	6.50%	10-Mar-21
July-12	USD	1,223	1,333	1,311	6.75%	30-Sep-22
November-14	USD	163	178	175	5.35%	12-Nov-29
January-18	USD	815	889	874	5.13%	18-Jan-33
September-19	USD	612	667	-	5.88%	13-Sep-34
Subtotal	**USD**	**3,425**	**4,401**	**4,325**		
BBVA URUGUAY						
Different issues	USD	-	2	-		
Subtotal	**USD**	**-**	**2**	**-**		
BBVA PARAGUAY S.A. (**)	-	-	-	-	0.00%	
November-14	USD	16	18	19	6.75%	05-Nov-21
November-15	USD	20	22	23	6.70%	18-Nov-22
Subtotal	**USD**	**37**	**40**	**42**		
BBVA USA (**)						
March-05	USD	-	203	199	5.50%	01-Apr-20
March-06	USD	58	63	62	5.90%	01-Apr-26
April-15	USD	570	623	611	3.88%	10-Apr-25
Subtotal	**USD**	**628**	**889**	**872**		

(*) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank.
(**) The amount of 2020 is recorded under the heading "Liabilities included in disposal groups classified as held for sale".

Outstanding as of December 31, 2020, 2019 and 2018 of subordinated issues

Issuer entity and issued date (continued)	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2020	Maturity Date
		December 2020	December 2019	December 2018		
BBVA COLOMBIA S.A.						
September-11	COP	25	29	28	4.45%	19-Sep-21
September-11	COP	37	42	42	4.70%	19-Sep-26
February-13	COP	47	54	53	3.60%	19-Feb-23
February-13	COP	39	45	44	3.89%	19-Feb-28
November-14	COP	21	24	24	4.38%	26-Nov-29
November-14	COP	30	34	43	4.50%	26-Nov-34
Subtotal	**COP**	**200**	**229**	**234**		
April-15	USD	324	333	332	4.88%	21-Apr-25
Subtotal	**USD**	**324**	**333**	**332**		
BBVA BANCO CONTINENTAL S.A.						
June-07	PEN	18	22	20	3.47%	18-Jun-32
November-07	PEN	16	19	18	3.56%	19-Nov-32
July-08	PEN	15	17	16	3.06%	08-Jul-23
September-08	PEN	16	18	17	3.09%	09-Sep-23
December-08	PEN	9	11	10	4.19%	15-Dec-33
Subtotal	**PEN**	**74**	**87**	**82**		
May-07	USD	16	18	17	6.00%	14-May-27
February-08	USD	17	18	18	6.47%	28-Feb-28
October-13	USD	37	41	40	6.53%	02-Oct-28
September-14	USD	257	269	252	5.25%	22-Sep-29
Subtotal	**USD**	**327**	**346**	**328**		
GARANTI BBVA AS						
May-17	USD	607	664	652	6.13%	24-May-27
Subtotal	**USD**	**607**	**664**	**652**		
October-19	TRY	28	38	-	16.00%	07-Oct-29
February-20	TRY	82	-	-	17.95%	14-Feb-30
Subtotal	**TRY**	**110**	**38**	**-**		
Total issues in other currencies (million euros)		**8,217**	**9,376**	**8,292**		

Outstanding as of December 31, 2020, 2019 and 2018 of subordinated issues (Millions of euros)

	December 2020		December 2019		December 2018	
Issuer entity and issued date	**Currency**	**Amount Issued**	**Currency**	**Amount Issued**	**Currency**	**Amount Issued**
BBVA COLOMBIA S.A.						
December-93	COP	-	COP	20	COP	19
BBVA International Preferred, S.A.U.						
July-07	GBP	35	GBP	37	GBP	35
PHOENIX LOAN HOLDINGS INC.						
November-00	USD	17	USD	19	USD	18
CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU						
August-05	EUR	74	EUR	28	EUR	52
CAIXASABADELL PREFERENTS S.A.						
July-06	EUR	85	EUR	56	EUR	56

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APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2020, 2019 and 2018

December 2020 (Millions of Euros)

	USD	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
Assets					
Cash, cash balances at central banks and other demand deposits	16,615	4,847	772	4,130	26,365
Financial assets held for trading	5,114	22,154	359	6,112	33,740
Non- trading financial assets mandatorily at fair value through profit or loss	883	3,369	7	291	4,549
Financial assets at fair value through comprehensive income	7,073	7,723	2,489	8,087	25,373
Financial assets at amortized cost	39,841	53,184	26,810	38,036	157,871
Joint ventures and associates	5	14	-	246	265
Tangible assets	15	1,819	858	852	3,544
Other assets	83,406	2,053	1,191	2,009	88,658
Total	**152,953**	**95,163**	**32,486**	**59,764**	**340,366**
Liabilities					
Financial liabilities held for trading	4,562	18,489	471	772	24,295
Financial liabilities at amortized cost	67,165	54,429	18,930	43,468	183,993
Other liabilities	78,724	6,662	687	7,393	93,466
Total	**150,452**	**79,580**	**20,088**	**51,633**	**301,753**

December 2019 (Millions of Euros)

	USD	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
Assets					
Cash, cash balances at central banks and other demand deposits	16,930	4,414	499	5,330	27,173
Financial assets held for trading	5,549	18,543	242	5,257	29,591
Non- trading financial assets mandatorily at fair value through profit or loss	900	3,509	4	116	4,529
Financial assets at fair value through comprehensive income	14,269	6,178	2,748	5,541	28,735
Financial assets at amortized cost	107,865	56,963	29,125	35,906	229,859
Joint-ventures and associates	5	20	-	252	277
Tangible assets	921	2,214	1,050	1,026	5,211
Other assets	1,946	2,147	1,174	5,508	10,775
Total	**148,384**	**93,989**	**34,842**	**58,934**	**336,149**
Liabilities					
Financial liabilities held for trading	4,063	16,064	170	2,465	22,762
Financial liabilities at amortized cost	136,661	54,733	20,681	36,758	248,834
Other liabilities	5,555	6,757	881	8,172	21,365
Total	**146,280**	**77,555**	**21,732**	**47,394**	**292,961**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

December 2018 (Millions of Euros)

	USD	Mexican Pesos	Turkish Lira	Other Foreign Currencies	Total Foreign Currencies
Assets					
Cash, cash balances at central banks and other demand deposits	15,184	6,869	476	5,547	28,076
Financial assets held for trading	3,133	15,500	366	3,614	22,614
Non- trading financial assets mandatorily at fair value through profit or loss	650	2,303	3	58	3,014
Financial assets at fair value through comprehensive income	16,566	4,704	3,031	2,931	27,232
Financial assets at amortized cost	101,366	47,550	28,094	34,075	211,085
Joint-ventures and associates	5	54	-	267	326
Tangible assets	670	1,964	1,007	850	4,490
Other assets	3,444	2,911	1,361	2,879	10,595
Total	**141,019**	**81,856**	**34,336**	**50,221**	**307,433**
Liabilities	-	-	-	-	-
Financial liabilities held for trading	2,372	13,626	360	1,507	17,864
Financial liabilities at amortized cost	136,307	48,169	20,878	37,342	242,696
Other liabilities	3,874	6,081	750	7,200	17,904
Total	**142,552**	**67,876**	**21,987**	**46,049**	**278,464**

This Appendix is an integral part of Notes 2.2.15 of the consolidated financial statements for the year ended December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX VIII. Consolidated income statements for the first and second half of 2020 and 2019

Consolidated income statements for the first and second half of 2020 and 2019

CONSOLIDATED INCOME STATEMENTS FOR THE FIRST AND SECOND HALF OF 2020 AND 2019 (Millions of Euros)

	Six months ended June 30, 2020	Six months ended December 31, 2020	Six months ended June 30, 2019	Six months ended December 31, 2019
Interest and other income	11,828	10,561	14,009	13,753
Interest expense	(4,267)	(3,530)	(6,256)	(5,716)
NET INTEREST INCOME	**7,561**	**7,031**	**7,752**	**8,037**
Dividend income	74	63	97	56
Share of profit or loss of entities accounted for using the equity method	(17)	(22)	(19)	(23)
Fee and commission income	2,987	2,993	3,296	3,490
Fee and commission expense	(929)	(928)	(1,089)	(1,196)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	202	(63)	48	137
Gains (losses) on financial assets and liabilities held for trading, net	270	508	161	259
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	129	79	98	45
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	203	(147)	(5)	(93)
Gains (losses) from hedge accounting, net	35	(28)	69	(14)
Exchange differences, net	176	183	132	449
Other operating income	221	271	324	315
Other operating expense	(814)	(848)	(961)	(981)
Income from insurance and reinsurance contracts	1,307	1,190	1,547	1,342
Expense from insurance and reinsurance contracts	(765)	(755)	(983)	(769)
GROSS INCOME	**10,639**	**9,527**	**10,470**	**11,052**
Administration costs	(3,999)	(3,800)	(4,332)	(4,437)
Personnel expense	(2,385)	(2,310)	(2,642)	(2,709)
Other administrative expense	(1,614)	(1,491)	(1,689)	(1,728)
Depreciation and amortization	(661)	(627)	(683)	(703)
Provisions or reversal of provisions	(518)	(228)	(249)	(364)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,572)	(1,607)	(1,444)	(2,108)
Financial assets measured at amortized cost	(3,502)	(1,658)	(1,440)	(2,030)
Financial assets at fair value through other comprehensive income	(70)	51	(5)	(78)
NET OPERATING INCOME	**1,889**	**3,264**	**3,761**	**3,440**
Impairment or reversal of impairment of investments in joint ventures and associates	(60)	(130)	-	(46)
Impairment or reversal of impairment on non-financial assets	(65)	(88)	(44)	(85)
Tangible assets	(62)	(63)	(30)	(64)
Intangible assets	(3)	(16)	(1)	(10)
Other assets	-	(9)	(12)	(11)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	3	(10)	5	(10)
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	(10)	454	11	12
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**1,757**	**3,491**	**3,734**	**3,312**
Tax expense or income related to profit or loss from continuing operations	(477)	(982)	(1,080)	(863)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**1,281**	**2,508**	**2,654**	**2,449**
Profit (loss) after tax from discontinued operations	(2,104)	375	262	(1,020)
PROFIT (LOSS) FOR THE YEAR	**(823)**	**2,883**	**2,916**	**1,429**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**333**	**423**	**475**	**359**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**(1,157)**	**2,462**	**2,442**	**1,070**

	Six months ended June 30, 2020	Six months ended December 31, 2020	Six months ended June 30, 2019	Six months ended December 31, 2019
EARNINGS PER SHARE (Euros)	**(0.20)**	**0.34**	**0.34**	**0.13**
Basic earnings (losses) per share from continued operations	0.11	0.29	0.30	0.28
Diluted earnings (losses) per share from continued operations	0.11	0.29	0.30	0.28
Basic earnings (losses) per share from discontinued operations	(0.32)	0.06	0.04	(0.15)
Diluted earnings (losses) per share from discontinued operations	(0.32)	0.06	0.04	(0.15)

APPENDIX IX. Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A.

ASSETS (Millions of Euros)

	2020	2019 (*)
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	**44,107**	**18,419**
FINANCIAL ASSETS HELD FOR TRADING	**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	**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	**-**	**-**
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	**37,528**	**24,905**
Equity instruments	881	1,749
Debt securities	36,648	23,156
FINANCIAL ASSETS AT AMORTIZED COST	**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	**1,011**	**953**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**51**	**28**
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	**18,380**	**30,563**
Subsidiaries	17,547	29,445
Joint ventures	54	54
Associates	780	1,065
TANGIBLE ASSETS	**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	**840**	**905**
Goodwill	-	-
Other intangible assets	840	905
TAX ASSETS	**12,764**	**13,760**
Current tax assets	633	1,443
Deferred tax assets	12,131	12,317
OTHER ASSETS	**2,837**	**2,600**
Insurance contracts linked to pensions	2,074	2,096
Inventories	-	-
Other	763	504
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**9,978**	**967**
TOTAL ASSETS	**445,411**	**407,632**

(*) Presented for comparison purposes only.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

LIABILITIES AND EQUITY (Millions of Euros)

	2020	2019 (*)
FINANCIAL LIABILITIES HELD FOR TRADING	**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	**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	**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	**1,510**	**1,471**
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	**-**	**-**
PROVISIONS	**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	**1,071**	**1,120**
Current tax liabilities	173	149
Deferred tax liabilities	898	972
OTHER LIABILITIES	**1,543**	**1,645**
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	**-**	**-**
TOTAL LIABILITIES	**412,543**	**370,444**

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LIABILITIES AND EQUITY (Continued) (Millions of Euros)

	2020	2019 (*)
SHAREHOLDERS' FUNDS	**33,992**	**37,570**
Capital	**3,267**	**3,267**
Paid up capital	3,267	3,267
Unpaid capital which has been called up	-	-
Share premium	**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	**8,859**	**9,107**
Revaluation reserves	**-**	**-**
Other reserves	**31**	**1**
Less: treasury shares	**(9)**	**-**
Profit or loss attributable to owners of the parent	**(2,182)**	**2,241**
Less: interim dividends	**-**	**(1,086)**
ACCUMULATED OTHER COMPREHENSIVE INCOME	**(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)

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

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INCOME STATEMENTS (Millions of Euros)

	2020	2019 (*)
Interest income	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	(1,115)	(1,548)
NET INTEREST INCOME	**3,514**	**3,385**
Dividend income	1,360	2,853
Fee and commission income	2,125	2,144
Fee and commission expense	(358)	(447)
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 profit or loss	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 profit or loss	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
Exchange differences, net	(29)	(133)
Other operating income	142	125
Other operating expense	(529)	(487)
GROSS INCOME	**6,637**	**7,877**
Administrative expense	(3,553)	(3,881)
Personnel expense	(2,144)	(2,394)
Other administrative expense	(1,409)	(1,487)
Depreciation and amortization	(663)	(673)
Provisions or reversal of provisions	(475)	(391)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(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	(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	(43)	(31)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**249**	**2,037**
Tax expense or income related to profit or loss from continuing operations	(36)	49
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**213**	**2,086**
Profit (loss) after tax from discontinued operations	(2,396)	155
PROFIT(LOSS) FOR THE YEAR	**(2,182)**	**2,241**

(*) Presented for comparison purposes only.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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**

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Statement of changes in equity for the year ended December 31, 2020 of BBVA, S.A.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

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	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**

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Statement of changes in equity for the year ended December 31, 2019 of BBVA, S.A.

STATEMENT 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	Total
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.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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)

	2020	2019 (*)
Cash	972	1,046
Balance of cash equivalent in central banks	40,485	15,417
Other financial assets	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.

This Appendix is an integral part of Notes 2.1 of the consolidated financial statements for the year ended December 31, 2020.

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.

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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)**	**88,75**	**92,75**
Issued mortgage participations	**(2)**	**4,114**	**4,494**
Of which: recognized on the balance sheet		*2,928*	*3,213*
Issued mortgage transfer certificates	**(3)**	**23,43**	**25,67**
Of which: recognized on the balance sheet		*21,09*	*22,89*
Mortgage loans as collateral of mortgages bonds	**(4)**	**-**	**-**
Loans supporting the issuance of mortgage-covered bonds	**1-2-3-**	**61,20**	**62,58**
Non eligible loans		16,35	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		44,85	44,75
That can not be used as collateral for issuances		1,169	1,191
That can be used as collateral for issuances		43,68	43,56
Loans used to collateralize mortgage bonds		-	-
Loans used to collateralize mortgage-covered bonds		43,68	43,56

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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.

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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 and 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

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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 14.3 and 22.4 of the consolidated financial statements for the year ended December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX XI. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

a) Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 2020, 2019 and 2018 is as follows:

DECEMBER 2020 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL						
	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Real estate mortgage secured	Rest of secured loans	
Credit institutions	-	-	-	-	-	-	-
General Governments	67	77	69	62	45	-	15
Other financial corporations and individual entrepreneurs (financial business)	519	10	22	2	2	-	4
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	111,648	5,592	11,343	3,182	1,911	33	3,128
Of which: financing the construction and property (including land)	*624*	*500*	*1,081*	*622*	*370*	*8*	*420*
Other households (*)	261,097	1,782	86,643	5,992	4,379	27	1,712
Total	**373,331**	**7,460**	**98,077**	**9,239**	**6,337**	**60**	**4,859**

Of which: IMPAIRED

	Unsecured loans		Secured loans				
					Maximum amount of secured loans that can be considered		Accumulated impairment or accumulated losses in fair value due to credit risk
	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	-	12
Other financial corporations and individual entrepreneurs (financial business)	283	5	11	1	1	-	3
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	67,588	3,470	6,880	1,939	916	21	2,727
Of which: financing the construction and property (including land)	*469*	*216*	*674*	*408*	*197*	*8*	*311*
Other households (*)	113,013	765	37,063	2,805	1,820	8	1,358
Total	**180,923**	**4,274**	**43,983**	**4,765**	**2,750**	**30**	**4,100**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

DECEMBER 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	73	93	64	64	49	-	11
Other financial corporations and individual entrepreneurs (financial business)	387	8	62	4	3	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	68,121	5,085	18,283	3,646	1,810	178	3,252
Of which: financing the construction and property (including land)	*1.131*	*400*	*1,314*	*688*	*393*	*32*	*428*
Other households (*)	173,403	1,510	67,513	5,827	4,414	33	1,519
Total	**241,984**	**6,696**	**85,922**	**9,541**	**6,276**	**211**	**4,788**

	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)	241	6	30	2	1	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	39,380	3,148	11,706	2,466	1,020	50	2,923
Of which: financing the construction and property (including land)	*819*	*321*	*790*	*445*	*210*	*4*	*392*
Other households (*)	96,429	758	34,463	2,908	2,096	17	1,229
Total	**136,095**	**3,954**	**46,229**	**5,396**	**3,044**	**67**	**4,164**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

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DECEMBER 2018 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	75	111	46	64	52	-	15
Other financial corporations and individual entrepreneurs (financial business)	252	13	29,360	5	3	-	6
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	44,271	4,483	15,493	4,177	2,200	221	3,148
Of which: financing the construction and property (including land)	*734*	*258*	*1,627*	*962*	*501*	*12*	*517*
Other households (*)	193,061	1,326	355,466	6,990	5,083	150	1,716
Total	**237,659**	**5,933**	**400,365**	**11,236**	**7,338**	**371**	**4,885**

	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	46	65	12	16	8	-	10
Other financial corporations and individual entrepreneurs (financial business)	133	4	29,320	4	2	-	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	25,420	2,723	9,922	2,777	1,192	100	2,773
Of which: financing the construction and property (including land)	*631*	*200*	*1,145*	*656*	*254*	*1*	*477*
Other households (*)	116,916	741	42,403	3,673	2,435	26	1,414
Total	**142,515**	**3,533**	**81,657**	**6,470**	**3,636**	**126**	**4,202**

(*) Number of operations does not include Garanti BBVA.

Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of December 31, 2020, 2019 and 2018:

Forbearance operations. Breakdown by segments (Millions of Euros)

	December 2020	December 2019	December 2018
Credit institutions	-	-	-
Central governments	124	147	160
Other financial corporations and individual entrepreneurs (financial activity)	8	6	13
Non-financial corporations and individual entrepreneurs (non-financial activity)	5,645	5,479	5,512
Of which: Financing the construction and property development (including land)	*701*	*660*	*702*
Households	6,062	5,818	6,600
Total carrying amount	**11,840**	**11,450**	**12,284**
Financing classified as non-current assets and disposal groups held for sale	858	42	-

NPL ratio by type of renegotiated loan

The non-performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio.

As of December 31, 2020 and December 31, 2019, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

December 2020. NPL ratio renegotiated loan portfolio

	Ratio of impaired loans - past due
General governments	40%
Commercial	62%
Of which: Construction and developer	56%
Other consumer	46%

December 2019. NPL ratio renegotiated loan portfolio

	Ratio of impaired loans - past due
General governments	39%
Commercial	64%
Of which: Construction and developer	*70%*
Other consumer	50%

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b) Qualitative information on the concentration of risk by activity and guarantees

Loans and advances to customers by activity (carrying amount)

December 2020 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**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	19,718	372	1,451	390	546	135	714	39
Other financial institutions and individual entrepreneurs	17,662	200	9,596	166	1,585	2,610	5,146	289
Non-financial institutions and individual entrepreneurs	143,693	23,686	4,082	8,294	7,162	4,467	3,200	4,646
Construction and property development	4,379	3,244	82	1,048	1,015	678	263	321
Construction of civil works	6,810	641	279	274	194	97	48	306
Other purposes	132,504	19,801	3,721	6,972	5,953	3,691	2,888	4,019
Large companies	79,595	6,648	1,920	2,561	1,811	1,242	1,012	1,943
SMEs (**) and individual entrepreneurs	52,909	13,154	1,801	4,411	4,142	2,449	1,877	2,076
Rest of households and NPISHs (***)	137,870	92,555	1,836	19,606	24,126	27,130	15,463	8,066
Housing	94,098	90,756	131	18,743	23,719	26,817	13,960	7,648
Consumption	39,442	418	1,521	246	190	139	1,245	118
Other purposes	4,331	1,381	184	617	216	174	257	301
TOTAL	**318,943**	**116,813**	**16,966**	**28,456**	**33,419**	**34,343**	**24,522**	**13,039**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,840*	*7,271*	*74*	*1,350*	*1,408*	*1,587*	*1,165*	*1,834*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises.

(***) Nonprofit institutions serving households.

(****) Net of provisions.

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December 2019 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**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	29,257	1,067	10,886	4,914	1,510	1,077	3,651	801
Other financial institutions and individual entrepreneurs	23,114	281	13,699	1,856	219	103	11,688	115
Non-financial institutions and individual entrepreneurs	176,474	26,608	30,313	22,901	10,082	8,478	5,270	10,190
Construction and property development	15,171	4,497	2,114	2,313	1,765	1,476	457	600
Construction of civil works	7,146	756	468	499	248	152	106	219
Other purposes	154,157	21,355	27,731	20,089	8,069	6,850	4,707	9,371
Large companies	104,661	8,665	19,058	12,647	3,620	3,828	2,727	4,901
SMEs (**) and individual entrepreneurs	49,496	12,690	8,673	7,442	4,449	3,022	1,980	4,470
Rest of households and NPISHs (***)	167,117	108,031	5,582	23,057	27,714	32,625	20,529	9,688
Housing	110,178	104,796	2,332	20,831	26,639	31,707	18,701	9,250
Consumption	46,356	507	2,075	450	316	174	1,502	140
Other purposes	10,583	2,728	1,175	1,776	759	744	326	298
TOTAL	**395,962**	**135,987**	**60,480**	**52,728**	**39,525**	**42,283**	**41,138**	**20,794**
MEMORANDUM ITEM:								
Forbearance operations (****)	*11,450*	*7,396*	*256*	*1,547*	*1,427*	*1,572*	*1,247*	*1,859*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

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December 2018 (Millions of Euros)

				Loans to customers. Loan to value				
	Total (*)	**Mortgage loans**	**Secured loans**	**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	30,488	1,056	7,750	1,729	1,856	1,119	3,514	588
Other financial institutions and individual entrepreneurs	20,802	233	12,549	1,167	221	93	11,209	92
Non-financial institutions and individual entrepreneurs	173,493	29,001	32,371	25,211	11,121	9,793	5,087	10,160
Construction and property development	14,323	5,226	2,539	1,979	2,556	2,140	486	605
Construction of civil works	7,775	1,082	620	703	285	195	200	319
Other purposes	151,394	22,694	29,212	22,529	8,281	7,459	4,401	9,235
Large companies	97,132	9,912	19,069	13,918	3,979	4,019	2,245	4,820
SMEs (**) and individual entrepreneurs	54,262	12,782	10,143	8,611	4,302	3,440	2,156	4,416
Rest of households and NPISHs (***)	163,068	109,578	5,854	21,974	27,860	33,200	21,490	10,908
Housing	111,007	105,817	2,419	19,981	26,384	32,122	19,345	10,404
Consumption	40,124	522	2,600	489	587	306	1,597	142
Other purposes	11,938	3,239	835	1,505	888	772	547	362
TOTAL	**387,850**	**139,868**	**58,524**	**50,082**	**41,058**	**44,206**	**41,300**	**21,747**
MEMORANDUM ITEM:								
Forbearance operations (****)	*12,284*	*8,325*	*523*	*1,508*	*1,421*	*1,769*	*1,527*	*2,623*

(*) The amounts included in this table are net of loss allowances.

(**) Small and medium enterprises

(***) Nonprofit institutions serving households.

(****) Net of provisions.

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c) Information on the concentration of risk by activity and geographical areas

December 2020 (Millions of Euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	142,475	44,287	31,005	39,897	27,286
General governments	125,311	61,944	12,660	37,756	12,951
Central Administration	103,104	46,614	12,324	31,477	12,689
Other	22,207	15,330	336	6,279	262
Other financial institutions	48,434	14,727	11,773	15,640	6,294
Non-financial institutions and individual entrepreneurs	202,708	74,560	23,783	60,245	44,120
Construction and property development	8,182	3,384	202	1,899	2,697
Construction of civil works	10,385	5,275	1,349	1,183	2,578
Other purposes	184,141	65,901	22,232	57,163	38,845
Large companies	125,847	39,272	21,610	37,904	27,061
SMEs and individual entrepreneurs	58,294	26,629	622	19,259	11,784
Other households and NPISHs	138,544	88,633	2,882	36,690	10,339
Housing	94,098	73,383	1,747	16,262	2,706
Consumer	39,442	12,117	719	19,264	7,342
Other purposes	5,004	3,133	416	1,164	291
TOTAL	**657,472**	**284,151**	**82,103**	**190,228**	**100,990**

(*) 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.

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December 2019 (Millions of Euros)

	TOTAL (*)	Spain	European Union Other	America	Other
Credit institutions	108,728	23,045	40,204	31,717	13,762
General governments	134,915	56,464	9,861	57,174	11,416
Central Administration	96,639	39,573	9,505	36,287	11,274
Other	38,276	16,891	356	20,887	142
Other financial institutions	52,281	13,822	19,763	15,736	2,960
Non-financial institutions and individual entrepreneurs	231,964	70,753	25,932	92,178	43,101
Construction and property development	18,915	3,538	361	11,688	3,328
Construction of civil works	10,607	5,403	1,303	1,431	2,470
Other purposes	202,442	61,812	24,268	79,059	37,303
Large companies	147,573	37,393	23,279	61,838	25,063
SMEs and individual entrepreneurs	54,869	24,419	989	17,221	12,240
Other households and NPISHs	167,379	90,829	3,180	62,098	11,272
Housing	110,178	75,754	725	30,557	3,142
Consumer	46,358	11,954	675	25,897	7,832
Other purposes	10,843	3,121	1,780	5,644	298
TOTAL	**695,267**	**254,913**	**98,940**	**258,903**	**82,511**

(*) 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.

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December 2018 (Millions of Euros)

	TOTAL(*)	Spain	European Union Other	America	Other
Credit institutions	113,306	35,719	33,355	31,085	13,147
General governments	123,340	53,664	11,061	50,092	8,523
Central Administration	87,610	35,691	10,756	32,735	8,428
Other	35,730	17,973	305	17,357	95
Other financial institutions	48,931	13,776	17,887	15,335	1,933
Non-financial institutions and individual entrepreneurs	226,422	70,523	24,534	87,417	43,948
Construction and property development	17,697	3,497	244	10,113	3,843
Construction of civil works	11,429	5,789	1,535	1,762	2,343
Other purposes	197,296	61,237	22,755	75,542	37,762
Large companies	137,086	36,951	22,083	53,422	24,630
SMEs and individual entrepreneurs	60,210	24,286	672	22,120	13,132
Other households and NPISHs	163,442	91,976	3,383	56,777	11,306
Housing	111,007	78,414	765	28,034	3,794
Consumer	40,123	10,303	629	22,036	7,155
Other purposes	12,312	3,259	1,989	6,707	357
TOTAL	**675,441**	**265,658**	**90,220**	**240,706**	**78,857**

(*) 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.

This Appendix is an integral part of Note 7.2.7 of the consolidated financial statements for the year ended December 31, 2020.

APPENDIX XII. Additional information on risk concentration

a) Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 2020, 2019 and 2018 by type of counterparty and the country of residence of such counterparty. The below figures do not take into account accumulated other *comprehensive* income, loss allowances or loan-loss provisions:

Risk exposure by countries (Millions of Euros)

	Sovereign risk		
	December 2020	December 2019	December 2018
Spain	60,916	55,575	52,970
Italy	10,270	7,810	9,249
Turkey	7,578	7,999	7,998
Portugal	1,067	924	529
Germany	342	224	362
France	108	93	122
Netherlands	-	1	9
Romania	459	480	493
Rest of Europe	244	185	248
Subtotal Europe	**80,984**	**73,291**	**71,981**
Mexico	31,237	32,630	26,562
The United States	14,217	19,802	18,645
Colombia	1,466	1,828	2,577
Argentina	1,539	1,557	628
Peru	706	582	750
Venezuela	21	7	1
Rest of countries	5,559	3,726	955
Subtotal rest of countries	**54,746**	**60,131**	**50,118**
Total exposure to financial instruments	**135,729**	**133,421**	**122,099**

The exposure to sovereign risk set out in the above table includes positions held in government debt securities in countries where the Group operates. They are used for ALCO's management of the interest-rate risk on the balance sheets of the Group's entities in these countries, as well as for hedging of pension and insurance commitments by insurance entities within the BBVA Group.

The table below provides a breakdown of the exposure of the Group's credit institutions to sovereign risk as of December 31, 2020 by type of financial instrument and the country of residence of the counterparty, under EBA (European Banking Authority) requirements:

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Exposure to Sovereign Risk by European Union Countries. December 2020 (Millions of Euros)

	Debt securities	Loans and advances	Derivatives						Total	%
			Direct exposure			Indirect exposure				
			Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -		
Spain	33,689	12,712	419	19	(10)	(1,030)	37	(21)	45,814	41%
Italy	7,612	112	-	-	-	(1,550)	15	(32)	6,155	6%
Portugal	(230)	130	-	-	(53)	211	3	(2)	59	0%
Germany	159	-	-	-	-	295	3	(1)	456	0%
France	(747)	26	-	-	-	773	6	(3)	55	0%
Netherlands	-	-	-	-	-	-	-	-	-	0%
Romania	459	-	-	-	-	-	-	-	459	0%
Rest of European Union	(573)	35	285	1	(5)	197	4	(1)	(57)	0%
Total Exposure to Sovereign Counterparties (European Union)	**40,369**	**13,014**	**704**	**20**	**(68)**	**(1,105)**	**67**	**(59)**	**52,942**	**48%**
Mexico	19,215	4,671	2,798	3	(148)	(3)	-	-	26,535	24%
The United States	14,133	-	25	2	-	-	42	(42)	14,161	13%
Turkey	7,366	181	-	-	-	-	-	-	7,547	7%
Rest of other countries	6,974	2,161	-	11	-	416	40	(4)	9,597	9%
Total other countries	**47,688**	**7,012**	**2,823**	**16**	**(148)**	**413**	**82**	**(46)**	**57,840**	**52%**
Total	**88,057**	**20,026**	**3,527**	**36**	**(216)**	**(693)**	**149**	**(104)**	**110,782**	**100%**

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of European countries of the Group's insurance companies (€10,917 million as of December 31, 2020) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

This Annex forms an integral part of Note 7.2.8 of the consolidated Annual Accounts for the year 2020.

b) Concentration of risk on activities in the real-estate market in Spain

Quantitative information on activities in the real-estate market in Spain

Lending for real estate development of the loans as of December 31, 2020, 2019 and 2018 is shown below:

December 2020. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase (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**	**(281)**
Of which: Impaired assets	*473*	*213*	*(230)*
Memorandum item:			
Write-offs	2,288		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book value)	162,600		
Total consolidated assets (total business) (book value)	736,176		
Impairment and provisions for normal exposures	(4,909)		

December 2019. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase (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**	**(286)**
Of which: Impaired assets	*567*	*271*	*(252)*
Memorandum item:			
Write-offs	2,265		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book value)	185,893		
Total consolidated assets (total business) (book value)	697,737		
Impairment and provisions for normal exposures	(4,934)		

December 2018. Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)

	Gross amount	Drawn over the guarantee value	Accumulated impairment
Financing to construction and real estate development (including land) (Business in Spain)	**3,183**	**941**	**(537)**
Of which: Impaired assets	*875*	*440*	*(463)*
Memorandum item:			
Write-offs	2,619		
Memorandum item:			
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	183,196		
Total consolidated assets (total business) (book value)	675,675		
Impairment and provisions for normal exposures	(4,938)		

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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	2018
Without secured loan	**372**	**298**	**324**
With secured loan	**2,193**	**2,351**	**2,859**
Terminated buildings	1,307	1,461	1,861
Homes	991	1,088	1,382
Other	316	373	479
Buildings under construction	614	545	432
Homes	430	348	408
Other	184	197	24
Land	272	345	566
Urbanized land	143	240	364
Rest of land	129	105	202
Total	**2,565**	**2,649**	**3,183**

As of December 31, 2020, 2019 and 2018, 51.0% 55.2% and 58.5%, of loans to developers were guaranteed with buildings (75.8%, 74.5% and 74.3% are homes), and only 10.6%, 13.0%, and 17.8% by land, of which 52.6% 69.6%, and 64.3% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, December 31, 2020, 2019 and 2018:

Financial guarantees given (Millions of Euros)

	2020	2019	2018
Houses purchase loans	58	44	48
Without mortgage	5	5	24

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, December 31, 2020, 2019 and 2018 is as follows:

December 2020. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (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

December 2019. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (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

December 2018. Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of Euros)

	Gross amount	*Of which: impaired loans*
Houses purchase loans	80,159	3,852
Without mortgage	1,611	30
With mortgage	78,548	3,822

The loan to value (LTV) ratio of the above portfolio is as follows:

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 2020	15,197	18,891	20,716	10,624	7,568	72,996
Of which: Impaired loans	*170*	*294*	*426*	*470*	*1,461*	*2,821*
Gross amount 2019	15,105	19,453	20,424	11,827	8,480	75,289
Of which: Impaired loans	*182*	*313*	*506*	*544*	*1,376*	*2,921*
Gross amount 2018	14,491	18,822	21,657	13,070	10,508	78,548
Of which: Impaired loans	*204*	*323*	*507*	*610*	*2,178*	*3,822*

Outstanding home mortgage loans as of December 31, 2020, 2019 and 2018 had an average LTV of 46% 47% and 49% respectively.

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:

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

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, from the time of foreclosure	Carrying amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**913**	**(486)**	**(234)**	**427**
Terminated buildings	363	(144)	(60)	219
Homes	212	(75)	(33)	137
Other	151	(69)	(27)	82
Buildings under construction	30	(21)	(10)	9
Homes	29	(20)	(10)	9
Other	1	(1)	-	-
Land	520	(321)	(164)	199
Urbanized land	485	(303)	(150)	182
Rest of land	35	(18)	(14)	17
Real estate assets from mortgage financing for households for the purchase of a home	**1,128**	**(593)**	**(163)**	**535**
Rest of foreclosed real estate assets	**481**	**(259)**	**(48)**	**222**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,310**	**(450)**	**(412)**	**860**
Total	**3,832**	**(1,788)**	**(857)**	**2,044**

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, from the time of foreclosure	Carrying amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**1,048**	**(555)**	***(266)***	**493**
Terminated buildings	378	(150)	*(58)*	228
Homes	221	(81)	*(33)*	140
Other	157	(69)	*(25)*	88
Buildings under construction	79	(44)	*(24)*	35
Homes	78	(43)	*(24)*	35
Other	1	(1)	-	-
Land	591	(361)	*(184)*	230
Urbanized land	547	(338)	*(167)*	209
Rest of land	44	(23)	*(17)*	21
Real estate assets from mortgage financing for households for the purchase of a home	**1,192**	**(612)**	***(153)***	**580**
Rest of foreclosed real estate assets	**451**	**(233)**	***(37)***	**218**
Equity instruments, investments and financing to non-consolidated companies holding said assets	**1,380**	**(293)**	***(255)***	**1,087**
Total	**4,071**	**(1,693)**	***(711)***	**2,378**

Information about assets received in payment of debts (Business in Spain) (Millions of Euros)

	December 2018			
	Gross value	Provisions	*Of which: Valuation adjustments on impaired assets, from the time of foreclosure*	Carrying amount
Real estate assets from loans to the construction and real estate development sectors in Spain.	**2,165**	**(1,252)**	***(828)***	**913**
Finished buildings	991	(445)	*(274)*	546
Homes	588	(245)	*(144)*	343
Other	403	(200)	*(130)*	203
Buildings under construction	209	(131)	*(96)*	78
Homes	194	(117)	*(85)*	77
Other	15	(14)	*(11)*	1
Land	965	(676)	*(458)*	289
Urbanized land	892	(633)	*(421)*	259
Rest of land	73	(43)	*(37)*	30
Real estate assets from mortgage financing for households for the purchase of a home	**1,797**	**(932)**	***(331)***	**865**
Rest of foreclosed real estate assets	**348**	**(192)**	***(40)***	**156**
Foreclosed equity instruments	**1,345**	**(234)**	***(234)***	**1,111**
Total	**5,655**	**(2,610)**	***(1,433)***	**3,045**

Additionally, in December 2018, there was an increase of BBVA, S.A.'s stake in Garanti Yatirim Ortakligi AS through its contribution to the capital increase carried out by the latter entity.

As of December 31, 2020, 2019 and 2018, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €913, €1,048 and €2,165 million, respectively, with an average coverage ratio of 53.2%, 53.0%, and 57.8% respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2020, 2019 and 2018, amounted to €1,128, €1,192 and €1,797 million, respectively, with an average coverage ratio of 52.6%, 51.3%, and 51.9%.

As of December 31, 2020, 2019 and 2018, 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 €2,522, €2,691 and €4,310 million, respectively. The coverage ratio was 53.1%, 52.0% and 55.1%, respectively.

This Appendix is an integral part of Note 7 of the consolidated financial statements for the year ended December 31, 2020.

c) Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the accompanying consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. As of December 31, 2020, 2019 and 2018 it does not take into account loss allowances or loan-loss provisions:

Risks by geographical areas. December 2020 (Millions of Euros)

	Spain	Europe, excluding Spain	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**8,419**	**17,811**	**2,292**	**8,350**	**349**	**2,162**	**800**	**40,183**
Equity instruments (*)	**2,196**	**9,627**	**3,197**	**925**	**65**	**260**	**420**	**16,690**
Debt securities	**56,552**	**18,932**	**29,392**	**5,097**	**7,466**	**5,907**	**6,287**	**129,632**
Central banks	-	-	-	-	-	2,535	100	2,635
General governments	48,765	12,320	26,567	2,412	7,449	2,547	4,641	104,701
Credit institutions	1,680	2,383	1,542	214	14	205	681	6,718
Other financial corporations	5,466	1,804	404	897	2	439	163	9,175
Non-financial corporations	641	2,426	879	1,574	0	180	702	6,402
Loans and advances	**168,849**	**53,038**	**57,787**	**8,335**	**40,373**	**39,081**	**9,996**	**377,459**
Central banks	1,301	37	235	204	3,408	1,060	37	6,282
General governments	12,712	328	4,671	-	181	1,401	732	20,026
Credit institutions	644	25,273	2,888	1,477	217	830	3,794	35,122
Other financial corporations	3,742	11,024	2,489	946	1,165	756	723	20,845
Non-financial corporations	55,314	13,078	22,878	5,670	23,963	18,215	4,573	143,691
Households	95,136	3,298	24,626	38	11,439	16,819	137	151,493
Total risk in financial assets	**236,016**	**99,408**	**92,667**	**22,706**	**48,253**	**47,410**	**17,503**	**563,964**
Loan commitments given	35,096	32,327	15,748	33,644	7,691	6,530	1,548	132,584
Financial guarantees given	850	3,302	24	714	4,415	1,013	348	10,665
Other commitments given	15,474	8,224	1,618	1,922	3,403	2,883	2,666	36,190
Off-balance sheet exposures	**51,419**	**43,853**	**17,391**	**36,280**	**15,508**	**10,425**	**4,563**	**179,440**
	-	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total risks in financial instruments	**287,436**	**143,261**	**110,058**	**58,986**	**63,761**	**57,836**	**22,065**	**743,404**

(*) Equity instruments are shown net of valuation adjustment.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

Risks by geographical areas. December 2019 (Millions of Euros)

	Spain	Europe, excluding Spain	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**5,241**	**16,603**	**1,328**	**6,354**	**189**	**1,788**	**729**	**32,232**
Equity instruments (*)	**3,745**	**6,184**	**3,829**	**1,311**	**55**	**268**	**247**	**15,639**
Debt securities	**48,806**	**13,283**	**28,053**	**17,733**	**7,934**	**5,383**	**4,210**	**125,403**
Central banks	-	-	-	-	-	1,785	70	1,855
General governments	41,510	9,403	25,852	14,465	7,921	2,732	2,846	104,728
Credit institutions	1,237	1,672	658	150	9	263	611	4,600
Other financial corporations	5,643	1,001	317	2,085	3	433	136	9,619
Non-financial corporations	416	1,207	1,226	1,034	1	170	548	4,602
Loans and advances	**171,668**	**52,027**	**63,505**	**65,044**	**45,874**	**40,787**	**9,264**	**448,166**
Central banks	14	-	-	-	3,647	684	475	4,820
General governments	14,477	394	6,820	5,342	111	1,536	637	29,316
Credit institutions	6,621	20,544	2,050	648	1,996	1,012	2,112	34,982
Other financial corporations	3,103	13,351	1,611	2,313	1,248	704	752	23,082
Non-financial corporations	50,718	14,215	24,823	34,960	26,099	17,963	5,130	173,907
Households	96,735	3,523	28,201	21,781	12,773	18,888	158	182,059
Total risk in financial assets	**229,460**	**88,097**	**96,715**	**90,442**	**54,052**	**48,226**	**14,450**	**621,440**
Loan commitments given	33,146	26,687	17,361	35,185	8,665	8,060	1,819	130,923
Financial guarantees given	3,182	1,605	656	754	3,170	911	705	10,984
Other commitments given	16,204	9,125	1,534	2,075	5,065	2,808	2,397	39,209
Off-balance sheet exposures	**52,532**	**37,417**	**19,551**	**38,014**	**16,900**	**11,779**	**4,922**	**181,116**
Total risks in financial instruments	**281,992**	**125,514**	**116,266**	**128,456**	**70,952**	**60,005**	**19,372**	**802,556**

(*) Equity instruments are shown net of valuation adjustment.

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Risks by geographical areas. December 2018 (Millions of Euros)

	Spain	Europe, excluding Spain	Mexico	The United States	Turkey	South America	Other	Total
Derivatives	**3,927**	**15,277**	**1,473**	**6,993**	**161**	**1,142**	**549**	**29,522**
Equity instruments (*)	**3,228**	**3,669**	**2,459**	**1,139**	**29**	**212**	**207**	**10,944**
Debt securities	**43,777**	**14,908**	**23,134**	**16,991**	**8,048**	**5,274**	**1,312**	**113,445**
Central banks	-	-	-	-	-	1,982	71	2,052
General governments	36,553	10,675	20,891	13,276	7,887	2,431	164	91,877
Credit institutions	1,130	1,821	573	74	155	297	463	4,514
Other financial corporations	5,769	1,048	227	2,595	5	432	114	10,190
Non-financial corporations	325	1,364	1,443	1,046	1	132	500	4,812
Loans and advances	**177,077**	**43,034**	**55,248**	**62,193**	**45,285**	**40,007**	**7,089**	**429,933**
Central banks	294	112	-	-	3,688	342	1,674	6,110
General governments	16,671	329	5,727	5,369	99	1,923	453	30,572
Credit institutions	5,422	13,600	1,476	696	956	984	639	23,774
Other financial corporations	4,616	10,893	1,303	2,255	766	637	304	20,773
Non-financial corporations	51,942	14,317	22,426	32,480	26,813	18,518	3,852	170,349
Households	98,131	3,783	24,316	21,393	12,963	17,602	168	178,355
Total risk in financial assets	**228,009**	**76,888**	**82,314**	**87,316**	**53,523**	**46,635**	**9,157**	**583,844**
Loan commitments given	32,582	21,983	14,503	32,136	7,914	8,590	1,252	118,959
Financial guarantees given	3,242	1,708	1,528	796	6,900	989	1,291	16,454
Other commitments given	15,995	9,229	532	2,118	2,230	2,782	2,213	35,098
Off-balance sheet exposures	**51,819**	**32,920**	**16,563**	**35,050**	**17,043**	**12,360**	**4,756**	**170,511**
Total risks in financial instruments	**279,828**	**109,808**	**98,877**	**122,366**	**70,566**	**58,995**	**13,913**	**754,355**

(*) Equity instruments are shown net of valuation adjustment.

The breakdown of the main figures in the most significant foreign currencies in the accompanying consolidated balance sheets is set forth in Appendix VII.

The breakdown of loans and advances in the heading of "Loans and advances", impaired by geographical area as December 31, 2020, 2019 and 2018 is as follows:

Impaired financial assets by geographic area (Millions of Euros)

	2020	2019	2018
Spain	8,199	8,616	10,025
Rest of Europe	118	175	225
Mexico	1,767	1,478	1,138
South America	1,703	1,769	1,715
The United States (*)	-	632	733
Turkey	2,889	3,289	2,520
Rest of the world	2	2	2
IMPAIRED RISKS	**14,678**	**15,959**	**16,359**

(*) the balance corresponds to the stake in BBVA USA (see Notes 3 and 21)

This Appendix is an integral part of Note 7.2.8 of the consolidated financial statements for the year ended December 31, 2020.

Translation of the Consolidated Financial Statements originally issued in Spanish and prepared in accordance with EU-IFRS, as adopted by the European Union (see Notes 1 to 56). In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX XIII. Information in accordance with article 89 of Directive 2013/36/EU of the European Parliament and its application to Spanish Law through Law 10/2014

Country	CIT payments cash basis	CIT expense consol	PBT consol	Gross income	Nº Employees (*)	Activity	Main Entity
Mexico	1,250	721	2,491	6,798	36,853	Finance, banking and insurance services	BBVA Bancomer S.A.
Spain (1)(2)	(699)	(7)	(2,108)	5,732	29,330	Finance, banking and insurance services	BBVA S.A.
Turkey	348	362	1,394	3,298	20,357	Finance, banking and insurance services	Garanti BBVA AS
United States	118	85	551	3,165	10,883	Finance and banking services	BBVA USA
Peru	156	91	325	1,149	6,204	Finance and banking services	BBVA Perú
Colombia	104	77	249	911	6,592	Finance, banking and insurance services	BBVA Colombia S.A.
Argentina	137	81	205	732	6,052	Finance, banking and insurance services	Banco BBVA Argentina S.A.
Uruguay	12	8	37	146	590	Finance and banking services	BBVA Uruguay S.A.
Chile	19	8	32	132	696	Financial services	Forum Servicios Financieros, S.A.
Romania	8	4	27	103	1,199	Finance and banking services	GBR Garanti Bank SA
Portugal	5	14	42	100	447	Finance and banking services	BBVA - Portugal Branch Office
Italy	8	20	65	77	51	Banking services	BBVA -Milan Branch Office
United Kingdom	5	3	40	76	118	Banking services	BBVA -London Branch Office
Paraguay	3	3	26	68	430	Finance and banking services	BBVA Paraguay S.A.
France	13	3	14	64	68	Banking services	BBVA -Paris Branch Office
Malta	8	4	66	83	13	Banking services	Garanti –Valletta Brach Office
The Netherlands	7	7	23	59	236	Finance and banking services	Garantibank BBVA International N.V.
Hong Kong	8	5	31	55	80	Banking services	BBVA -Hong-Kong Branch Office
Venezuela	-	7	8	44	1,996	Finance, banking and insurance services	BBVA Banco Provincial S.A.
Switzerland	9	3	11	42	113	Finance and banking services	BBVA (Switzerland) S.A.
Germany	26	8	24	40	43	Banking services	BBVA -Frankfurt Branch Office
Bolivia	3	3	12	28	476	Pensions	BBVA Previsión AFP SA
Singapore	1	2	11	14	10	Banking services	BBVA -Singapore Branch Office
Cyprus	7	4	16	28	103	Banking services	Garanti - Nicosia Branch Office
Belgium	-	-	4	7	22	Banking services	BBVA -Brussels Branch Office
Curaçao	-	-	2	5	16	Finance and banking services	Banco Provincial Overseas N.V.
Taiwan	-	-	1	5	11	Banking services	BBVA -Taipei Branch Office
Brazil	-	-	2	4	6	Financial services	BBVA Brasil Banco de Investimento, S.A
China	-	-	1	4	26	Banking services	BBVA -Shanghai Branch Office
Finland	-	-	(26)	3	125	Financial services	Holvi Payment Service OY
Japan	-	-	-	1	3	Banking services	BBVA -Tokyo Branch Office
Ireland	-	-	-	-	-	Financial services	BBVA Ireland PCL
Total	**1,556**	**1,516**	**3,576**	**22,973**	**123,149**		

(1) The balance of "Profit before tax", "Corporate tax expense" and "Gross Margin" includes €413, €57 and €2,807 million respectively from the banking business in the United States classified under the heading "Profit (loss) after taxes from discontinued operations"

(2) The balance of "Profit (loss) before taxes" includes in Spain the impairment of Goodwill in the United States for €2,084 million, which in the income statement is classified under the heading of "Profit (loss) after taxes from discontinued operations".

(*) Full time employees. The 15 employees of representative offices are not included in the total number.

(**) In "CIT payments cash basis", the methodology for calculating advance payments of the annual tax return provided for in Corporate Income Tax legislation, 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. The amount of "Profit before taxes includes Corporate Center (see Note 6).

The results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

As of December 31, 2020, the return of the Group's assets calculated by dividing the "Profit" between "Total Assets" is 0.28%.

In 2020 (*), BBVA group has not received public aid for the financial sector which has the aim of promoting the carrying out of banking activities and which is significant. This statement is made for the purposes of article 89 of Directive 2013/36/EU of the European Parliament and of the Council of June 26 (on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms) and its transposition to Spanish legislation by means of Law 10/2014 on Monitoring, Supervision and Solvency of Credit Institutions of June 26.

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 consolidated 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.

Consolidated statements of cash flows	The indirect method has been used for the preparation of the consolidated statement of cash flows. This method starts from the entity's consolidated 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.
Consolidated statements of changes in equity	The consolidated statements of changes in equity reflect all the movements generated in each year in each of the headings of the consolidated 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", are included in the Group's total consolidated equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.
Consolidated statements of recognized income and expenses	The consolidated statements of recognized income and expenses reflect the income and expenses generated each year. Such statement distinguishes between income and expenses recognized in the consolidated income statements and "Other recognized income (expenses)" recognized directly in consolidated equity. "Other recognized income (expenses)" include the changes that have taken place in the year in the "Valuation adjustments" broken down by item. The sum of the changes to the heading "Other comprehensive income" of the consolidated total equity and the consolidated profit for the year comprise the "Total recognized income/expenses of the year".
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.
Countercyclical Capital Buffer (CCyB)	The countercyclical capital buffer (CCyB) is part of a set of macroprudential instruments, designed to help counter pro-cyclicality in the financial system. Capital should be accumulated when cyclical systemic risk is judged to be increasing, creating buffers that increase the resilience of the banking sector during periods of stress when losses materialize. This will help maintain the supply of credit and dampen the downswing of the financial cycle. The CCyB can also help dampen excessive credit growth during the upswing of the financial cycle
CRR (Capital Requirements Regulation)	Solvency regulation on prudential requirements of credit institutions and investment firms (EU Regulation 575/2013).
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 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 consolidated 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 consolidated 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.
Loan-to-Value ratio (LtV ratio)	The ratio of the amount borrowed to the appraised value or market value of the underlying collateral, usually taken into consideration in relation to loans for real estate financing.
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.
MREL (Minimum Required Elegible Liabilities)	Minimum requirement of own funds and eligible liabilities. New requirement faced by European banks, which aims to create a buffer of solvency that absorbs the losses of a financial entity in the event of resolution without jeopardizing taxpayers' money. The level of this buffer is determined individually for each banking group based on their level of risk and other particular characteristics.
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 consolidated 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.
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 employee's 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. In any case, these definitions are adapted to the local terminology, so that they are integrated into the management.
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. In any case, these definitions are adapted to the local terminology, so that they are integrated into the management.
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.
Risk-Weighted Assets (RWA's)	Risk exposure of the entity weighted by a percentage derived from the applicable standard (standardized approach) or internal models
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.
Single Resolution Board (SRB)	The Single Resolution Board (SRB) is the new European Banking Union's resolution authority. It is a key element of the Banking Union and its Single Resolution Mechanism. Its mission is to ensure the orderly resolution of failing banks, with as little impact as possible on the real economy and public finances of the participating EU countries and others.
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.
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. *c)* 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 and passing on risks and rewards associated with the assets of the structured entity to investors. *d)* insufficient equity to permit the structured entity to finance its activities without subordinated financial support. *e)* 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.
Subsidiaries	Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is: a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tangible book value	Tangible Book Value represents the tangible equity's value for the shareholders as it does not include the intangible assets and the minority interests (non-controlling interests). It is calculated by discounting intangible assets, that is, goodwill and the rest of consolidated intangibles recorded under the public balance sheet (goodwill and intangible assets of companies accounted for by the equity method or companies classified as non-current assets for sale are not subtracted). It is also shown as ex-dividends
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in consolidated companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Write- off	When the recovery of any recognized amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the consolidated entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.
Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. b) VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

BBVA
Creating Opportunities

Consolidated Management Report

BBVA Group 2020

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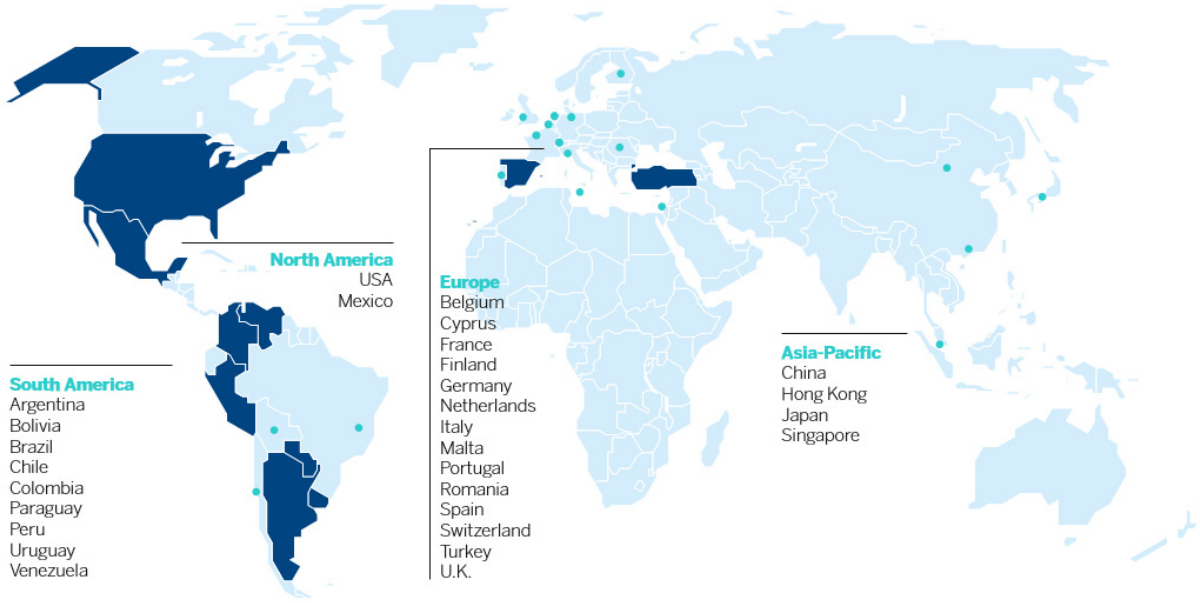
This Management Report includes information on the Group's performance in 2020, the definition of the strategy and the activity more related to it and to the stakeholders, in the sections of the chapter Non-financial information report; the financial performance in the Group Financial Information chapter and the different business areas in the corresponding Business Areas; and all risk management information in its corresponding chapter.

BBVA in brief

BBVA is a customer-centric global **financial services group** founded in 1857. The Group has a strong leadership position in the Spanish market, is the largest financial institution in Mexico, it has leading franchises in South America[1] and Turkey[2].

BBVA's **purpose** is to bring the age of opportunities to everyone, based on the customer's real needs: provide the best solutions, helping them make the best financial decisions, through an easy and convenient experience. BBVA rests on solid values: Customer comes first, we think big and we are one team.



€736 billion in total assets

80.7 million customers

>30 countries

7,432 branches

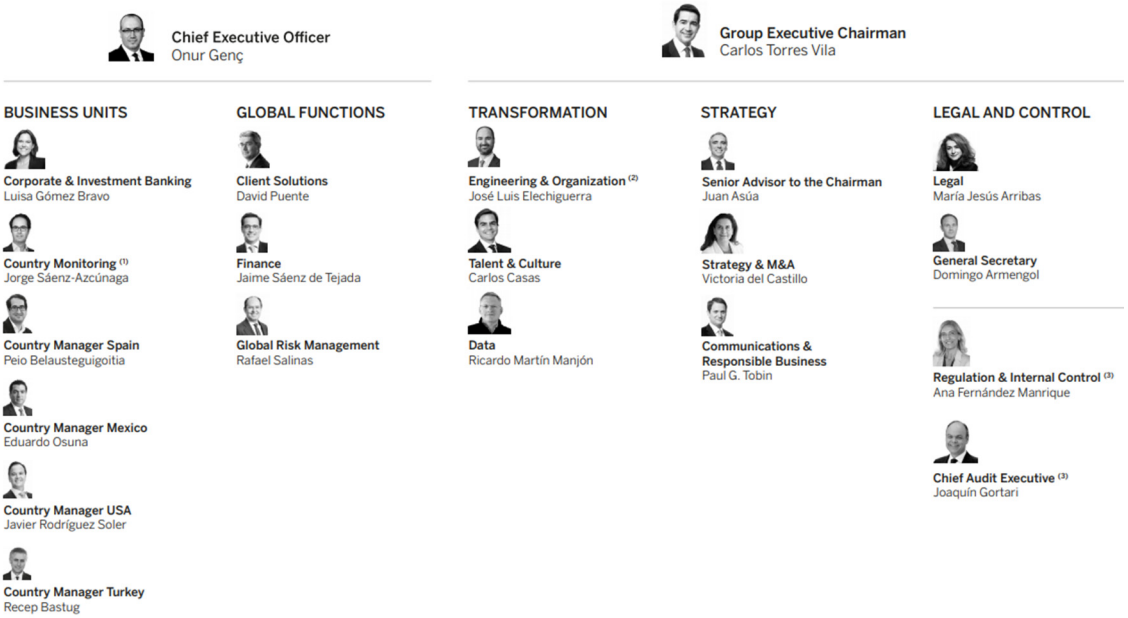
31,000 ATMs

123,174 employees

[1] On January 22, 2021, BBVA announced that the sale of its shareholding stake, direct and indirect, of 100% of the Shareholders' equity of Banco GNB Paraguay, S.A. had been completed after obtaining all required authorizations.

[2] As of December 31, 2020, the Group also had a presence in the Sunbelt region in the United States. On November 16, 2020, the Group announced that it had reached an agreement with The PNC Financial Services Group, Inc. for the sale part of the business it develops in this country. For more information, see the Group's financial information in this consolidated management report.

The Group's 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.

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 Group, 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 **Consolidated Non-financial information report** in the Group's Management Report, which is attached to the Consolidated 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 included (KPI) 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 Group 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 consolidated 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.

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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.

Europe

In Europe, the European Commission (hereinafter EC) approved the **European Recovery Fund** (Next Generation EU, hereinafter NGEU) in the amount of €750,000m (5.4% of EU GDP), through subsidies and loans to support investment and reforms. The NGEU is an important step in supporting the recovery that could increase the EU GDP between about 1.5 and 2% above the trajectory predicted for 2024, according to EC estimates, but also poses a challenge in terms of absorbing resources and investing in effective projects. Furthermore, the extension of support measures by countries to the most affected sectors is expected to continue in the first quarter of 2021 at the least. For its part, the European Central Bank (hereinafter the ECB) approved a package of accommodative measures at its December meeting. In particular, it expanded the **pandemic emergency purchase program** (PEPP) and extended the purchasing timeline until at least March 2022, readjusted the conditions of the TLTRO III liquidity auctions, and expanded the measures to relax eligibility criteria for collateral. In terms of **growth**, following a rebound in the Eurozone GDP of up 12.5% quarterly in the third quarter of 2020, the resurgence of COVID-19 infections since the fall, and the consequent stricter social restrictions in general, are negatively affecting activity in the fourth quarter of 2020 and are likely to extend into the first half of 2021. The new lockdown measures are, however, more selective, and both manufacturing and exports appear to be more resilient, which is also thanks to recovery in global demand, especially from China. This could partially offset the sharp decline in activity in the consumer and service sectors. BBVA Research expects Eurozone's GDP to contract around 2.5% in the fourth quarter of 2020, resulting in an annual fall in GDP of 7.3% in 2020, while weaker stimulus in the first half of 2021 should result in slower-than-expected recovery for the year as a whole (4.1%), though vaccine distribution and the EU fiscal program should underpin growth from the second half of 2021 and in 2022 (4.4%). Moreover, national fiscal policies, the extension of support measures to the most affected sectors and support from the ECB should prevent more-persistent negative effects, which could arise in supply, but also in weaker demand or increased financial tensions.

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.

United States

After contracting by 9.0% in the second quarter of the year compared to the previous quarter, GDP increased by 7.4% in the third quarter, above expectations. Activity indicators suggest that the recovery process slowed significantly in the fourth quarter of 2020, in an environment of a sharp increase in COVID-19 infections. In 2021 the progressive vaccination of the population and the highly expansionary fiscal and monetary policies are expected to provide increasing support for economic activity. The Federal Reserve will most likely remain committed to supporting financial stability and the recovery process, mainly through its zero interest rate policy and asset purchase program. Counter-cyclical fiscal measures, which already amount to around 23% of GDP, could soon be expanded. According to BBVA Research estimates, GDP could expand by 3.6% in 2021 and 2.4% in 2022, after falling by around 3.6% in 2020. Meanwhile, the unemployment rate is expected to reach 5.4% at this year-end and 4.8% at next year end, well below the 14.7% rate recorded in April 2020 after the first wave of COVID-19 infections impacted the economy, though still above the average unemployment rate of 3.7% observed in 2019. Likewise, GDP and unemployment could improve more than expected if the newly elected Administration and Congress adopt additional fiscal stimulus measures.

In the **banking system** as a whole, the most recent activity data provided by the Fed (November 2020) shows the effects of the programs launched to combat COVID-19, with year-on-year lending and deposit growth rates of 3.63% and 20.37% respectively for the system. NPLs remain under control, with the NPL ratio standing at 1.58% in the third quarter of 2020.

Mexico

Following a rebound in growth during the third quarter of the year, Mexico's economic recovery slowed in the last quarter, which was also influenced by the announcement of new mobility restrictions during November and December. BBVA Research estimates that the Mexican **economy** will contract by 9.1% in 2020 and will grow by 3.2% in 2021. In this sense, the lack of sufficient fiscal stimuli can result in slow recovery. On the other hand, Mexico has acquired vaccine doses from different suppliers, which implies an impetus for economic activities to resume. In terms of **inflation**, this will remain close to the center of the Bank of Mexico's target range, and BBVA Research estimates that the central bank will continue with the decreasing cycle of monetary policy rate gradually in February from the current 4.25% to 3.5% in May 2021.

Regarding the **banking system**, according to CNBV data as of November 2020, loans decreased by 0.79%, whereby an increase was only observed in the mortgage portfolio, while deposits increased by 11.4% year-on-year (demand and term deposits). The NPL ratio increased year-on-year (4.01% in November 2020) and capital indicators were comfortable.

Turkey

For Turkey, BBVA Research estimates that **GDP** grew by 1% in 2020, and is expected to increase by 5.0% in 2021 and by 4.5% in 2022. GDP in the third quarter of 2020 grew more than expected and the services sector contributed positively, while other key sub-sectors also showed a strong rebound. The central bank (CBRT) continued to tighten its monetary policy through various different channels in the third quarter of 2020. But in November, at its monetary policy meeting following the appointment of a new governor, CBRT raised the official interest rate (one-week repo) by 475 basis points to 15% and reinforced this stance at the December monetary policy meeting by raising the policy rate another 200 basis points to 17%. BBVA Research predicts that CBRT will start to lower rates gradually in the fourth quarter of 2021. Inflation estimates have been adjusted to 10.5% for 2021.

Based on data from November 2020, the total volume of lending in the **banking system** increased by 38.4% year-on-year. These growth rates include the effect of inflation. The NPL ratio stood at 3.97% at the close of November 2020.

Argentina

In Argentina, GDP in the third quarter of the year was a positive surprise, driven by eased mobility restrictions, with moderation observed in the last quarter of 2020. BBVA Research estimates that GDP has contracted by 11% in 2020 and will partially recover to around 6% in 2021. **Inflation** closed the year at 36.1%, and BBVA Research believes that 2021 will see authorities maintain the preference for avoiding abrupt exchange rate adjustments, the freezing of public service fees and the extension of closures to contain the pandemic, though they will be partial. Therefore BBVA Research estimates that inflation will close the year at 50%. With regard to fiscal policy, some savings measures were implemented at the end of 2020 so that the primary deficit would close the year at around 6.5% of GDP, significantly below our previous estimates. BBVA Research believes that an agreement will be reached with the IMF by the second quarter to refinance loans in excess of USD 50,000m.

In the **banking system**, the positive trend for both lending and deposit growth has continued in 2020, although notably influenced by high inflation. Based on data from October 2020, profitability indicators have deteriorated significantly (ROE: 15.0% and ROA: 2.2%) due to the effect of COVID-19, after reaching record highs at the end of 2019. For its part, the NPL ratio fell slightly to 4.3% in October 2020.

Colombia

BBVA Research estimates a **contraction** of 7.2% in 2020 and a partial recovery of 4.8% in 2021. The growth dynamic this year will be driven by housing construction, which is one of the pillars of the government's recovery policies. Recovery will, however, be limited due to the effect of new closures given the outbreaks of the pandemic and due to the effect of the probable tax reform, which could entail a higher VAT. In terms of inflation, prices recorded their lowest change since the 50s, closing 2020 at 1.6%, resulting from low demand and the low level of exchange rate transfer to prices. By 2021, BBVA Research estimates that **inflation** will remain low until April, with a significant rebound thereafter, to around 2.8% at year end. BBVA Research believes that with inflation under control and activity beginning to normalize, the Central Bank could keep the monetary policy interest rate stable at its current level of 1.75% until the second quarter of 2022.

Total lending in the **banking system** grew by 5.95% year-on-year at the end of September 2020, due to the growth in the commercial portfolio driven by government-approved letters of lending and guarantee programs during the pandemic. The system's NPL ratio as of October 2020 was 5.04%. Total deposits increased by 15.47% year-on-year in the same period.

Peru

Peru's GDP was a positive surprise in the last quarter of 2020 with a **contraction** of close to 3.3%, much lower than estimated. This improved dynamic was the result of the continued reopening of the economy following the lockdown measures adopted to limit the spread of the pandemic. BBVA Research estimates that the GDP contracted by 11.5% in 2020. For 2021, BBVA Research estimates that growth will stand at 10%, and that the mining and construction sectors will drive this recovery. Meanwhile, the political tensions experienced at the end of the year have diminished, but the elections scheduled for April will bring about political uncertainty, at least during the first part of the year. In terms of **inflation**, it closed the year at 2%, within the central bank's target. BBVA Research expects a declining profile in the coming months, influenced by weak demand and closing the year at 1.6%. The Central Bank has reduced the monetary policy rate to the lowest level in history, 0.25%. BBVA Research estimates that this interest rate level will remain throughout the year and predicts that the first increase to the interest rate will not occur until the first half of 2022.

The **banking system** showed high year-on-year growth rates for lending and deposits (up 14.0% and up 23.6% respectively, at the end of November 2020), due to the strong momentum of the *Plan Reactiva Perú*; the system presented lower profitability levels due to the current crisis (ROE: 5.39% as of November 2020) but with contained NPLs (NPL ratio: 3.22% as of November 2020) due to the payment deferrals applied.

INTEREST RATES (PERCENTAGE)

	31-12-20	30-09-20	30-06-20	31-03-20	31-12-19	30-09-19	30-06-19
Official ECB rate	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Euribor 3 months (1)	(0.54)	(0.49)	(0.38)	(0.42)	(0.39)	(0.42)	(0.33)
Euribor 1 year (1)	(0.50)	(0.41)	(0.15)	(0.27)	(0.26)	(0.34)	(0.19)
USA Federal rates	0.25	0.25	0.25	0.25	1.75	2.00	2.50
TIIE (Mexico)	4.25	4.25	5.00	6.50	7.25	7.75	8.25
CBRT (Turkey)	17.00	10.25	8.25	9.75	12.00	16.50	24.00

(1) Calculated as the month average.

Foreign exchanges have also been subject to volatility in other markets as a result of the COVID-19 outbreak. The strong monetary and fiscal response at the global level, in addition to idiosyncratic factors in some of the geographic areas in which the Group operates, have conditioned the performance of currencies. The euro has generally appreciated against major currencies. The Mexican peso suffered a sharp depreciation following the COVID-19 outbreak in the first quarter of the year, but has subsequently recovered ground, closing the year with a depreciation of 13.1% against the euro. The U.S. dollar has also weakened in the second part of the year and closed 2020 with an 8.5% decline against the euro. The Turkish lira has ended with a negative variation by 26.7%. Other currencies depreciated against the euro as follows: Colombian peso (down 12.6%), Peruvian sol (down 16.3%), Chilean peso (down 3.6%) and Argentine peso (down 34.8%).

For information on the BBVA Group's exchange rate risk management policies, see the "Risk Management" chapter of this report.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	31-12-20	Δ % on 31-12-19	Δ % on 30-09-20	2020	Δ % on 2019
U.S. dollar	1.2271	(8.5)	(4.6)	1.1418	(2.0)
Mexican peso	24.4160	(13.1)	7.2	24.5301	(12.1)
Turkish lira	9.1131	(26.7)	(0.2)	8.0501	(21.0)
Peruvian sol	4.4470	(16.3)	(5.3)	3.9923	(6.5)
Argentine peso (1)	103.2543	(34.8)	(13.7)	-	-
Chilean peso	872.41	(3.6)	5.3	903.06	(12.9)
Colombian peso	4,212.02	(12.6)	7.8	4,216.81	(12.9)

(1) According to IAS 29 "Financial information in hyperinflationary economies", the year-end exchange rate is used for the conversion of the Argentina income statement.

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 iniciated 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

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".

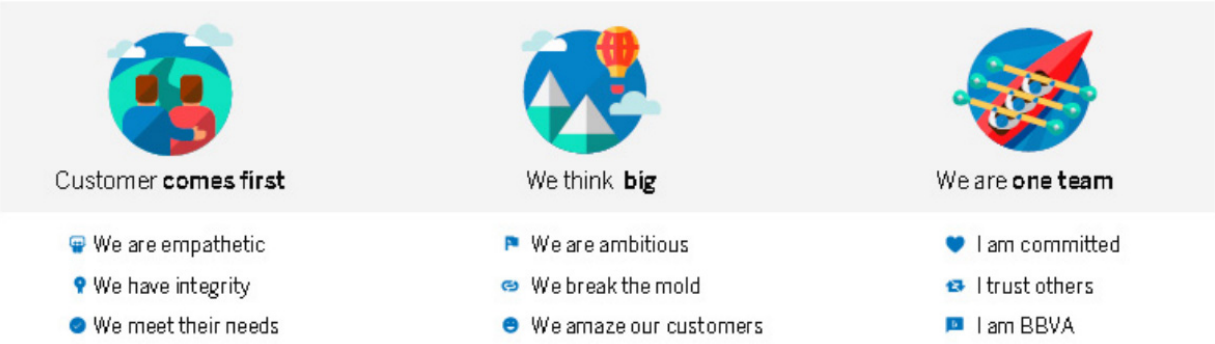
Values

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". More than 90,000 employees, 80% of the workforce, has logged in at any time during the day in order to take part in the activities performed. Around 6,800 global workshops have been carried out with nearly 58,000 participants from the 19 countries where BBVA has headquarters. The 100% digital format has resulted in an increase in the participation in the activities in more than a 55% with respect to the previous year.

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 Group 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.

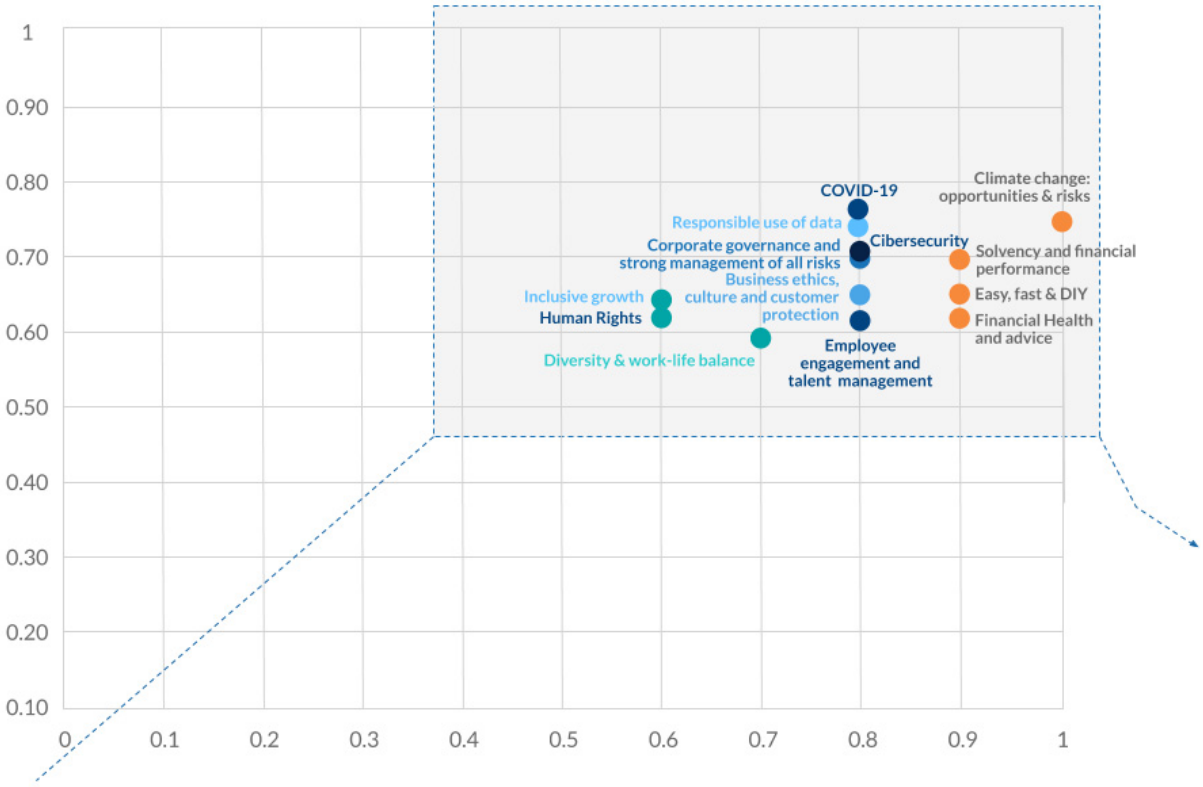
This analysis includes the perspective of the stakeholders of the main countries where the Group operates: Spain, Mexico, the United States, Turkey, Argentina, Colombia and Peru.

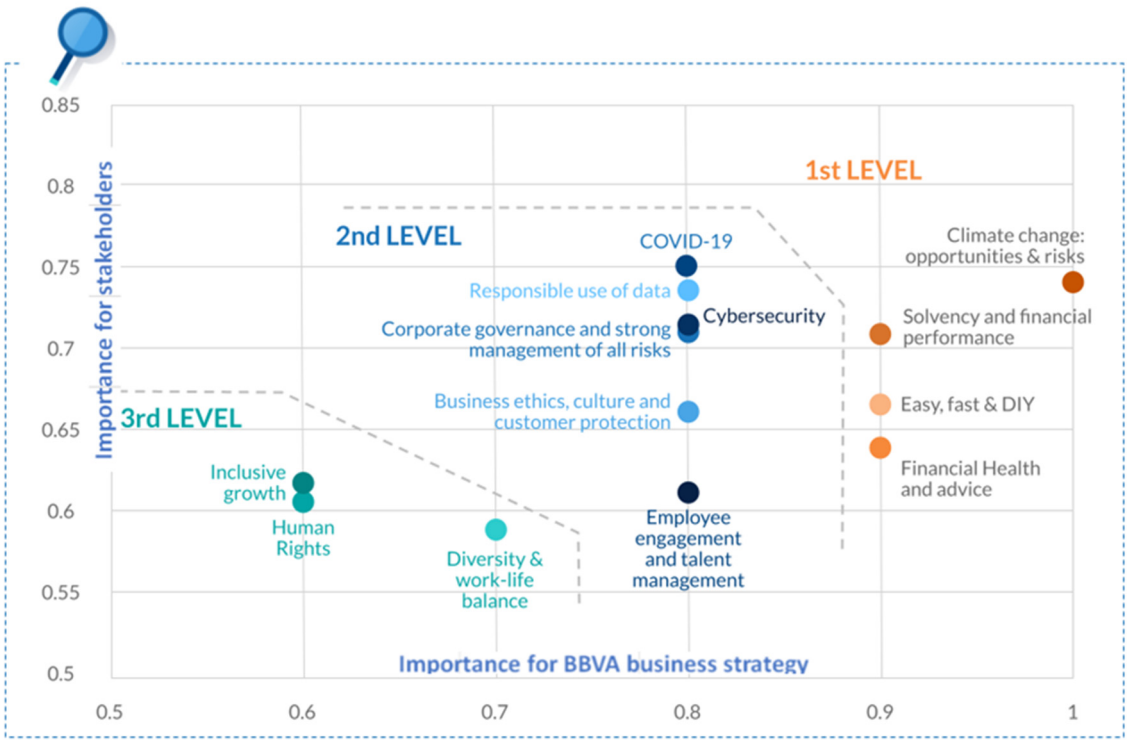
The materiality **analysis** phases have been as follows:

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 more simple 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 this proactively.

BBVA has set goals related to the material issues of the previous materiality matrix. The goals and their degree of progress are detailed below.

Goals and level of progress of the material issues for BBVA. 2020.

Material issue	Indicator	Goal	2020 Progress
Climate change	Sustainable finance mobilization	€100.000 million between 2018-2025	€50,155m
	Allignment by sectors indicators	Portfolio alignment with Paris Agreement	Defined methododologies and indicators and pilot assessment in sensible sectors
	Energy obtained from renewables sources	70% in 2025 and 100% in 2030	65%
	CO_2 emissions (scope 1 and 2)[1]	-68% reduction in 2015-2025 period	-60%
	TCFD recommendations in 2020	Implementation of TCFD recommendations in 2020	Publication of TCFD report in november 2020
Solvency and financial results	CET 1 fully-loaded ratio	2020: 225- 275 basic points over a 8.59% requirement 2019: 11.5% -12%	11.73% (314 basic points over the requirement of 8.59%)
Easy, fast and do it yourself	Reaching more clients	% customers acquired by digital channels (2021 >36%)	33.3%

[1]Scope 1: 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 Assesment Report and the IEA were used as sources to convert these to CO_2e.
Scope 2: Emissions from electricity consumption, calculated based on the latest emission factors available from the IEA for each contry.

Likewise, BBVA is working to establish objectives and metrics in relation to the strategic priority "Improving financial health and personalized advice to clients".

The information regarding the performance of the relevant matters by the Group 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 most of the countries in which the Group operates, 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:

- In **Spain**, 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;
- In the **United States**, flexibility in the repayment of the loans for small business and for consumer finance has been extended and certain fees and commissions for individual customers has been eliminated;
- In **Mexico**, BBVA granted various supports with personalized characteristics based on the needs of each of the customer segments, offering personalized solutions in a wide variety of products ranging from a grace period of 6 months in capital and/or interest in various lending products to the suspension of Point of Sale (POS) fees to support retailers with lower turnover, as well as different support plans aimed at each situation for larger businesses customers;
- In **Turkey**, delay of loan repayments, interests and amortizations until June, 2021, without any penalty for individual customers and extension of up to 6 months in the payment of principal on credits to companies;
- In **South America**, **Argentina** has provided micro-SMEs and SMEs with access to credit facilities to purchase remote working equipment, funding facilities for payroll payments and the refinancing unpaid credit card balances in 9 installments; **Colombia** has frozen the repayment of loans for individuals and companies for up to 6 months, and is offering a special working capital facility for companies; and in **Peru**, several measures were approved to order to support SMEs and customers with consumer loans or credit cards, including debts rescheduling, extending the payment periods.

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 Group'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, whose development continues, reaching Peru and Argentina. 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. BBVA continues to deploy these capabilities in all of its geographical areas, 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 the possibility of investing in Spain or Turkey, help to control their finances on a day-to-day basis through analysis of expenses and income (Personal Financial Management, PFM) in Peru and Colombia, tools for effortless savings, such as "*Metas*" in Peru or investment advisory tools such as "Invest" in Mexico.

  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 brought to all the geographical areas in which the Group operates 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). Among other achievements, the tool "*Banco de Barrio*" has been implemented in Mexico, a model that seeks even closer relationships with SMEs. Progress has also been made in the remote customer management model with, for example, the creation of the transactional SMEs managerial figure in Spain.

  In terms of digital channels, the launch of the ***BBVA Empresas*** app **(GEMA)** in Mexico and its extension to Peru are particularly notable, allowing SMEs and the self-employed workers to manage and run their businesses from their cell phones more quickly and easily. Among other features, customers can request a POS advance, a pioneer product in the Mexican market, based on the customer's transactions. Furthermore, within the COVID-19 environment, the Bank has helped SMEs to sell online and 100% digital registration processes have been developed in Spain.

  Furthermore, as part of the Bank's commitment to globalization, the range of services for **companies operating in various geographical areas** continues to grow, such as the incorporation of BBVA USA into the global payment and collection platform ("OneBank Hub"), thus completing its deployment in all the countries in which BBVA operates, in addition to offering new services such as global balances and transactions (Global MT940) and payments from third parties (Global MT101), among others, together with the new **"Global NetCash"** app. A new supply chain finance solution has also been launched to compete with and drive business in South America, the United States and Europe.

- 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 company which offers vehicles for hire in Mexico to offer a co-branded account to its drivers, or 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 7.4% lower than that of non-digital customers.

Likewise, the data of the Group total active customers is also showing a positive trend with an increase of 2.8 million customers in 2020 (+9.2 million since 2015), with positive developments in all of the countries in which BBVA is present. At the end of the year, BBVA's digital customers accounted for 63% of the total and customers operating with the bank through their mobile phones accounted for 59% across the entire Group.

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 Group's 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, Mexico, Colombia and Peru. In Uruguay, it has climbed one position with respect to 2019, reaching the top position. In Turkey, BBVA ranked second, maintaining its position with respect to 2019, whereas in Argentina the customer's perception has been affected by the incidences in digital channels and the blocking of the call center due to an increase in the use of these channels as a result of the pandemic. To reverse it, different action plans have been boosted by Top Management.

Meanwhile, in the **commercial NPS** indicator BBVA maintained the leading position in four countries: Mexico, Colombia, Peru and Uruguay. In Spain and Argentina, BBVA ranked second.

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 throughout the Group, through a virtual community, workshops and online activities, and a virtual community with more than 24,000 training activities since 2014 (7,827 in 2020). In 2020, a new course about financial health has been launched for all the employees of the Group.

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 a network of local owners located in the main countries in which the Group is present, and various departments and individuals from the Entity participate in its implementation.

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, in the main countries where the Group is present.

As of December 31, 2020, BBVA maintained its leading position in Spain, Mexico, Colombia and Uruguay, and it is ranked second in Turkey and fifth in Argentina. In Argentina, the customers' perception about transparency has been affected by the incidents in the online platform and the call center, issues where an improvement plan has already been implemented[3].

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 Group'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 Group 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 BBVA Group 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** performed during 2020 to improve BBVA´s security and client protection, that are being implemented throughout the Group 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

[3] Internal development considering the main peers of BBVA in Spain, Mexico, Colombia, Peru, Uruguay and Turkey.

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. This Commission is responsible for the oversight of the Group's technological and cybersecurity strategy and allows the Board of Directors to be informed of the main technological risks to which the Group is exposed, as well as current cybersecurity and technology trends and any relevant security event that can affect the Group.

Cybersecurity

In the actual context, it is vital to ensure effective protection for BBVA's assets and customers' data.

During 2020, the Group 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 the Group's first line of detection and response to cyberattacks aimed at global users and the Group'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 a week and provides services in all countries where the Group operates, under a scheme of managed security services, with operation lines dedicated to fraud and cybersecurity.

As cyberattacks evolve and become more sophisticated, the Group has strengthened its prevention and monitorization 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, with the coordination of different business and support areas involved, 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 Group'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 in all countries where the Group operates. Its functions include: (i) actively monitoring fraud risks and mitigation plans; (ii) evaluating the impact thereof on the Group'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.

Both BBVA and its subsidiaries have 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 pandemias, 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 Group Crisis Management Committees and Continuity Committees have had a relevant role in the management of the crisis caused by the COVID-19 pandemia.

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 Group'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 Group'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.

MAIN INDICATORS OF CLAIMS (BBVA GROUP)

	2020	2019
Number of claims before the banking authority for each 10.000 active customers	13.22	8.69
Average time for setting claims (natural days)	11	6
Claims settled by First Contact Resolution (FCR) (% over total claims)	19	23

The country that registers the largest number of claims before the banking authority for each 100,000 active customers is Colombia.

CLAIMS BEFORE THE BANKING AUTHORITY BY COUNTRY (NUMBER FOR EACH 10.000 ACTIVE CUSTOMERS) [1]

	2020	2019
Spain	1.38	1.48
The United States	4.70	4.08
Mexico	12.16	14.63
Turkey	16.51	4.46
Argentina	0.45	0.09
Colombia	97.56	33.51
Peru	2.02	4.05
Venezuela	0.03	0.16
Paraguay[2]	-	0.07
Uruguay	0.31	0.40
Portugal	17.45	12,64[3]

Scope: BBVA Group.

[1] The banking authority refers to the external body in which the customers can complain against BBVA.

[2] Due to the sale of BBVA Paraguay, claims have not been monitored during 2020 in this country.

[3] The reported data differs from those reported in the non-financial information report of 2019 due to additional amendments.

The Group's **average claim resolution time** is 11 days, which represents an increase in almost all the countries, except for Mexico, 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 Group had to technically adapt itself to this new context.

AVERAGE TIME FOR SETTING CLAIMS BY COUNTRY (NATURAL DAYS)

	2020	2019
Spain	9	8
The United States	6	3
Mexico	6	6
Turkey	6	4
Argentina	9	8
Colombia	10	6
Peru	35	7
Venezuela	8	16
Paraguay[1]	-	11
Uruguay	7	8
Portugal	6	3

[1] Due to the sale of BBVA Paraguay, claims have not been monitored during 2020 in this country

Claims settled by the First Contact Resolution (FCR) model, which consists in the resolution of the claim in the first notice, account for 19% of total claims, thanks to the fact that the management and handling of these claims aims to reduce resolution times and increase the service quality, thus improving the customer experience.

CLAIMS SETTLE BY FIRST CONTACT RESOLUTION (FCR. PERCENTAGE OVER TOTAL CLAIMS)

	2020	2019
Spain [1]	n.a.	n.a.
The United States	36	46
Mexico	19	21
Turkey	29	35
Argentina	45	48
Colombia	25	37
Peru	1	5
Venezuela	n.a.	n.a.
Paraguay[2]	-	n.a.
Uruguay	13	14
Portugal [3]	n.a.	n.a.

n.a. = not applicable.
[1] In Spain, a FCR type called IRR (Inmediate Resolution Response) applies to credit card incidents, but not to claims.
[2] Due to the sale of BBVA Paraguay, claims have not been monitored during 2020 in this country.
[3] This kind of management does not apply in Portugal.

The volume of claims for every 10,000 active customers registered in 2020 decreased by 7.5% compared to the 2019 figure, basically as a result of the improvements implemented in the claims management process in the Group, especially in Mexico.

In short, the management of complaints and claims at BBVA is an opportunity to strengthen customers' confidence in the Group.

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 Group'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 Group 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 102,119 cases in 2020, 95,244 of which were resolved by the Customer Care Service itself and concluded in the same year, which represents 93% of the total (85,879; 82,531 and 96% in 2019, respectively). As of December 31, 2020 6,875 were pending analysis. On the other hand, 13,571 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 (PERCENTAGE)

Type	2020	2019
Resources	38	35
Assets products	26	24
Insurances	3	3
Collection and other services	4	5
Financial counselling and quality service	4	5
Credit cards	17	16
Securities and equity portfolios	1	1
Other	7	11
Total	**100**	**100**

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (NUMBER)

	2020	2019
In favor of the person submiting the complaint	44,820	38,045
Partially in favor of the person submitting the complaint	12,669	11,449
In favor of the BBVA Group	37,755	33,037
Total	**95,244**	**82,531**

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, 4,941 customer **claims** were filed at the Customer Ombudsman Office (compared to 3,330 in 2019). Of these, 112 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 407 were pending as of December 31, 2020.

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (NUMBER)

Type	2020	2019
Insurance and welfare products	1,097	808
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	**4,941**	**3,330**

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 (NUMBER)

	2020	2019
Formal resolution	-	-
Estimate (in whole or in part)	2,433	1,794
Dismissed	2,196	1,259
Processing suspended	-	-
Total	**4,629**	**3,053**

51.3% 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). 262 claims were filed by customers to supervisory bodies in 2020.

The BBVA Group 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 Group 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 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). In 2020, a total of five countries are processing data based on this infrastructure, headed by Spain and Mexico.
    - 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, which have been reused by the different banks of the Group, and the degree 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 Group'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 in each geographical area which the Group is present 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 Group 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".

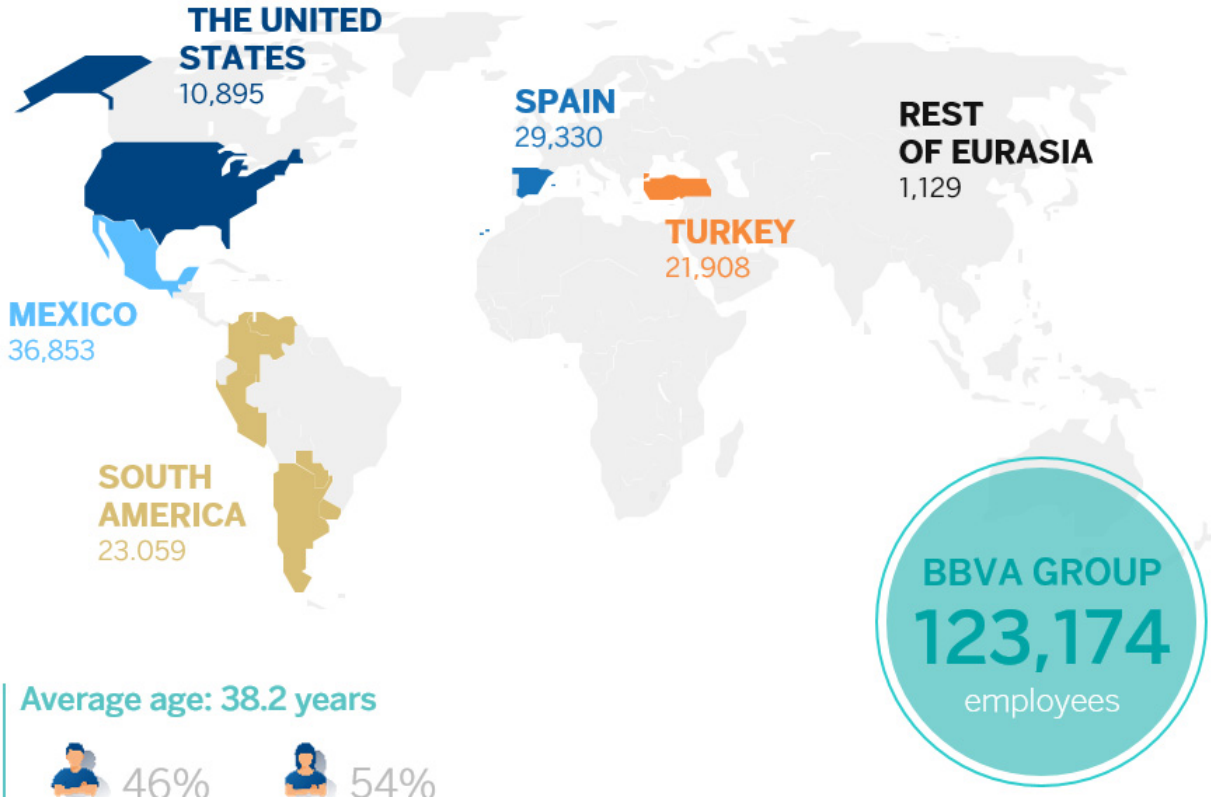
People management

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 Group had 123,174 employees located in more than 30 countries, 53.7% of whom were women and 46.3% were men. The average age of the staff was 38.2 years. The average length of service in the Organization was 11.1 years, with a turnover of 6.6% during the year.



In 2020, BBVA Mexico employees from the Houston branch that in 2019 were classified in Mexico, are included in the United States. As of December 31, 2020, the employees of BBVA USA are included (As mentioned in the chapter "BBVA in brief", the Group announced that it had reached an agreement with The PNC Financial Services Group, Inc. for the partial sale of the business that develops in this country)

The workforce of the BBVA Group has been reduced by 2.99% in 2020. By areas, there has been a general decline: in Spain (-3.15%), in Mexico (-2.52%), Turkey (-1.64%), South America (-6.43%) and the rest of Eurasia (-1.23%), excepting the United States, where the workforce remained practically unchanged (+0.65%).

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 Group 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 Group, 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, 10,246 professionals joined the Group 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 BBVA Group'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 Group 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.

Thanks to brand positioning actions and the promotion of available professional **opportunities** at BBVA through various channels, it was possible to attract over 379,000 candidates. All this is carried out under a global reference model for attracting talent, with clear policies that strengthen transparency, trust and flexibility for all stakeholders involved in the process.

In 2019, a global scorecard was introduced to measure compliance levels with each of the **internal mobility** policies, ensuring their follow-up and commitment to compliance in each of the geographical and global areas in which BBVA operates.

RECRUITMENT OF EMPLOYEES BY GENDER (BBVA GROUP. NUMBER)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Spain	1,776	715	1,061	3,156	1,405	1,751
The United States	1,837	792	1,045	2,423	1,062	1,361
Mexico	4,706	2,435	2,271	9,237	4,601	4,636
Turkey	1,500	697	803	2,938	1,321	1,617
South America	1,479	677	802	3,009	1,447	1,562
Rest of Eurasia	102	65	37	149	85	64
Total	**11,400**	**5,381**	**6,019**	**20,912**	**9,921**	**10,991**
Of which new hires are [1]:						
Spain	593	340	253	914	537	377
The United States	1,839	793	1,046	2,417	1,058	1,359
Mexico	5,050	2,560	2,490	6,597	3,309	3,288
Turkey[2]	1,481	690	791	2,752	1,242	1,510
South America	1,191	597	594	2,654	1,287	1,367
Rest of Eurasia	92	57	35	130	72	58
Total[2]	**10,246**	**5,037**	**5,209**	**15,464**	**7,505**	**7,959**

[1] Including hires through consolidations.
[2] 2019 data differ from those reported in the Non-financial information report of 2019 due to additional amendments.

Training

Training featured major strengths in 2020 that have enabled the Group to develop training activities intensively and with widespread deployment across all geographical areas, 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 an 85% of the whole activity during 2020, and which accounted for 66% in 2019. 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 Group'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 79,909 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 for its more than 123,000 employees. A key part in this offering is the basic course on sustainability, compulsory for all the teams, and which includes basic contents about the issue. A course on financial health was also launched in 2020.

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. These type of sessions have involved 12,547 employees from all geographic areas.

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 GROUP)

	2020	2019
Total investment in training (millions of euros)	31.8	47.8
Investment in training per employee (euros) [1]	258	376
Hours of training per employee [2]	41.4	42.4
Employees who received training (%)	92	90
Satisfaction with the training (rating out of 10)	9.3	9.2
Average participations per employee	33	26
Amounts received from FORCEM for training in Spain (millions of euros)	1.2	3.2

[1] Ratio calculated considering the Group´s workforce at the end of each year (123,174 in 2020 and 126,973 in 2019).

[2] Ratio calculated considering the workforce of BBVA with access to the training platform.

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. 2020)

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [1]	3,077	2,098	979	64,826	43,126	21,700
Middle controls	9,768	5,162	4,606	255,076	137,242	117,834
Specialists	36,692	17,648	19,044	1,242,055	572,230	669,825
Sales force	43,487	18,745	24,742	2,192,527	968,162	1,224,365
Base positions	20,559	8,747	11,812	1,348,223	511,307	836,916
Total	**113,583**	**52,400**	**61,183**	**5,102,707**	**2,232,066**	**2,870,641**

[1] The management team includes the highest range of the Group´s management.

TRAINING DATA BY PROFESSIONAL CATEOGRY AND GENDER (BBVA GROUP. 2019)[1]

	Number of employees with training			Training hours		
	Total	Male	Female	Total	Male	Female
Management team [2]	1,395	1,071	324	61,020	47,125	13,895
Middle controls	7,183	4,310	2,873	254,386	149,743	104,643
Specialists	28,152	14,068	14,084	1,109,995	586,271	523,724
Sales force	35,940	16,517	19,423	2,398,443	1,055,769	1,342,673
Base positions	21,236	7,991	13,245	671,504	259,553	411,951
Total	**93,906**	**43,957**	**49,949**	**4,495,348**	**2,098,462**	**2,396,886**

[1] Excluding Turkey.

[2] The management team includes the highest range of the Group´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 31.6% of senior management and 43.4% of management positions, 32.2% of technology and engineering positions and 57.4% 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 by each of the areas, 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 Group'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).

In the **United States**, BBVA has publicly shown its commitment to the fight against racism, promoting equality and social justice. These initiatives include support for the "Black Lives Matter" movement and the letter by which BBVA urged the United States Congress to promote legislation regulating transparency, equality and public safety. Also, in commemoration of Freedom Day (Juneteenth), all BBVA USA branches remained closed and talks were organized among employees to raise awareness about the fight against racial discrimination.

In **Mexico**, support for gender equality and women's empowerment materialized in 2020 through initiatives such as participating in the *#UnDíaSinNosotras* (#ADayWithoutUs) march on March 9 on the occasion of International Women's Day and the launch of the Domestic Violence Hotline in September 2020 to provide emotional, medical and legal support to its employees, directing them to public and health agencies specializing in this field. For its part, during the months of June and July 2020 initiatives to support the LGBTI Community were developed, in commemoration of LGBTI History Month, through active communication to raise awareness both internally and externally.

Similarly, with the aim of ensuring equality in recruitment processes and internal mobility, both a manual and training have been created for those involved in the talent acquisition process.

In order to develop the culture of diversity, knowledge has been enhanced and standardized through training on unconscious biases and diversity through Campus, whereby there are 9,522 registered collaborators, and 14 webinars have been held by experts on Diversity and Inclusion, with more than 3,105 collaborators connected. The creation of the Diversity Council, made up of the 21 managers representing each business area, has also formalized Management's commitment to diversity and inclusion.

In **Turkey**, two online training modules on unconscious bias have been launched and are mandatory for all employees, and job offers containing inclusive language have been implemented.

With the goal of empowering women leaders and increasing their recognition in internal networks, the "Women Leadership Mentorship" program has completed its third year, with more than 80 women executives receiving mentoring from executive committee members.

This year, the maternity policy has been changed and paternity leave has been increased to two weeks. The Bank has also commenced a program to promote gender equality in the home and committed paternity.

The Bank has had a dedicated domestic violence policy and hotline since 2016. In 2020, a program to raise awareness of the effects of domestic violence on children was launched, and more than 2,000 employees engaged with this program.

As a result of all these initiatives and gender equality practices undertaken for employees, customers and society in general, Garanti BBVA is one of the two Turkish companies included in the Bloomberg Gender Equality Index.

In **Colombia**, work has been done across several lines of action to create an internal diversity and inclusion policy that has resulted in a commitment to diversity from members of the Management Committee and from line managers. This has also allowed the creation of 9 ERGs, which have focused their actions on the spheres of female talent, LGBTI, ethnic groups and people with different abilities. In the field of female talent, the gender focus has been enhanced in the internal mobility process so as to allow Talent & Culture area to promote the training of women in order to develop the necessary competencies to promote the development of their career in the organization.

Each of the ERGs is led by a member of the Management Committee, which allows them to propose specific initiatives to ensure that diversity and inclusion are achieved.

Lastly, all the Group's banks throughout the various countries in which it operates have protocols for the **prevention of** sexual **harassment**. In Spain and the United States, these protocols have been in place for some years and in the rest of the world, they were developed in 2018. In 2019, BBVA Mexico published its protocol on harassment and sexual harassment through electronic media, while Garanti BBVA published its policy against harassment and discrimination.

Specifically, in the Bank's protocol in Spain, 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 GROUP)

	2020			2019		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	29,330	14,393	14,937	30,283	14,914	15,369
The United States [1]	10,895	4,602	6,293	10,825	4,516	6,309
Mexico	36,853	17,133	19,720	37,805	17,614	20,191
Turkey [2]	21,908	9,513	12,395	22,273	9,624	12,649
South America	23,059	10,699	12,360	24,644	11,423	13,221
Argentina	6,052	3,219	2,833	6,402	3,423	2,979
Colombia	6,592	2,747	3,845	6,899	2,867	4,032
Venezuela	2,012	728	1,284	2,532	884	1,648
Peru	6,204	2,948	3,256	6,420	3,106	3,314
Chile	696	331	365	956	436	520
Paraguay	430	220	210	428	221	207
Uruguay	590	319	271	576	314	262
Bolivia	476	184	292	424	169	255
Brazil	6	2	4	6	2	4
Cuba	1	1	-	1	1	-
Rest of Eurasia	1,129	641	488	1,143	640	503
France	68	44	24	71	45	26
United Kingdom	118	85	33	120	86	34
Italy	51	28	23	51	27	24
Germany	43	27	16	44	26	18
Belgium	22	13	9	23	14	9
Portugal	447	224	223	458	231	227
Switzerland	113	71	42	116	73	43
Finland	125	80	45	112	68	44
Hong Kong	80	46	34	85	46	39
China	29	9	20	29	10	19
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
Total	**123,174**	**56,981**	**66,193**	**126,973**	**58,731**	**68,242**

[1] In 2020, the employees of BBVA Mexico in the Houston office which in 2019 were included in Mexico, are included in the United States
[2] Includes the Garanti BBVA employees in Netherlands, Romania, Malta and Chipre.

PROMOTED EMPLOYEES BY GENDER (BBVA GROUP)

	2020			2019		
	Number of promoted employees	Male	Female	Number of promoted employees	Male	Female
Spain	1,608	794	814	3,583	1,726	1,857
The United States	950	408	542	1,612	624	988
Mexico	5,452	2,676	2,776	9,000	4,354	4,646
Turkey	2,350	975	1,375	3,268	1,378	1,890
South America	1,932	853	1,079	2,429	1,030	1,399
Rest of Eurasia	47	26	21	86	55	31
Total	**12,339**	**5,732**	**6,607**	**19,978**	**9,167**	**10,811**

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA GROUP. AGE AND PERCENTAGE)

	2020				2019			
	Average age	<25	25-45	>45	Average age	<25	25-45	>45
Spain	43.8	0.5	59.0	40.4	43.2	1.0	61,1	37,9
The United States	42.0	4.8	57.5	37.8	41.5	5.9	57,8	36,3
Mexico	33.9	8.8	77.9	13.4	33.6	11.2	75,2	13,6
Turkey	35.6	4.4	85.7	9.8	35.0	5.4	84,7	9,9
South America	38.2	5.3	68.6	26.2	37.9	6,9	67,7	25,4
Rest of Eurasia	43.8	0.8	52.4	46.9	43.4	1,5	54,3	44,3
Total	**38.2**	**4.9**	**71.0**	**24.0**	**39,8**	**5,3**	**66,8**	**27,9**

AVERAGE LENGTH OF SERVICE BY GENDER (BBVA GROUP. AGE)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Spain	17.3	17.5	17.1	16,9	17,3	16,4
The United States	7.7	6.5	8.6	7,3	6,1	8,2
Mexico	7.7	7.6	7.9	7,6	7,5	7,6
Turkey	9.5	9.6	9.4	7,9	9.6	6,1
South America	11.6	12.2	11.1	11,2	11,9	10,7
Rest of Eurasia	13.2	12.4	14.1	12,7	12.0	13,6
Total	**11.1**	**11.3**	**10.9**	**10,6**	**9,1**	**10,4**

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA GROUP. PERCENTAGE)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Spain						
Management team [1]	3.5	75.0	25.0	3.6	76.2	23.8
Middle controls	7.5	62.4	37.6	7.0	62.3	37.7
Specialists	36.5	51.4	48.6	34.6	50.5	49.5
Sales force	43.8	43.0	57.0	44.1	43.8	56.2
Base positions	8.7	48.1	51.9	10.8	50.1	49.9
The United States						
Management team [1]	0.4	91.3	8.7	0.4	92.5	7.5
Middle controls	7.7	64.2	35.8	18.7	58.0	42.0
Specialists	36.5	41.2	58.8	18.0	43.2	56.8
Sales force	43.2	46.4	53.6	40.0	47.3	52.7
Base positions	12.1	14.6	85.4	22.9	16.6	83.4
Mexico						
Management team [1]	0.5	79.0	21.0	0.4	82.8	17.2
Middle controls	2.4	64.8	35.2	2.3	66.4	33.6
Specialists	35.4	49.5	50.5	34.8	49.4	50.6
Sales force	28.2	50.9	49.1	28.2	51.4	48.6
Base positions	33.4	37.8	62.2	34.2	37.9	62.1
Turkey[2]						
Management team [1]	7.6	38.0	62.0	0.1	84.6	15.4
Middle controls	16.0	61.7	38.3	22.6	44.0	56.0
Specialists	30.6	58.3	41.7	24.1	39.2	60.8
Sales force	38	67.0	33.0	45.5	36.6	63.4
Base positions	8	6.1	93.9	7.8	94.5	5.5
South America						
Management team [1]	1.0	68.0	32.0	0.6	70.4	29.6
Middle controls	11.2	55.9	44.1	10.2	56.6	43.4
Specialists	35.8	51.4	48.6	34.1	51.1	48.9
Sales force	37.3	40.4	59.6	38.6	40.7	59.3
Base positions	14.8	41.1	58.9	16.4	42.5	57.5
Rest of Eurasia						
Management team [1]	5.1	82.8	17.2	4.5	86.3	13.7
Middle controls	8.8	72.7	27.3	9	71.7	28.3
Specialists	52.1	53.5	46.5	50.0	51.2	48.8
Sales force	31.4	56.5	43.5	33.7	57.6	42.4
Base positions	2.6	17.2	82.8	3	16.7	83.3
Group average						
Management team [1]	2.6	68.4	31.6	1,2	77,2	22,8
Middle controls	8.2	52.8	47.2	10,0	53,6	46,4
Specialists	35.1	48.4	51.6	31,4	48,4	51,6
Sales force	36.7	43.0	57.0	38,1	43,8	56,2
Base positions	17.3	42.5	57.5	19,3	42,1	57,9

[1] The management team includes the highest range of the Group´s management.

[2] 2019 Garanti BBVA data have been calculated with the information available as of November, 2019 closing.

EMPLOYEES DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA GROUP. PERCENTAGE)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Spain						
Permanent employee. Full-time	94.1	50.9	49.1	92.5	51.5	48.5
Permanenet employee. Part-time	3.4	9.1	90.9	3.5	6.5	93.5
Temporary employee	2.5	35.1	64.9	4.0	35.1	64.9
The United States						
Permanent employee. Full-time	99.4	42.4	57.6	98.8	42.0	58.0
Permanenet employee. Part-time	0.6	13.2	86.8	1.2	14.5	85.5
Temporary employee	-	-	-	-	-	-
Mexico						
Permanent employee. Full-time	94.7	46.2	53.8	90.8	46.3	53.7
Permanenet employee. Part-time	0.0	37.5	62.5	-	28.6	71.4
Temporary employee	5.3	51.5	48.5	9.2	49.4	50.6
Turkey						
Permanent employee. Full-time	99.6	43.4	56.6	99,6	43,2	56,8
Permanenet employee. Part-time	-	-	-	-	-	-
Temporary employee	0.4	63.1	36.9	0,4	57,6	42,4
South America						
Permanent employee. Full-time	91.3	47.4	52.6	90.3	47.2	52.8
Permanenet employee. Part-time	2.6	33.1	66.9	2.8	34.0	66.0
Temporary employee	6.1	36.7	63.3	6.9	40.3	59.7
Rest of Eurasia						
Permanent employee. Full-time	99.7	56.7	43.3	99.6	55.8	44.2
Permanenet employee. Part-time	0.1	100	-	0.1	100	-
Temporary employee	0.2	50.0	50.0	0.3	66.7	33.3
Group average						
Permanent employee. Full-time	95.2	46.7	53.3	93,4	46,8	53,2
Permanenet employee. Part-time	1.4	18.1	81.9	1,5	17,3	82,7
Temporary employee	3.4	43.8	56.2	5,1	44,5	55,5

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND AGE STAGES. (BBVA GROUP, PERCENTAGE)

	2020				2019			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain								
Permanent employee. Full-time	94.1	0.3	57.3	42.3	92.5	0.5	59.2	40.3
Permanent employee. Part-time	3.4	-	85.5	14.5	3.5	-	88.5	11.5
Temporary employee	2.5	9.4	86.5	4.2	4.0	13.4	81.6	5.0
The United States								
Permanent employee. Full-time	99.4	4.7	57.6	37.7	98.8	5.6	58.1	36.3
Permanent employee. Part-time	0.6	8.8	39.7	51.5	1.2	23.7	40.5	35.9
Temporary employee	-	-	-	-	-	-	-	-
Mexico								
Permanent employee. Full-time	94.7	7.5	78.4	14.1	90.8	8.4	76.7	14.9
Permanent employee. Part-time	0.0	-	62.5	37.5	-	-	85.7	14.3
Temporary employee	5.3	30.5	68.5	1.0	9.2	38.4	60.8	0.7
Turkey								
Permanent employee. Full-time	99.6	4.3	85.8	9.8	99,6	5,4	84,7	9,9
Permanent employee. Part-time	-	-	-	-	0,0	0,0	0,0	0,0
Temporary employee	0.4	26.2	64.3	9.5	0,4	6,5	79,3	14,1
South America								
Permanent employee. Full-time	91.3	3.1	68.6	28.3	90.3	4.3	68.0	27.7
Permanent employee. Part-time	2.6	14.5	78.6	7.0	2.8	16.6	77.5	5.9
Temporary employee	6.1	33.3	64.5	2.2	6.9	37.6	60.2	2.2
Rest of Eurasia								
Permanent employee. Full-time	99.7	0.8	52.3	46.9	99.6	1.4	54.3	44.3
Permanent employee. Part-time	0.1	-	-	100.0	0.1	-	-	100.0
Temporary employee	0.2	-	100.0	-	0.3	33.3	66.7	-
Group average								
Permanent employee. Full-time [1]	95.2	4.1	70.9	25.0	93.4	4.9	70.5	24.6
Permanent employee. Part-time [1]	1.4	5.6	81.0	13.4	1.5	7.8	81.1	11.2
Temporary employee [1]	3.4	27.6	70.3	2.1	5.1	33.1	64.8	2.1

[1] 2019 data differ from those reported in 2019 Non-financial information report due to additional amendments.

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
Spain						
Management team [1]	99.7	0.3	-	99.6	0.4	-
Middle controls	98.7	1.2	0.1	98.5	1.5	-
Specialists	89.8	5.3	4.9	86.8	5.8	7.4
Sales force	96.8	2.3	0.8	96.0	2.2	1.8
Base positions	91.8	4.0	4.2	90.6	3.4	6.0
The United States						
Management team [1]	100	-	-	100	-	-
Middle controls	99.9	0.1	-	99.8	0.2	-
Specialists	99.9	0.1	-	99.9	-	0.1
Sales force	99.9	0.1	-	99.8	0.1	0.1
Base positions	95.3	4.7	-	95.1	4.9	-
Mexico						
Management team [1]	99.0	1.0	-	100	-	-
Middle controls	99.4	0.1	0.5	97.9	0.2	1.9
Specialists	97.7	-	2.3	95.2	-	4.8
Sales force	96.0	-	4.0	95.1	-	4.9
Base positions	90.0	0.0	10.0	82.2	-	17.8
Turkey[2]						
Management team [1]	99.8	-	0.2	100	-	-
Middle controls	99.9	-	0.1	99.9	-	0.1
Specialists	98.9	-	1.1	98.9	-	1.1
Sales force	100	-	0.0	99.4	-	0.6
Base positions	100	-	0.1	99.6	-	0.4
South America						
Management team [1]	97.7	2.3	-	96.9	3.1	-
Middle controls	99.7	0.1	0.2	99.6	0.2	0.2
Specialists	99.0	0.1	0.9	98.5	0.4	1.2
Sales force	91.5	4.4	4.1	90.9	4.1	4.9
Base positions	65.2	6.0	28.8	66.0	6.4	27.6
Rest of Eurasia						
Management team [1]	98.3	1.7	-	98.0	2.0	-
Middle controls	100	-	-	100	-	-
Specialists	99.8	-	0.2	99.8	-	0.2
Sales force	99.7	-	0.3	99.5	-	0.5
Base positions	100	-	-	100	-	-
Group average						
Management team [1][2]	99.5	0.3	0.1	99.3	0.7	-
Middle controls[2]	99.6	0.3	0.1	99.4	0.3	0.2
Specialists[2]	96.4	1.3	2.3	94.5	1.6	3.9
Sales force[2]	96.6	1.5	1.9	96.0	1.4	2.6
Base positions[2]	87.4	1.7	10.9	83.2	2.0	14.8

[1] The management team includes the highest range of the Group´s management.

[2] 2019 Garanti BBVA data have been calculated with the information available as of November, 2019 closing.

[2] 2019 data differ from those reported in the Non-financial information report of 2019 due to additional amendments.

In 2020, the average annual number of full-time indefinite contracts, part-time indefinite contracts and temporary contracts was 94.9%, 1.4% and 3.7% respectively.

DISCHARGE OF EMPLOYEES BY DISCHARGE TYPE AND GENDER (BBVA GROUP. NUMBER)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Spain						
Retirement and early retirement	755	473	282	585	405	180
Voluntary redundancies	58	29	29	105	40	65
Resignations	178	120	58	346	225	121
Dismissals	65	39	26	93	62	31
Others [1]	1,673	581	1,092	2,082	694	1,388
The United States						
Retirement and early retirement	49	9	40	57	15	42
Voluntary redundancies	-	-	-	3	3	-
Resignations	1,319	510	809	1,565	650	915
Dismissals	84	33	51	93	39	54
Others [1]	340	170	170	864	402	462
Mexico						
Retirement and early retirement	484	293	191	228	138	90
Voluntary redundancies	254	174	80	30	14	16
Resignations	2,522	1,229	1,293	5,015	2,502	2,513
Dismissals	1,527	759	768	1,092	555	537
Others [1]	846	443	403	1,190	614	576
Turkey						
Retirement and early retirement[2]	129	64	65	152	84	68
Voluntary redundancies[2]	216	103	113	132	50	82
Resignations[2]	1,092	464	628	1,108	481	627
Dismissals[2]	16	6	10	21	13	8
Others [1][2]	379	187	192	1,416	579	837
South America						
Retirement and early retirement	14	4	10	27	17	10
Voluntary redundancies	960	451	509	950	354	596
Resignations	1,043	504	539	1,520	728	792
Dismissals	501	216	285	358	170	188
Others [1]	546	231	315	560	255	305
Rest of Eurasia						
Retirement and early retirement	9	4	5	12	5	7
Voluntary redundancies	2	1	1	3	3	-
Resignations	31	13	18	48	25	23
Dismissals	6	4	2	11	8	3
Others [1]	68	42	26	72	43	29
Total Group	**15,166**	**7,156**	**8,010**	**19,738**	**9,173**	**10,565**
Retirement and early retirement[2]	1,440	847	593	1,061	664	397
Voluntary redundancies[2]	1,490	758	732	1,223	464	759
Resignations[2]	6,185	2,840	3,345	9,602	4,611	4,991
Dismissals[2]	2,199	1,057	1,142	1,668	847	821
Others [1][2]	3,852	1,654	2,198	6,184	2,587	3,597

[1] Others include permanent termination and death.

[2] 2019 data differ from those reported in 2019 Non-financial information report due to additional amendments.

DISMISSALS BY PROFESSIONAL CATEGORY AND AGE STAGES (BBVA GROUP. NUMBER)

	2020				2019			
	Total	<25	25-45	>45	Total	<25	25-45	>45
Spain								
Management team [1]	13	-	2	11	13	-	-	13
Middle controls	7	-	5	2	1	-	-	1
Specialists	30	1	23	6	53	-	43	10
Sales force	11	-	4	7	18	-	12	6
Base positions	4	-	3	1	8	-	5	3
The United States								
Management team [1]	-	-	-	-	-	-	-	-
Middle controls	2	-	2	-	4	-	2	2
Specialists	3	1	1	1	7	-	5	2
Sales force	61	15	33	13	61	11	46	4
Base positions	18	2	12	4	21	4	13	4
Mexico								
Management team [1]	1	-	-	1	7	-	1	6
Middle controls	13	-	6	7	14	-	7	7
Specialists	408	11	302	95	336	2	239	95
Sales force	763	34	613	116	592	13	421	158
Base positions	342	32	296	14	143	19	112	12
Turkey[2]								
Management team [1]	-	-	-	-	-	-	-	-
Middle controls	2	-	1	1	-	-	-	-
Specialists	-	-	-	-	3	1	2	-
Sales force [3]	14	-	12	2	18	5	13	-
Base positions	-	-	-	-	-	-	-	-
South America								
Management team [1]	4	-	1	3	1	-	1	-
Middle controls	25	-	16	9	28	-	18	10
Specialists	119	1	62	56	52	1	39	12
Sales force	275	13	187	75	227	10	181	36
Base positions	78	17	38	23	50	19	29	2
Rest of Eurasia								
Management team [1]	-	-	-	-	2	-	1	1
Middle controls	1	-	-	1	-	-	-	-
Specialists	3	-	1	2	4	-	2	2
Sales force	2	-	2	-	5	-	3	2
Base positions	-	-	-	-	-	-	-	-
Total Group[3]	**2,199**	**127**	**1,622**	**450**	**1,668**	**85**	**1,195**	**388**
Management team [1]	18	-	3	15	23	-	3	20
Middle controls	50	-	30	20	47	-	27	20
Specialists	563	14	389	160	455	4	330	121
Sales force[3]	1,126	62	851	213	921	39	676	206
Base positions	442	51	349	42	222	42	159	21

[1] The management team includes the highest range of the Group´s management.

[2] 2019 Garanti BBVA data have been calculated with the latest available information as of November, 2019.

[3] 2019 data differ from those published in the Non-financial information report due to additional amendments

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.

In both Spain and Colombia, 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.

In **Mexico**, Talent & Culture area was offered the "One Step Beyond Diversity" webinar held by a specialist in the field of labor inclusion for people with disabilities in the business sector. This was attended by 27 employees from the areas of Real Estate, Medical Service, Front, Communication and Services.

Furthermore, to support the inclusion of people with intellectual disabilities, the Guide for Supervisors who are in charge of People with Intellectual Disabilities (PWID) was updated, which makes teams aware of how to treat a collaborator with this condition.

As of December 31, 2020, BBVA had 797 people with different capabilities on the Group's staff, of which 152 are located in Spain, 275 in the United States, 23 in Mexico, 295 in Turkey and 52 in South America.

Additionally, progress is being made in the accessibility of the branches of the different banks that make up the Group. The corporate headquarters of BBVA in Madrid, Mexico and Argentina have all been made accessible.

Working environment

Organization of work

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. The site has been visited by 137,200 people since its launch, including BBVA employees and external parties, generating a total of 434,498 visits.

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 in Spain 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 in Spain 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 in the countries in which BBVA is present, 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 Group, 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.

In **Mexico**, freedom of association and local representation are respected. In accordance with the reform of the Federal Labor Law, in force as of May 2019, the Bank has a process to comply, in accordance with the parameters indicated by the legislation itself, with the requirements on collective matters that were incorporated for trade union organizations consisting of free, secret and direct voting. By the end of the year, 33% of the workforce was covered by a collective agreement.

In **Argentina**, freedom of association and commitment to labor rights are respected, and dialog and collective negotiation are much valued when it comes to reaching consensus and conflict resolution. All staff are covered by agreement, maintaining a seamless communication with the internal trade commissions at the local level and with sections of the banking association at the national level.

In other South American countries, the Group's employees are covered by some form of collective agreement, and 100% of the workforce is covered by an agreement in Colombia, Venezuela and Paraguay.

On the other hand, the regulations in force in the United States and Turkey do not require the same application of agreements to their workforces.

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 **work risk prevention** model at BBVA Spain 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.

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.

OCCUPATIONAL HEALTH (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
Abseentism rate (%)	3.9	2,9

In other geographical areas in which the Group is present, progress has also been made in 2020 in the field of occupational health and safety, much of which is the result of the activity of health and safety committees in which employees are fully represented in most countries.

In **Turkey,** BBVA was awarded the International Occupational Safety Award of the British Safety Council, one of the most respected authorities in the world regarding Occupational Health and Safety. Garanti BBVA is the first and only bank which has won this award in its sector in Turkey. In 2020, many studies were carried out on Emergency Management titles such as earthquakes and pandemics. Lots of best practices such as training, patient tracking systems, communication campaigns and risk management applications were implemented. During the year, 887 technical-preventive actions were carried out, 316 preventive actions for improving working conditions, and an absenteeism rate of 1.5% was recorded. 100% of employees continued to be represented on relevant platforms through employee representatives and health and safety committees.

In the **United States**, during 2020, 1 technical-preventive procedure was carried out and an absenteeism rate of 1.95% was recorded.

In order to protect the health and safety of employees in the context of COVID-19, various initiatives have been carried out: it has evolved towards a remote work model, providing them with equipment and technical capabilities, and processes have been established for the identification of employees considered as population at risk and for the self-assessment of COVID-19 symptoms and close contacts, in addition to tracking systems. Customer service hours were also modified, implementing a service model by previous appointment. In corporate buildings, security measures were increased, limiting entry points and allowing access exclusively to essential employees, also establishing the mandatory nature of a mask and social distancing measures, and business trips were restricted following the warnings of the Center for Disease Control of the United States (CDC). On the other hand, to respond to the needs of the pandemic, the conditions under which a leave or absence could be requested were extended and the terms of monetary compensation to the employee during said time of absence were defined. Likewise, essential medical programs have been offered at no additional cost to employees and medical services have been extended, covering 100% of COVID-19 treatment, in addition to the corresponding tests. In response to the voluntary legal provisions established due to the pandemic, the contribution plans and medical benefit programs have been modified, allowing employees to use their retirement savings to compensate for the financial difficulties derived from COVID-19. At all times, the Bank has opted for active communication with employees to keep them informed.

In **Mexico**, the staff is 100% represented in health and safety committees. During 2020 the various visits of health, safety and industrial hygiene, environment and civil protection authorities were attended. Policies for the prevention of psychosocial risks and the promotion of a favorable organizational environment at the national level were also developed and implemented. Questionnaires were applied to identify psychosocial risk factors to employees, in addition to working on the inclusion of regulatory compliance with the Health Safety Guidelines for all employees, including service providers. In the year, 1 technical-preventive procedure was carried out and an absenteeism rate of 1.52% was registered.

In **South America**, there is no uniform occupational health and safety management model for the entire region.

The most relevant local initiatives carried out in Argentina focused on the creation of the COVID-19 site, launching of dissemination campaigns, publications by internal communications, remote talks, an online course on COVID-19, as well as the planning of psychological sessions by virtual means.

In Venezuela, among the initiatives taken to respond to COVID-19, suspicious and positive cases were monitored, plans and protocols were developed, safe conduct, principles of prevention of unsafe and unhealthy conditions in the workplace, newsletters weekly, home care in case of COVID-19, talks on the correct use of the mask and teleconsultation for the network of offices.

By country, no technical-preventive actions were taken in Argentina, Peru, Uruguay whereas 1,992 were carried out in Colombia, 28 in Venezuela, and 19 in Paraguay throughout the year. For its parts, no preventive actions to improve working conditions were carried out in Argentina, Peru and Uruguay, whereas 3,526 were undertaken in Colombia, 42 in Venezuela and 356 in Paraguay. With regard to the absenteeism rate 2.85% was recorded in Argentina, 2.83% in Colombia, 1.40% in Peru, 3.08% in Venezuela, 1.36% in Paraguay and 2.40% in Uruguay. In Colombia, Paraguay and Uruguay, staff is 100% represented in health and safety committees.

VOLUME AND ABSENTEEISM TYPOLOGY OF EMPLOYEES (BBVA GROUP)

	2020			2019		
	Total	Male	Female	Total	Male	Female
Number of withdrawn	85,979	33,485	52,494	28,338	9,107	19,231
Number of absenteeism hours [1]	6,010,098	2,692,741	3,317,357	3,469,056	1,299,504	2,169,552
Number of accidents with medical withdrawn	191	67	124	316	108	208
Frequency index	2.48	2.20	2.71	2.01	1.63	2.34
Severity index	0.91	0.69	1.10	1.46	1.08	1.79
Absenteeism rate (%)	1.7	1.5	1.8	1.0	0.8	1.2

[1] Total withdrawn hours by medical leave or accident during the year.

In 2020, BBVA recorded a total of 191 cases of **work-related accidents** involving medical leave across the entire Group (only one out of every hundred cases of leave are due to accidents), most of them involving commuting accidents, which is 41% less than the previous year.

No cases of occupational disease were registered in Spain in the last year. The number of worked-related accidents was 97, of which 50 entailed 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. This policy is applied in all countries in which the Group is present.

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.

Overall, about 9,734 BBVA employees participated in more than 16,000 volunteer work initiatives promoted by the different subsidiaries of the Group in 2020, having dedicated more than 73,991 hours (28% during working hours and 72% outside working hours). The impact of these actions has directly benefited 24,454 people.

In **Spain**, 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.

In the **United States**, more than 1,900 employees have participated in volunteer activities mainly within the Blue Elf program in order to promote financial education among families and people pertaining to the low-income segment, which was developed online this year, and Volunteer Chapter Orientation. It is the country which has suffered the most significant decrease in the number of volunteers, due to the major impact that COVID-19 has had on the on-site activities.

In **Mexico**, 83 employees took part in activities that were carried out to improve outside areas and refurbish public school's classrooms. Likewise, more than 5,000 employees participated as mentors accompanying scholars from the BBVA Foundation program in Mexico. The total number of volunteers amounted to 5,135, maintaining the level of participation with respect to 2019.

In **Turkey**, Garanti BBVA employees have continued working in the voluntary clover club, whose mission is to improve social and environmental awareness and responsibility, chiefly through projects related to education, children, animals and the environment, of different social organizations in the country. 855 employees participated in these initiatives.

In certain **South American** countries, although COVID-19 has significantly impacted on the development of on-site volunteering, employees have carried out actions mainly related to social assistance.

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 Group, 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 Group, 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 Group,
- 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 BBVA Group 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 GROUP. EUROS)

	2020						2019[4]					
	< 25 years		25-45 years		> 45 years		< 25 years		25-45 years		> 45 years[4]	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management team [3][5]	-	-	63,033	50,756	106,962	70,483	-	-	63,721	45,788	117,168	83,729
Middle controls [3]	-	-	36,457	22,129	63,574	46,052	-	-	48,929	30,566	77,129	63,107
Specialists	11,974	9,682	23,610	20,352	37,644	34,425	12,311	10,508	23,668	20,598	36,001	31,365
Base positions	7,895	7,647	15,064	15,310	35,813	34,836	9,653	8,494	17,149	17,189	37,959	36,132

[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] The data reported in this table differe from those published in the Non-financial information report of 2019 due to additional amendments.
[5] This Group does not include the Top Management.

AVERAGE REMUNERATION BY PROFESSIONAL CATEGORY [1] GENDER AND COUNTRIES WITH SIGNIFICANT OPERATIONS (EUROS)

	2020						2019					
	Spain (BBVA, S.A)		Mexico		Turkey[3]		Spain (BBVA,S.A)		Mexico		Turkey[3]	
	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female	Male	Female
Management team [2]	117,091	105,851	129,274	93,406	47,160	40,567	116,821	105,974	151,778	114,625	61,381	43,993
Middle controls	67,403	62,692	65,047	53,233	18,184	14,864	67,722	62,723	77,396	61,574	22,645	19,029
Specialists	47,133	43,899	14,887	12,839	13,638	11,470	47,149	43,942	16,953	14,558	20,215	14,936
Base positions	42,547	38,919	5,269	5,317	6,025	6,088	42,168	38,493	5,887	5,875	9,225	8,997

[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.
[3] In 2019, data from The Netherlads and Romania are included within the Specialistas category. Nevertheless, in 2020, data from this subsidiaries have been segmented for each corresponding category.

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.

In addition, the large differences among the different reported groups with respect to the previous year are due to the exchange rate evolution in the main geographies where the Group operates throughout 2020. Likewise, during 2020, and as a result of the impact of COVID-19, the wage reviews have been limited in all the geographical areas, except in countries with very high inflation rates (Argentina and Venezuela) and, to a lesser extent, in Turkey.

The remuneration of the members of the Board is set out in Note 54 of the accompanying Group's Consolidated Financial Statements, on an individual basis and by remuneration category. As of 2020, for senior management members, the average total remuneration was €1,807 thousand for men and €1,535 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, gender and countries with significant operations) 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 the following[4]:

WAGE GAP (PERCENTAGE)		
	2020	2019
BBVA,S.A (Spain)	4.3	4.3
Mexico	(0.3)	(0.1)
Turkey [1]	(0.7)	(0.4)
BBVA GROUP	**1.1**	**1.3**

[1] In 2020, data from Garanti BBVA in Turkey, the Netherlands and Romania are included in Turkey, whereas in 2019 it only includes Turkey.

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.

[4] 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.

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 place where the Group's headquarters are located, employees located in Mexico and Turkey, such as the ratio between the total annual compensation (fixed remuneration plus accrued variable remuneration and contributions to pensions) of the highest paid person in each of the geographical areas 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.

The annual total compensation ratios are as follows:

ANNUAL TOTAL COMPENSATION RATIO

	2020	2019
Spain (BBVA, S.A.)	80.9	137.6
Mexico	180	233.3
Turkey	138.7	156.3

In 2020, the annual total compensation ratio is reduced compared to 2019 in the three geographical areas as a result of the resignation of the best paid person in each area 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 in a geographical area and the percentage increase in the median total annual compensation (fixed compensation plus accrued variable compensation and pension contributions) of all employees in the same geographical area, taking full-time annualized compensation, excluding the best paid person.

In the case of 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. In the case of Mexico, the drop in total annual compensation for the highest paid person was 7.8 times greater due to the same reason (5.9 times in 2019). With respect to Turkey, in 2020 there has been a decrease of 3.6% in the total annual compensation of the highest paid person, and an 8.6% increase in total median annual compensation for the workforce.

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. As shown in the table below, BBVA's entry wage is higher than the local legal minimum wage in these geographic areas:

RATIO OF STANDARD ENTRY LEVEL WAGE BY GENDER COMPARED TO LOCAL MINIMUM WAGE

	2020		2019	
	Male	Female	Male	Female
Spain (BBVA,S.A)	1.4	1.4	1.5	1.5
México	1.5	1.5	1.8	1.8
Turkey	1.3	1.3	1.3	1.3

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 Group'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 Group 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 geographical area. 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 Group has a local implementation framework, according to which each entity, in accordance with its sector of activity and the geographical area in which it operates, 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 Group'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 BBVA Group, ensure that conduct adheres to the internal values of the Organization. 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 Consolidated 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 Organization 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 Organization.
- 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. The BBVA Group´s commitment to improving the various social environments in which it operates is also a constant in the objectives it peruses.

In addition, the Group 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 imposed by the competent authorities of the various geographical locations in which the Group operates.

As a result of the above, as a global financial group with branches and subsidiaries operating in numerous countries, BBVA applies the compliance model described above for AML **risk management** in all the entities that make up the Group. 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 Group 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 in each geography.

During 2020, BBVA continued with the deployment of the new **monitoring tool which allows advanced functionalities** in Mexico, the United States, Portugal, Peru, Colombia, Argentina, Malta and Cyprus, having already deployed the tool in Spain and Turkey. Likewise, the Group continued 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 2020, the BBVA Group handled 167,127 investigation **files** that resulted in 82,361 reports of suspicious transactions sent to the corresponding authorities in each country, mainly in jurisdictions such as Mexico, the United States and Turkey.

In terms of **training** related to AML, each of the BBVA Group entities 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. In 2020, 97,573 attendees participated in AML training activities; this figure includes 18,838 employees belonging to the most sensitive groups from the perspective of AML.

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 the Group's parent company. 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 BBVA Group. This supervision scheme is also replicated at the local level, through the committees corresponding to each geography.

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 Group's strategy.

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, applicable in all of the Group's jurisdictions and 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 that operate in the Group. Over the course of the year, these committees analyzed more than 500 new Group products, services or activities.
- 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. These certification requirements for providing financial services to customers are also present in the regulations applicable in other geographies and, in this regard, the number of certified sales forces in the Group, following the requirements of local regulations in each country, amounts to 25,766 employees in investment products and services and 23,829 employees in all other products as of December 31, 2020.
- Training on identifying, managing and logging situations of potential conflict of interest during the provision of services to customers. In this respect, a total of 22,800 Group employees completed this training during 2020.
- 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 the BBVA Group. 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 Group. In order to manage this regulation, BBVA has the GESRIC tool, which is in continuous development and has been implemented throughout the entire Group for over a decade. 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, in several of the Group's jurisdictions, 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 relevant authorities in each country.

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 Group 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 was undertaken by a group of 2,067 employees in the Group, which represents almost all of the group affected by the regulation.

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

The BBVA Group has a set of Personal Data Protection Principles that establish the guidelines for compliance in the matter of personal data. They are applicable to all geographies in which BBVA operates, particularly 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 own local legislation, data privacy policies or notices in each geography explaining how the Group's entities collect, process and protect the personal data of their customers, suppliers and employees, as well as of any other persons who provide their personal data to the relevant Group company.

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 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 in BBVA is the Group'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 BBVA's General Anti-Corruption Policy are available to both business partners and other third parties on BBVA's shareholders 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, ii) 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 on the General Anti-Corruption Policy was globally boosted. In this sense, it is noteworthy the launch of a corporate online course in most of the jurisdictions in which BBVA is present. At the closing of 2020 financial year, this course had been taken by a total of 77,184 employees.

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, applicable to the entire Group, 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 Group 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

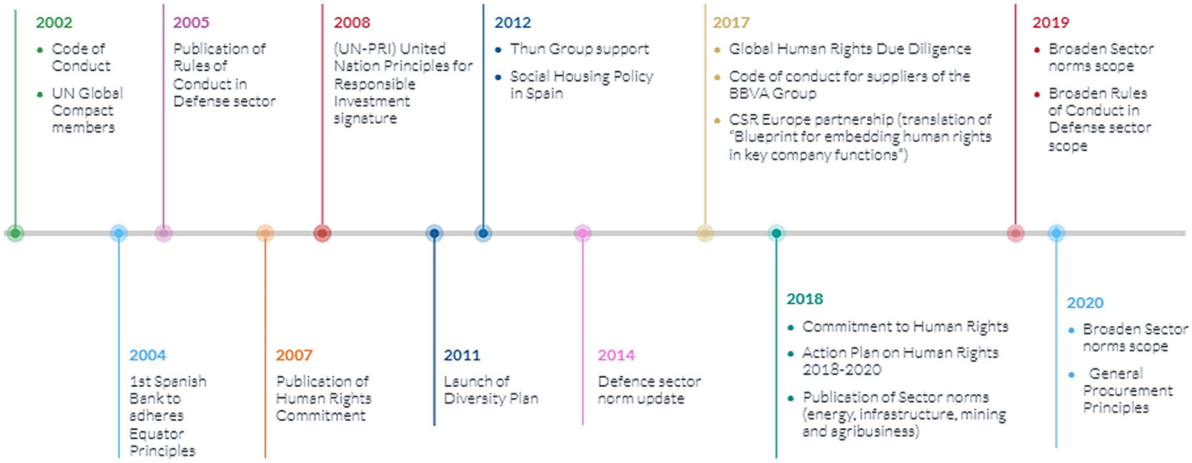
BBVA is committed to compliance with all applicable laws and to respect for internationally recognized human rights. This commitment applies to all of the relationships that BBVA establishes with its customers, suppliers, employees and with the communities in which it conducts its business and activities.

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 the various different areas and countries in which it operates 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 Group. These issues are grouped into four areas that serve as the basis and foundation of the Group'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 Group 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 the BBVA Group'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 Group'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 BBVA Group 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 strategy, which includes sustainability and climate change as one of its priorities, has a transversal nature, being the responsibility of all areas of the Group to incorporate it progressively into their strategic agenda and their work dynamics.

Taken into account the two main focal points of action in relation to sustainability, the Group has set itself some specific targets (hereinafter the "**Group's 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 Group'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 Group's capabilities in the field of data and technology to drive the development of the strategy, which includes sustainability and climate change as one of its priorities, 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 Group's various different units.

Finally, a **network of experts** has been established, comprising sustainability specialists from different areas of the Group (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 Group. 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.

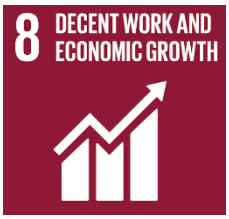
Ensure sustainable consumption and production

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 an 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 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 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.

Socially responsible investment

In the area of socially responsible investment (SRI), BBVA assumed its **commitment** to SRI in 2008 when it joined the United Nations Principles for Responsible Investment (PRI) through the employee pension plan and one of the Group's main asset managers, Gestión de Previsión y Pensiones (Social Security and Pensions Management) in Spain. The goal then was to start building BBVA's own **responsible investment** model from the ground up, with the initial implementation focused on employment pension funds, to then be extended to the rest of the Group's managers.

In **2020, BBVA Asset Management** (BBVA AM), the Group's investment management unit that brings together all its asset management activities around the world, developed its **sustainable investment plan**, which marks a significant leap in the goal of integrating sustainability, setting itself the target of incorporating sustainability practices into all investment portfolios and products. This plan will be developed over the next few years, and its implementation and deliverables will materialize in BBVA's various asset management businesses over several phases. The pillars of action for incorporating sustainability into the business are as follows:

- **Integrating ESG criteria** into the investment process, carried out through the development of its own model that integrates extra-financial criteria into management. To this end, BBVA AM will create an internal ESG measurement rating for all instruments in the portfolio, whether issuances of government debt, corporate debt or equity, and mutual funds; this part will be carried out with the support of Quality Funds, BBVA's department of analysis and selection of third-party funds.

- **Exclusions Policy:** Development of an exclusion policy that will affect companies facing severe controversies, companies that do not comply with the United Nations Global Compact, and sectors that are considered intrinsically harmful to society. In relation to the latter point, the Defense Performance Standard applies to all units and subsidiaries of the BBVA Group, and therefore to all vehicles that are managed within the BBVA AM business in all geographical areas. For its application, BBVA uses exclusion lists of companies and countries, drawn up and updated periodically, with the help of an independent expert advisor. These lists include companies and countries related to defense equipment, military, police and security armaments, ammunition, explosives, etc., which are automatically excluded from the list of companies in which BBVA can invest.
- **Involvement and voting policy:** Development of its own voting policy based on BBVA's best practices and beliefs on how to promote the sustainable creation of long-term value for companies. In 2020, BBVA AM exercised its political rights through attending 151 general shareholders' meetings (of Spanish companies and European and US foreign companies whose securities are held in the portfolios of the various investment vehicles managed by BBVA AM). BBVA AM will make use of dialog with the companies in which it invests to encourage them to incorporate the most important sustainability issues into their strategic plans. Likewise, it is committed to gradually joining agreements and collaborating with organizations that promote the principles of responsible investment.

In 2020, in the field of Socially Responsible Investment, €906m net of reimbursement have been raised through sustainable funds.

ASSETS UNDER MANAGEMENT WITH SRI CRITERIA (BBVA ASSET MANAGEMENT. MILLIONS OF EUROS)		
	31-12-20	**31-12-19**
Total assets under management	**109,355**	**113,651**
Europe	72,376	75,645
Mexico	26,034	27,708
South America	7,433	6,341
Turkey	3,512	3,957
SRI strategy applied		
Exclusion [1]	109,355	113,651
Vote [2]	72,376	75,645
Integration [3]	9,053	8,844

[1] The exclusion strategy applies to 100% of the assets under management.

[2] The vote strategy applies to 100% of the assets under management in Europe for those instruments, in BBVA AM portfolios, that generate voting rights and their issuers are in the European geographical area.

[3] The integration strategy is applied in ISR pension plans and mutual funds of the Europe business.

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.

In this regard, the BBVA Microfinance Foundation promotes the sustainable economic and social development of vulnerable entrepreneurs. It has two lines of action: to build a group of sustainable and innovative microfinance entities and to promote the transformation of the microfinance sector. It also promotes education and developing financial and management skills. In 2020, it provided financial education and technical training to 396,601 people.

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 plans to mobilize €100,000m between 2018 and 2025 (with 70% earmarked for green financing), **BBVA has effectively mobilized a total of €50,155m** in sustainable activities up to 2020, distributed as follows:

FUNDS MOBILIZED THROUGH THE 2025 PLEDGE (MILLIONS OF EUROS)

	2020 production	(%)	2019 production [2]	(%)
Green financing	**10,635**	**52**	**11,502**	**63**
Certified fixed-purpose green loans	655		403	
Green KPI-linked loans	1,773		2,687	
Corporate green financing	4,203		4,440	
Green project finance	902		1,165	
Intermediated green bonds	2,932		2,719	
Green insurance	0.2		-	
Green retail financing	170		87	
Social Infrastructures and agribusiness	**2,920**	**14**	**1,634**	**9**
Certified fixed-purpose social loans	106		-	
Social KPI- linked loans	182		39	
Social corporate finance	1,653		1,569	
Social infrastructure project finance	282		22	
Intermediated social bonds	697		-	
Social retail funding	0.3		4	
Financial inclusion and entrepreneurship	**2,148**	**11**	**2,325**	**13**
Financial inclusion	776		686	
Loans to vulnerable entrepreneurs [1]	944		1,426	
Loans to female entrepreneurs	267		96	
Impact investment	161		116	
Other sustainable mobilization	**4,602**	**23**	**2,687**	**15**
ESG- linked loans	1,509		1,116	
KPI-linked loans	1,172		-	
ESG-linked and KPI-linked loans	258		-	
Sustainable structured deposits	206		51	
Intermediated sustainable bonds	551		497	
Socially responsible investment	906		1,022	
Total	**20,306**	**100**	**18,147**	**100**
Total 2025 Pledge (accumulated to 2020)	**50,155**		**29,849**	

[1] 98.8% vulnerable.

[1] The data has been updated with respect to those published in previous reports due to post-2019 adjustments.

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.

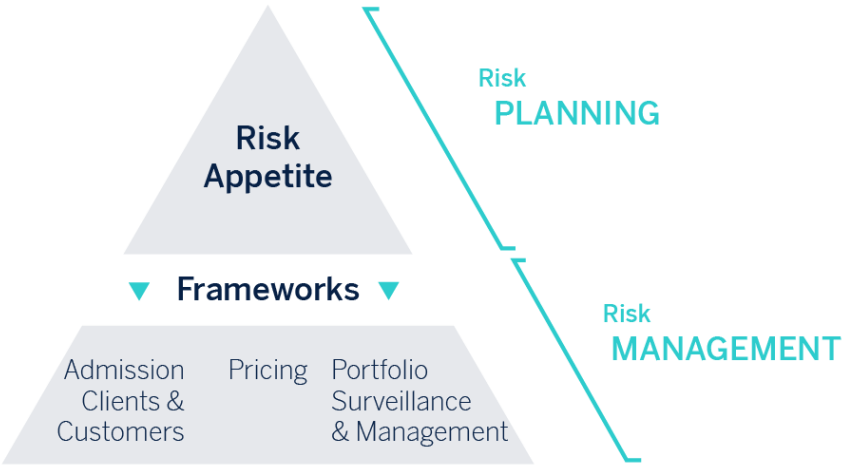
Integrating climate change into risk planning

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.[5]

[5] 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.

Risk management in the BBVA Group is based on two large blocks described below: risk planning and day-to-day risk management.



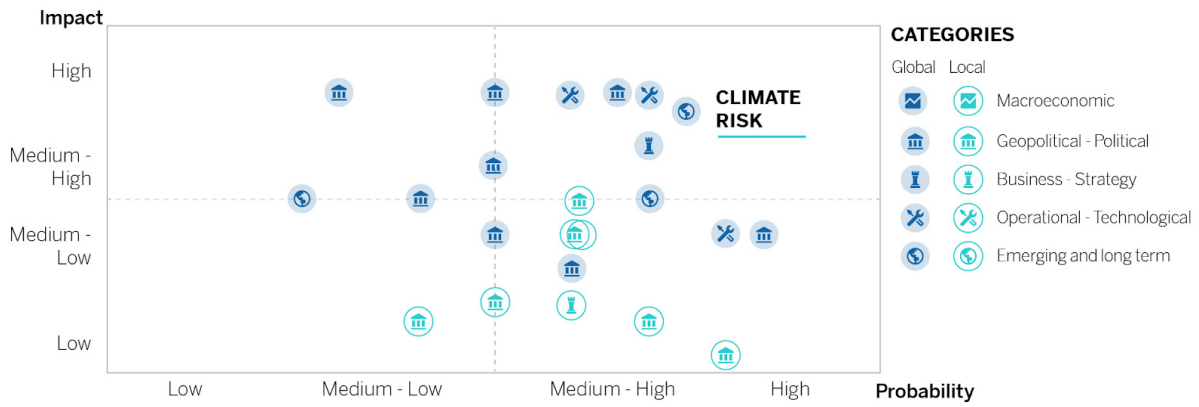
Risk Assessment

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 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						
Retail credit						
Liquidity and funding						
Markets						
Operational						
Insurance						

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

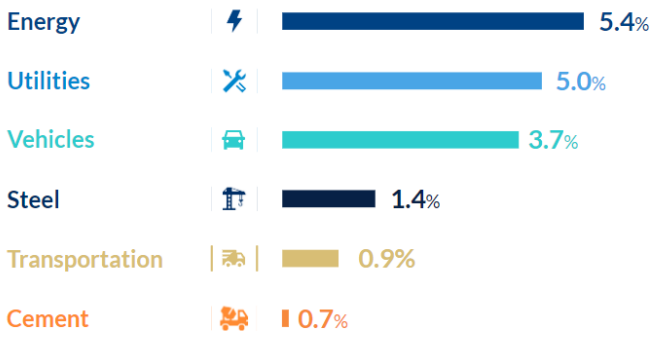
BBVA, within the scope of preparing and defining its industry frameworks governing the credit admission process, has developed an **internal Taxonomy of transition** risk in order to classify industries according to their sensitivity to transition risk. In addition, metrics are identified at the client 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 over the EAD of the wholesale portfolio at December 31, 2020 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.

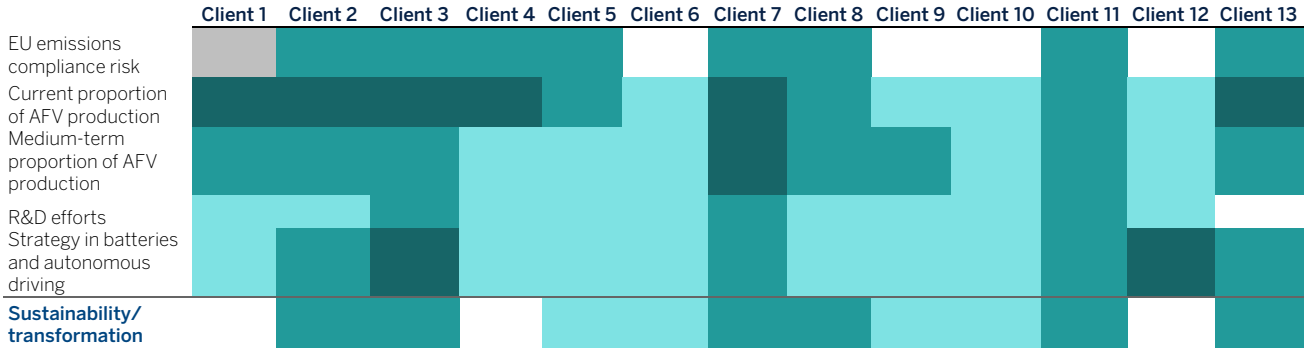
In wholesale banking, the prevailing analysis dimension is the sectorial, detailing sub-sectors or specific activities, combined with the geographic consideration, especially in regulated sectors.

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 sectorial 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 CO2 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. The main geographical areas impacted are Spain, the United States and Mexico.

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 Group's portfolio with the greatest exposure to this type of risk is the mortgage portfolio, which accounts for 53% of the total retail portfolio, with a special focus on Spain, Mexico and the United States. Throughout 2021, work will be done to identify the location of the buildings financed by BBVA, using geolocation maps and analytical algorithms in order to create a heat map, identifying the areas most exposed to adverse weather events (e.g. in Spain housing on coasts impacted by flooding or in Mexico the areas exposed to hurricanes). 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.

OPERATIONAL DATA ANALYZED ACCORDING TO THE EQUATOR PRINCIPLES CRITERIA

	2020	2019
Number of transactions	30	39
Total amount (millions of euros)	12,061	15,287
Amount financed by BBVA (millions of euros)	1,304	2,437

Note: of the 30 transactions analyzed, 9 fail under the Equator Principles, and the remaining 21 were analyzed voluntarily by BBVA using the same criteria in 2020 (39, 16 and 23 respectively, in 2019).

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.

GLOBAL ECOEFFICIENCY PLAN GOALS 2016-2020		
Vector	**Indicator**	**Global target**
ENVIRONMENTAL MANAGEMENT AND SUSTAINABLE CONSTRUCTION	% occupants in certified buildings	46%
ENERGY AND CLIMATE CHANGE	Consumption per occupant (kWh/occup)	-5%
	% Energy from renewable sources	48%
	CO_2eq emissions per occupant (tCO2eq/occp)	-8%
WATER	Consumption per occupant (m^3/occup)	-5%
	% Occupants in buildings with alternative water sources	9%
PAPER AND WASTE	Paper consumption per occupant (kg/occup)	-5%
	% Occupants in buildings with separate waste collection	30%
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. This system has been implemented in Argentina, Colombia, Spain, Peru, Uruguay, Mexico and Turkey, meaning that a total of 80 buildings and 1,034 branches have this certification. In Turkey, the headquarters building has the WFF Green Office certification, which certifies this environmental management system and promotes the ecological footprint and carbon emissions reduction.

   Furthermore, 3 buildings in Spain 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, 21 buildings and 10 offices of the Group have been awarded the prestigious LEED certification for sustainable construction, including the Bank's main headquarters in Spain, Mexico, the United States, Argentina and Turkey. Of these, three have received the highest certification category, LEED Platinum, thereby recognizing BBVA's effort to have the best environmental and energy standards in its buildings.

   There are also 2 buildings and 12 branches in the United States with Energy Star certification, a program by the United States Environmental Protection Agency created in 1992 to promote efficient electricity consumption, thereby reducing the emission of greenhouse gases.

   This year, the EDGE certification has been achieved in the canteen of BBVA's headquarters in Lima, Peru. , an international ecological construction certification created by the World Bank's International Financial Corporation (IFC).

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, and in Mexico, the United States, Argentina, Colombia, Peru and Turkey it has already reached a significant percentage, thus contributing to the Group's figure of 65% renewable consumption.
- Furthermore, several countries such as Turkey, Uruguay and Spain have 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 of Spain and Mexico 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 the 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 Group 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 114 buildings and 183 branches in 113 cities in Spain, Portugal, Mexico, Colombia, Argentina, Turkey, Peru, Uruguay and the United States to support the fight against climate change.

MAIN INDICATORS OF THE GLOBAL ECO-EFFICIENCY PLAN

		2020[3]		2019[4]	
	Objetivo 2020 (%)	KPI (%)	Reference value	KPI (5)	Reference value
People working in the certified buildings (%) [1]	46	48	-	47	
Electricity usage per person (MWh)	-5	-17	5,33 MWh/ocup	-9	5,88 MWh/ocup
Energy coming from renewable sources (%)	48	65	-	37	
Co_2 emissions per person (T) [2]	-8	-65	0,85 TCO2/ocup	-17	2,00 TCO2/ocup
Water consumption per person (m^3)	-5	-24	19,75 m3/ocup	-19	21,12 m3/ocup
People working in buildings with alternative sources of water supply (%)	9	16	-	17	
Paper consumption per person (T)	-5	-58	0,02 T/ocup	-27	0,04 T/ocup
People working in buildings with separate waste collection certificate (%)	30	46	-	45	

Note: These indicators are calculated on the basis of building occupants. Base year: 2015. 2015 data have been restated in Argentina, Colombia and Mexico in order to make the historic series homogenous and comparable du e to modifications on the perimeter.

[1] Including ISO 14001 and LEED certifications and Energy Star.

[2] It includes scope 1, scope 2 market-based, 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 thresholds.

[3] These data include the following countries: Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey, the United States and Uruguay. Certain 2020 data are estimatios as are the closing of this report the complete information for 2020 was not available.

[4] Updated data with the real consumptions after the closing of 2019.

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 throughout the Group.

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 Group's environmental footprint shows very positive data compared to the previous year, with reductions of 58% in CO2 emissions (according to the market-based method), 9% in electricity consumption, 6% in water consumption and 42% in paper (all per person). The percentage of renewable energy consumption has reached 65%, which far exceeds BBVA's target for this year, and the percentage of people working in buildings with environmental certification reached 48%. 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 GROUP)[8]

	2020	2019 (7)
Consumption		
Public water supply (cubic meters)	2,806,101	2,966,426
Paper (tons)	3,661	6,272
Energy (Megawatt hour) [1]	826,832	921,130
CO_2 emissions		
Scope 1 emissions (tons CO_2e) [2]	12,467	17,092
Scope 2 emissions (tons CO_2e) market-based method [3]	100,589	221,405
Scope 2 emissions (tons CO_2e) location-based method [4]	286,936	325,116
Scope 3 emissions (tons CO_2e) [5]	7,506	56,700
Business trips [5]	7,506	42,635
Employees commuting [6]	-	14,065
Waste		
Hazardous waste (tons)	31	168
Non-hazardous waste (tons)	5,516	5,464

[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 CO_2e.

[3] Emissions from electricity consumption, calculated based on the latest emission factors available from the IEA for each country.
[4] Emissions from electricity consumption and calculated in accordance with the energetic mix and based on the latest 2006 IPPCC Guidelines for National Greenhouse Inventories. For its conversion to CO2e IPPCC Fifth Assessment Report and IEA emission factors have been used as source.

[5] Emissions from plane business trips using factors published by DEFRA in 2020.

[6] Emissions from employees commuting to the workplace have not been calculated this year, as more than 3/4 of the year the employees have been working remotely.

[7] 2019 data have been updated with respect to those published in previous reports due to post-2019 adjustments.

[8] These data include Argentina, Colombia, Spain and Portugal, Mexico, Peru, Turkey, The United States and Uruguay. 2020 last quarter data are estimations as the real consumptions are not known until the first quarter of 2021.

Given the business activities in which the BBVA Group engages, the Group 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.

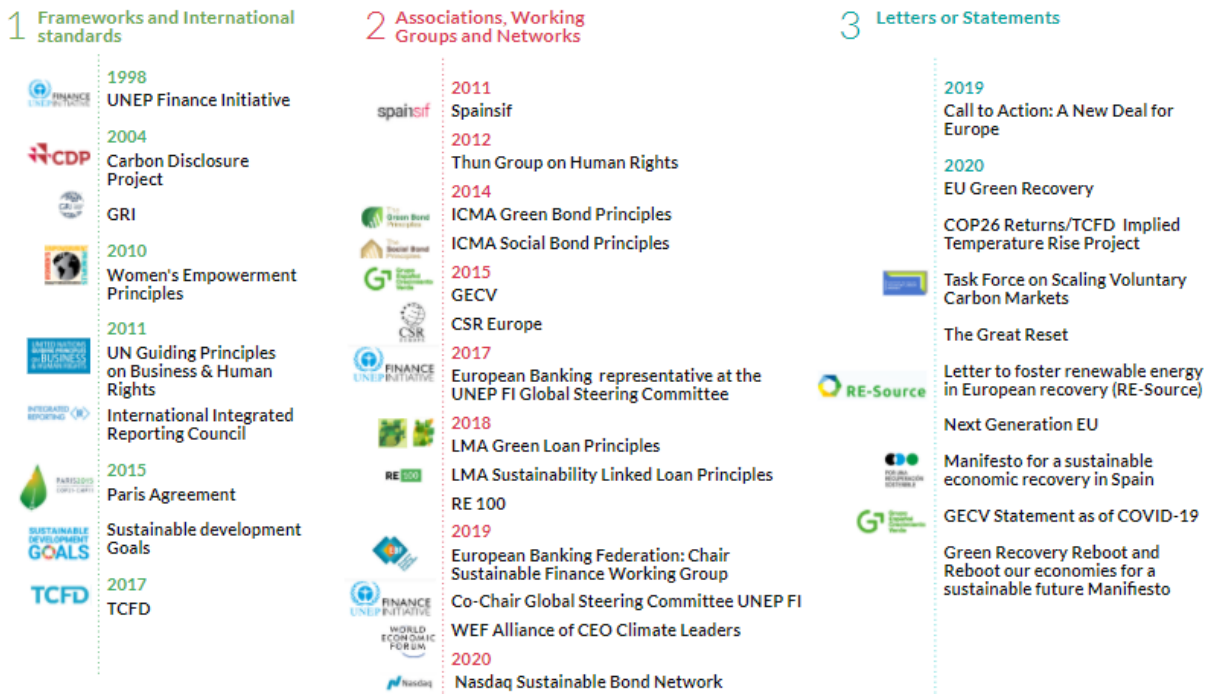
For years, BBVA has been actively involved in various supranational initiatives and seeks to continue leading the international agenda in tackling climate change. Among others, BBVA has signed its commitment to the following initiatives:

In 2020, **BBVA Insurances** subscribed to the Principles for Responsible Investment (PRI) and is therefore applying an investment strategy that seeks to improve the ESG rating of the assets in its investment portfolios. As such, in addition to financial aspects, such as profitability and risk, our investment decisions also include environmental, social and good governance criteria in order to contribute to the fight against climate change, promote maximum equality and social inclusion, and exhibit solid and transparent corporate governance.

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:



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. The Group 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 **Bloomber 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[6]:

DJSI World (2nd in the world) 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.

[6] 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.

Contribution to society

Community investment

In 2020, the BBVA Group allocated **€142.2m** to the investment in social programs that benefited **12.2 million** people. This figure represents a 4.61% of the adjusted net attributable profit and an increase of 24.9% compared to 2019:

COMMUNITY INVESTMENT (MILLIONS OF EUROS AND PERCENTAGE)[1][2]

	2020	%	2019	%
Spain and corporative areas	29.6	20.8	28.9	25
The United States	16.5	11.6	14.1	12
Mexico	55.1	38.9	30.9	27
Turkey	7.6	5.3	4.7	4
South America	3.6	2.5	4.8	4
Foundatios	29.7	20.9	30.4	27
Total	**142.2**	**100**	**113.8**	**100**

[1] It includes the association or sponsoring activties, the "BBVA's social response to COVID" Plan as well as the overall of iniciatives carried out under the London Benchmarking Group initiatives over the total amount of 2020.

[2] It includes the monetary contribution (81.3%) the management costs (18.4%) and in kind (0.3%) over the total amount of 2020.

The goals and progress in the number of beneficiaries are as follows:

GOALS AND PROGRESS RELATED TO THE DIRECT BENEFICIARIES OF THE COMMUNITY INVESTMENT (MILLION PEOPLE. 2020)

	Community investment[2]		Beneficiaires[3]	
	2020 Goal	2020 Progress	2020 Goal	2020 Progress
Social response to COVID	35	35.7	-	3.5
Finance education	5.3	2.6	0.5	0.3
Entrepreneurship	1.1	1.6	2.2	2.6
Knowledge	0.1	0.1	-	-
Education	40.4	40.4	0.7	0.7
Culture	11.3	8.7	3.5	1.4
Science	15.0	12.8	3.0	3.5
Support to social entities and other	14.4	11.5	0.5	0.2
Others	2.0	2.0	-	-
Total	**124.4**	**115.4**	**10.4**	**12.2**

(1) The community investment figures for the setting of objectives and progresses only include monetary contribution.

[2] The estimation of investment for 2020 is made using the information given by countries in the budgeting process 2019 and the adjustments made in March, 2020 as a result of the crisis, which includes the commitment of €35m for the fight against COVID-19.

[3] Beneficiaries data only include those who receive a direct benefit from BBVA's community investment.

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 Social Response to COVID-19 Plan was addressed.

It is worth noting that, in addition to the 12 million people benefited directly, 27.6 million people acquired knowledge through BBVA Platforms access.

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.

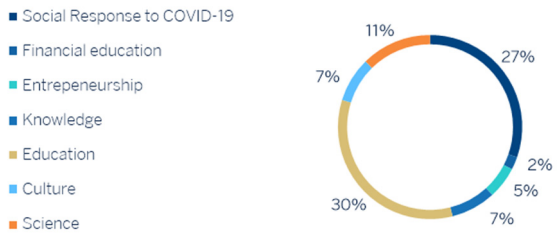
In accordance with the Corporate Social Responsibility Policy, approved by the Board of Directors in 2020 and available for consultation on the shareholders and investors Group website, BBVA implements its commitment to society through supporting the development of the societies in which the Group is present.

During the year, BBVA's contribution to society includes 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

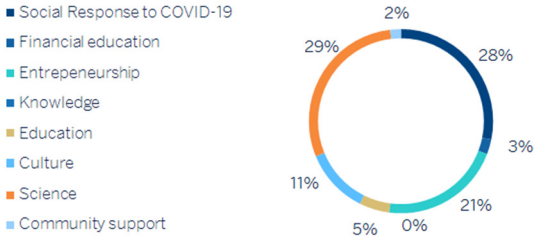
by the Investment in Social Programs Plan, still in force: **financial education**, **social entrepreneurship** and the **knowledge**, **education** and **culture**. In 2020, BBVA worked as well on a new plan development, which will be published during the first quarter of 2021 and to which BBVA expects to gain social impact achievement, specifying details in its Community Pledge 2025.

BBVA's investment on society and its beneficiaries in 2020 are disclosed below, to whose calculation, BBVA uses the London Benchmarking Group methodology, which is an international standard that offers a measurement model of the social and environmental investment performed by companies, further than their main businesses:

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.

Through this Plan, which benefited 3.5 million people in 2020, BBVA donated €35.7m 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, 11% 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, which were also allocated to the three lines of action outlined above.

This social response plan covers the following countries: Argentina, Colombia, Spain, the United States, Mexico, Paraguay, Peru, Portugal, Turkey and Uruguay.

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 in all countries where BBVA is present. 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 319,395 people, including children and young adults and SMEs, benefited from the financial education initiatives. This year, the Group began to gradually reduce its initiatives for children as schools come to train on this field, establishing the Group a major focus on the financial health of the vulnerable groups. This change meant an 83.25% down of the beneficiaries number.
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 Group 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. More than 13 million people accessed the digital contents of financial education through some BBVA's channels and the Center for Education and Financial Capabilities.

In 2020, €2.7m were spent on financial education, representing a year-on-year decline of 64.8%. The BBVA's commitment to financial education is long-term, with €91.4m invested and 15.8 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 €7.7m to entrepreneurship initiatives that benefited 2.61 million 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. In 2020, 100 entrepreneurs have taken part in the Mexico edition, the only one celebrated this year. Additionally and in this field, the action of the BBVA Microfinance Foundation is noteworthy, whose initiatives will be detailed later in this chapter.

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 €79.1m which benefited 5.6 million people. In addition, 2.2 million people accessed the contents of education, science, culture and economy.

BBVA contributes to the dissemination of **knowledge** through BBVA Research, the support to the BBVA Foundation 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. For its part, the initiatives to support science, mainly promoted by BBVA Foundation (research, knowledge spaces, recognition and networking) benefited 3.59 million people. The BBVA Foundation initiatives in the field of science and knowledge will be detailed later in this chapter.

The **education** for society is an important aspect of BBVA's social investment (30%), as it continues to support the access to education, educational quality and the development of 21st century key skills as sources of opportunity, benefiting 648,921 people in 2020. BBVA Foundation initiatives in this field will be detailed later in this chapter.

On the one hand, BBVA promotes the access to education for vulnerable children and young through scholarship programs in Mexico, Colombia, Peru and Venezuela. In 2020, 67,573 children and young were benefited.

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.

Finally, BBVA Foundation also develops educational programs. Its initiatives in the culture field will be detailed later in this chapter.

The promotion of **cultural creation** is an axis for knowledge generation. The Group focuses its support on classic music, especially in contemporary music, plastic arts, videoart and digital art, literature and theatre. BBVA Foundation initiatives in the cultural field will be detail later in the chapter. In 2020, 1.4 million people benefited from this initiatives. Likewise, the different local banks that form the Group promote culture in their countries with a wide diversity of activities.

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 global amount of these contributions in 2020 was €36.9m. In 2020, the BBVA Group made:

- 833 donations to foundations and non-profit organizations for an amount of €27m; and
- 564 allocations to foundations and non-profit organizations for an amount of €9.9m.

BBVA channelled all the above initiatives through the different banks of the countries where the Group is present, corporate foundations and the support to other foundations such as BBVA Foundation and BBVA Microfinance Foundation, among others, contributing to the development of the societies in which they operate. In this regard, the foundations play a key role in channeling a significant part of the Group's social investment initiatives.

The **BBVA Foundation** focuses its activity on building knowledge. Expanding the frontiers of inherited knowledge is one of the most effective ways to successfully address the problems that affect society today, such as the environment, sustainable development, health, demographic changes, globalization, social integration and innovation with the goal of creating opportunities for society as a whole.

The direct promotion of scientific research is one of the levers of the BBVA Foundation, along with the dissemination of knowledge generated through conferences and digital spaces, and the recognition of talent through awards such as the BBVA Foundation Frontiers of Knowledge Awards. Among the initiatives promoted by the BBVA Foundation in this area throughout 2020, the special call for aid for scientific research teams in biomedicine, ecology and veterinary science, Big Data, economics and social sciences, and humanities in order to study COVID-19 from each of these five areas. Furthermore, 59 Leonardo Grants were awarded in 2020. Since 2014, the Leonardo Grants have benefited a total of 427 researchers with highly personal projects and a total budget of €13m. Furthermore, 45 grants were awarded to research teams in 2020 (45 projects and 509 scientists). Since 2014, the Scientific Research Grants have benefited teams, with an accumulated allocation of €16m.

In the field of acting for education for the society, BBVA Foundation activities share space with other Group initiatives. In 2020, 453,262 people benefited from its programs in this area, which are structured in several lines. The Foundation facilitates the access to advanced training through Scholarships for South American students to study a Master's Degree in Protected Natural Areas and promotes social and educational innovation and talent among teachers, providing them with access to training, knowledge, visibility and networks, through various different initiatives.

Likewise, the BBVA foundation boosts to the cultural creation of excellence as described above, particularly through concert series at its Madrid and Bilbao headquarters, the Leonardo Grants for Cultural Creators and the BBVA Foundation's Multiverse Scholarships for the Creation of Video Art. It collaborates with the Guggenheim Museum Bilbao, the Joan Miró Foundation and the Thyssen-Bornemisza Museum (through its digital program), as well as with the Teatro Real, the Gran Teatre del Liceu, ABAO Bilbao Opera, the Madrid Symphony Orchestra and the Reina Sofía School of Music for training performers.

For its part, the **BBVA Microfinance Foundation** (BBVAMF), established in 2007 by BBVA under the framework of its corporate social responsibility to support vulnerable entrepreneurs through a commitment of €200m and its more than 160 years of experience. In addition to financial products and services, our microfinance institutions provide entrepreneurs with advice and training for the administration and management of their businesses.

Despite the crisis generated by COVID-19, the BBVAMF has continued its work throughout 2020 and has maintained a close relationship with the more than 2.61 million vulnerable entrepreneurs (57% women) whom it serves thanks to the digital transformation process, which began some years ago. The total volume of microloans granted was €944m, with an average amount of €1,235 per microloan.

Since its constitution in 2007, BBVAMF entities have disbursed a combined total of €12,654m to a total of 5 million low-income entrepreneurs in South America. In January 2020, the Organization for Economic Cooperation and Development (OECD) **recognized the Foundation's work by ranking it as the second most important private philanthropic entity in the world for its contribution to development**, second only to the Bill & Melinda Gates Foundation, and the first most important in South America.

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 Group 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 the BBVA Group, 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

The BBVA Group 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 Group'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 Group to carry out an integrated management of its fiscal positions and risks in a manner consistent and in conjunction with other risks.

The BBVA Group'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 Group. 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 Group 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 Group's Fiscal Strategy, BBVA maintains a cooperative relationship with the tax administrations of the countries in which we operate 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 **transparency** in paying taxes and this is the reason why, for yet another year, The Group voluntarily breaks down the total tax contribution in countries in which it has a significant presence.

BBVA Group's **total tax contribution** (TTC), includes its own and third parties payments of corporate income 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. In other words, this includes both the taxes related to the BBVA Group companies (taxes that represent a cost to said companies and affect their results) and taxes collected on behalf of third parties. The TTC Report provides all stakeholders with the opportunity to understand BBVA's tax payment and represents a forward-looking approach, as well as a commitment to corporate social responsibility, by which it assumes a leading position in fiscal transparency.

GLOBAL TAX CONTRIBUTION (BBVA GROUP. MILLIONS OF EUROS)		
	2020	2019
Own taxes	3,288	3,702
Third-party taxes	5,037	5,588
Total tax contribution	**8,325**	**9,290**

Offshore financial centers

The BBVA Group maintains an express **policy** on activities in entities permanently registered in offshore financial centers, which includes a plan for reducing the number of offshore financial centers in which the Group is present.

As of December 31, 2020, BBVA's permanent establishments registered in offshore financial centers considered tax havens by both the OECD and Spanish regulations are securities companies: BBVA Global Finance, Ltd., Continental DPR Finance Company, Garanti Diversified Payment Rights Finance Company and RPV Company

Issuers of securities

BBVA Group has four **issuers** registered in Grand Cayman, two of which belong to the Garanti Group.

BRANCH AT OFFSHORE ENTITIES (BBVA GROUP. MILLIONS OF EUROS)		
Securities issuers	**31-12-20**	**31-12-19**
Subordinated debts [1]		
BBVA Global Finance LTD	163	178
Other debt securities		
Continental DPR Finance Company [2]	19	35
Garanti Diversified Payment Rights Finance Company	1,104	1,604
RPV Company	1,247	1,355
Total	**2,533**	**3,172**

[1] Securities issued before the enactment of Act 19/2003 dated 4 July, 2003.
[2] Securitization bond issuances in flows generated from export bills.

Supervision and control of the permanent establishments of the BBVA Group in offshore financial centers

BBVA Group has established risk management **policies and criteria** for all its permanent establishments in offshore financial centers as for the rest of the entities within the Group.

The BBVA Internal Audit area performs risk-based reviews of the BBVA Group's offshore financial centers permanent establishments of the BBVA Group verifies: i) the adequacy of its operations to the definition of the corporate purpose, ii) compliance with corporate policies and procedures regarding customer knowledge and prevention of money laundering, iii) the veracity of the information sent to the parent company, and iv) compliance with tax obligations in accordance with the applicable regulations of each jurisdiction. In addition, in the same way, it performs reviews, based on risks, of compliance with the Spanish regulations applicable to transfers of funds between the Group's banks in Spain and its entities established in offshore financial centers.

In 2020, both the Internal Audit Area and the BBVA Compliance Department monitored the action plans derived from the audit reports of each of the establishments.

For 2020, as far as **external audits** are concerned, all of the BBVA Group's permanent establishments registered in offshore financial centers have the same external auditor (KPMG), except Continental DPR Finance Company.

Other tax information by countries

TAX INFORMATION BY COUNTRIES (MILLIONS OF EUROS)

	2020				2019			
	CIT payment cash basis	CIT expense consol	PBT consol [1]	Subsidies	CIT payment cash basis	CIT expense consol	PBT consol [1]	Subsidies
Spain [2][3]	(699)	(7)	(2,108)	-	(15)	226	(911)	-
The United States[4]	118	85	551	-	135	123	751	-
Mexico	1,250	721	2,491	-	964	993	3,544	-
Turkey	348	362	1,394	-	246	289	1,151	-
Colombia	104	77	249	-	97	128	438	-
Argentina	137	81	205	-	27	37	234	-
Peru	156	91	325	-	205	172	636	-
Venezuela	-	7	8	-	-	1	(8)	-
Chile	19	8	32	-	30	19	69	-
Uruguay	12	8	37	-	11	8	53	-
Paraguay	3	3	26	-	8	3	34	-
Bolivia	3	3	12	-	3	3	11	-
Brazil	-	-	2	-	-	-	-	-
Curaçao	-	-	2	-	-	-	6	-
Romania	8	4	27	-	4	7	43	-
Portugal	5	14	42	-	5	10	46	-
Netherlands	7	7	23	-	1	3	10	-
Switzwerland	9	3	11	-	12	1	6	-
Finland	-	-	(26)	-	-	-	(20)	-
Ireland	-	-	-	-	-	-	-	-
United Kingdom	5	3	40	-	2	3	45	-
Hong Kong	8	5	31	-	-	5	38	-
France	13	3	14	-	17	11	39	-
Italy	8	20	65	-	3	9	26	-
Germany	26	8	24	-	21	(11)	9	-
Belgium	-	-	4	-	-	-	2	-
China	-	-	1	-	-	-	(2)	-
Singapore	1	2	11	-	1	1	8	-
Japan	-	-	-	-	-	-	1	-
Taiwan	-	-	1	-	-	(1)	(2)	-
Chipre	7	4	16	-	6	7	31	-
Malta	8	4	66	-	9	8	111	-
Total	**1,556**	**1,516**	**3,576**	**-**	**1,792**	**2,053**	**6,398**	**-**

Note: the results of this breakdown of the branches are integrated in the financial statements of the parent companies on which they depend.

[1] PBT: Profit before tax.

[2] In 2019 and 2020, the negative amunt of "CIT payments cash basis" is mainly due to 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. The amount of "Profit before taxes includes Corporate Center.

[3] The balance of "Income before tax" includes in Spain the goodwill impairment of the United States of €2,084m and €1,318 in 2020 and 2019 respectively, which is classified within the "Profit(loss) after taxes from discontinued operations" line within the consolidated income statement.

[4] The balances "Profit before tax" and "Corporate income tax expense" includes the balances of, respectively, €413m and €57m in 2020 and €670m and €110m in 2019 respectively from the of the banking business in the United States, classified within the balance "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 attached Consolidated Financial Statements.

The following information is broken down for the main countries in which the BBVA Group operates:

Spain

TAX INFORMATION. SPAIN, 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)

	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Spain[(1)(2)]	5,732	(125)	5,607	(2,108)	(699)	(7)	29,330	5,748

(1)The balance "Income before tax" includes in Spain the €2,084m goodwill impairment of The United States, which is classified in the line "Profit (loss) after tax from discontinued operations" in the income statement.
(2) It arises from the methodology of 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

Banking activity in Spain is mainly carried out through BBVA, S.A., which has a twofold dimension: on the one hand, it is the head of banking business in Spain and, on the other, it is the parent company/holding company of the BBVA Group.

The main segments of activity developed in Spain include commercial and SME banking, as well as insurance and CIB activities.

Spain's perimeter of consolidation can be consulted in Appendix I of the Consolidated Financial Statements.

In general terms, the Group's Spanish companies form a tax group, constituting for this purpose a single taxpayer for corporate income tax. The nominal tax rate in Spain is 30%. However, there are certain effects and peculiarities of a tax and accounting nature due to the aforementioned twofold dimension that may cause the effective tax rate to different.

To this end, during the 2020 financial year, the most significant is the effect arising from the accounting impairment recorded in relation to the goodwill of the business unit in the United States, which does not have an associated credit in the Corporate Income Tax Expense.

Mexico

TAX INFORMATION, MEXICO 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)

	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Mexico	6,798	15	6,813	2,491	1,250	721	36,853	1,931

The BBVA Group's operations in Mexico are conducted through the BBVA Mexico Group, which is the country's leading financial institution and one of the driving forces behind the BBVA Group. Its main segments of activity include commercial and SME banking, insurance and CIB activities.

Mexico's perimeter of consolidation can be consulted in Appendix I of the Consolidated Financial Statements.

The nominal tax rate in Mexico is 30% and its effective tax rate is very similar. In this respect, there are certain effects and peculiarities of a tax and accounting nature that may cause its effective tax rate to differ from 30%, the most significant being the tax adjustment for inflation that contributes to the fall in the tax rate.

The United States

TAX INFORMATION, UNITED STATES 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)

	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
United States [(1)]	3,165	251	3,416	551	118	85	10,883	826

[(1)] "Gross income", "Income before tax", "Corporate Income Tax accrued" includes €2,807m, €413m and €57m respectively from the banking business in the United States classified under "Profit (loss) after tax from discontinued activities".

The BBVA Group's operations in the United States have been conducted, firstly, through BBVA USA, based in the Sunbelt region of the United States, with its main segments of activity being commercial and corporate banking, as well as CIB activities. On the other hand, operations are also conducted through the New York branch, which focuses on investment banking.

The perimeter of consolidation of the United States can be consulted in Appendix I of the Consolidated Financial Statements.

The companies in the United States form a tax group and, in this sense, represent a single taxpayer for corporate income tax purposes. The nominal tax rate applicable to BBVA in the United States considering the aggregation of the federal and state taxes is approximately 23.8%.

The effective tax rate is lower than the nominal rate, to the extent that there are certain significant peculiarities of a tax and accounting nature. In this sense, the main effect that impacts the tax rate of the United States is the exemption of interest on United States government securities, which has had a very significant weight in the profit before corporate income tax, due to the 2020 economic context.

Regardless of the above, BBVA reached an agreement for the sale of the business unit in the United States, which is expected to be executed in 2021. The profit before corporate income tax, and the accrued corporate income tax that is reflected in the previous table, include the business unit object of the transaction.

Argentina

TAX INFORMATION, ARGENTINA 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)

	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Argentina	732	-	732	205	137	81	6,052	340

The BBVA Group's operations in Argentina are conducted through BBVA Argentina, one of the country's leading financial institutions. The main segments of activity include commercial and SME banking, as well as insurance and CIB activities.

Argentina's perimeter of consolidation can be consulted in Annex I of the Consolidated Financial Statements.

The nominal tax rate in Argentina is 30%. Generally speaking, Argentina's tax rate should be close to its nominal rate. However, its status as a hyperinflationary economy and the consequent restatement of its financial statements significantly distort the country's tax burden.

Colombia

TAX INFORMATION, COLOMBIA 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)

	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Colombia	911	(2)	909	249	104	77	6,592	127

The BBVA Group's operations in Colombia are conducted through BBVA Colombia, one of the country's leading financial institutions. Its main segments of activity include commercial and SME banking, as well as insurance and CIB activities.

Colombia's perimeter of consolidation can be consulted in Annex I of the Consolidated Financial Statements.

The nominal tax rate in Colombia is 36% (financial sector), while the effective tax rate is somewhat lower. In this sense, there are certain fiscal effects and peculiarities (such as exempt income) that may cause the effective tax rate to differ from the nominal tax rate.

Peru

TAX INFORMATION, PERU 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)

	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Peru	1,149	(2)	1,147	325	156	91	6,204	290

The BBVA Group's operations in Peru are conducted through Banco Continental, S.A., one of the country's leading financial institutions. The main segments of activity include commercial and SME banking, as well as insurance and CIB activities.

Peru's perimeter of consolidation can be consulted in Annex I of the Consolidated Financial Statements.

The nominal tax rate in Peru is 29.5% and the effective tax rate is slightly lower. In this sense, there are certain effects and singularities of a fiscal and accounting nature that may cause the effective tax rate to differ, the most significant being the tax adjustment for exemption of interest on deposits in the Central Reserve Bank of Perú and for interest on government treasury bonds.

Turkey

TAX INFORMATION, TURKEY 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)								
	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Turkey	3,298	(22)	3,276	1,394	348	362	20,357	958

The Group's activity in Turkey is mainly conducted through Garanti BBVA Group, of which BBVA is the largest shareholder. Garanti BBVA Group is a pioneering bank in Turkey, a leader in the use of technology applied to banking businesses. Its main segments of activity include commercial and SME banking, as well as insurance and CIB activities.

Turkey's perimeter of consolidation can be consulted in Appendix I of the Consolidated Financial Statements.

The nominal tax rate in Turkey is 22%. In general, the country's tax burden is usually in line with the nominal rate. The tax burden is higher in 2020, however, mainly as a result of the regularization of Deferred Tax Assets (DTAs) net of Deferred Tax Liabilities (DTLs), in view of the fact that the applicable tax rate will be 20% in 2021 as opposed to the current 22%.

Rest of Latin America

TAX INFORMATION, OTHER LATIN AMERICA 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)								
	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Oher Latin America	425	(3)	422	120	37	29	4,210	104

The BBVA Group also operates in Chile, Venezuela, Uruguay, Paraguay, Bolivia, Brazil and Curaçao, conducting retail and commercial banking activities, as in the other jurisdictions. The overall relative weight of these countries in the Group's accounts is very limited.

The South American perimeter of consolidation can be consulted in Appendix I of the Consolidated Financial Statements.

The average nominal rate is 24.40% and the joint effective tax rate is 24.17%, being therefore, practically equal.

Rest of Eurasia

TAX INFORMATION, OTHER EURASIA 2020. (MILLIONS OF EUROS, NUMBER OF WORKERS)								
	Consolidated gross margin			Profit (loss) before CIT	CIT payment (cash basis)	CIT accrued (current year)	Number of workers	Tangible assets other than cash
	Third-parties	Related party	Total					
Other Eurasia	762	(54)	708	351	105	77	2,668	148

The BBVA Group's operations in the rest of Europe and Asia are included in the Eurasia block. Among the most significant are the banking and financial institutions located in Switzerland, the Netherlands, Finland and Romania. There are also branches located in Germany, Belgium, France, Italy, the United Kingdom and Portugal, Taipei, Tokyo, Hong Kong, Singapore, Shanghai Malta and Cyprus, whose main activity is in the field of CIB.

The overall relative weight of these countries in the Group's accounts is very limited, representing approximately 9.79% of the Group's total consolidated income before tax generated in 2020.

The Eurasia perimeter of consolidation can be consulted in Appendix I of the Consolidated Financial Statements.

During the financial year 2020, the average nominal rate is 23.51%, whereas the effective tax rate is 21.94, being practically aligned with the average nominal rate for these jurisdictions

Suppliers

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. Thus, in 2020, the Group continued to make progress on 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 Group's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- **Efficiency,** contributing to the Group's efficiency by the proactive managing costs and suppliers.

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA GROUP)

	2020	2019
Number of suppliers [1]	3,582	4,669
Volume provided by suppliers (millions of euros) [1]	6,906	7,696
Average payment period to suppliers (days)	n.a.	84
Suppliers satisfaction index [2]	5,702	5,463
Number of approved suppliers	-	-

n.a. = not applicable.

Excluding Turkey.

[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 a part of the procurement process, BBVA strives to properly manage the impacts, both real and potential, that may be generated by its activity through a series of **mechanisms and rules**: General Procurement Principles, supplier evaluation process and Corporate Rules for the Acquisition of Goods and the Contracting of Services. These **impacts** may be environmental; caused by labor practices carried out in supplier companies; a result of the absence of freedom of association; related to 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 units of all countries in which the Group is present, 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. Along with the Supplier Code of Ethics, BBVA maintains a responsible procurement policy, the General Procurement Principles.

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 Group'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 each locality and, 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 Group's procurement process.

Supply chain

BBVA operates a technological platform, the Global Procurement System (GPS), which supports all phases of the Group's **procurement process**, from budgeting to invoice registration, including electronic invoicing. In 2020, the platform is operational in Spain and Mexico (legally), Peru, Colombia, Argentina and Venezuela.

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. SRM is available in Spain, Mexico and Peru.

BBVA has a **supplier portal** that facilitates the Group'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 BBVA Group, allowing them to interact electronically 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 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 Group 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.

Supplier evaluation is reviewed periodically and is subject to continuous monitoring. As of December 31, 2020, the percentage of allocations granted to approve suppliers was 97%.

In terms of local suppliers, these account for 97% of BBVA's total suppliers at the end of December 2020, and 94% of total turnover, which facilitates contributions to the economic and social development of the countries in which the Group is present. 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 as of December 31, 2020. 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.

NUMBER OF SUPPLIERS AND TURNOVER BY COUNTRY

Suppliers [1] and annual turnover [2]	2020 Number of suppliers	2020 Annual turnover (millions of euros)	2019 Number of suppliers	2019 Annual turnover (millions of euros)
Spain	1,138	2,169	1,429	2,401
The United States	424	458	854	732
Mexico	1,068	3,380	1,371	3,564
Argentina	289	351	310	369
Colombia	196	216	220	231
Peru	290	236	295	270
Venezuela	42	33	55	66
Paraguay	29	11	43	16
Uruguay	49	26	54	29
Portugal	57	26	38	17
Total	**3,582**	**6,906**	**4,669**	**7,696**
Total suppliers [3]				
Spain	19,089	2,285	25,776	2,542
The United States	1,273	475	18,333	814
Mexico	6,220	3,483	8,083	3,692
Argentina	1,601	373	2,031	393
Chile	-	-	17	-
Colombia	1,725	237	2,314	256
Peru	4,760	260	2,318	296
Venezuela	479	36	501	68
Paraguay	833	16	1,078	23
Uruguay	549	33	586	35
Portugal	528	31	635	22
Total	**37,057**	**7,229**	**61,672**	**8,142**

Excluding Turkey.

[1] Including suppliers and creditors.

[2] Payments made to third parties (not including suppliers with amounts less than €100,000). Cash flow criterion.

[3] Including all suppliers, creditors and third parties invoicing to BBVA without a limit to the amount.

AVERAGE PAYMENT PERIOD TO SUPLLIERS [1] (DAYS)

	2020	2019
Spain	49	51
The United States	10	5
Mexico	14	14
Argentina	30	39
Colombia	32	28
Peru	13	9
Venezuela	9	18
Paraguay	20	30
Uruguay	3	3
Group average [2]	**20**	**24**

n.a: Not available

Excluding Portugal and Turkey.

[1] Average payment period calculated as an average resulting from the difference between the payment date and the base date. With no weighing by amount.

[2] Total average payment period is calculated based on a ponderation between the different geographies as is not possible to be done taking the whole invoice data.

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

		Page / Section BBVA's Management Report 2020	GRI reporting criteria	Pages
General information				
Business model	Brief description of the group's business model	Strategy and business model	GRI 102-2 GRI 102-7	14- 17
	Geographical presence	BBVA in brief	GRI 102-3 GRI 102-4 GRI 102-6	2
	Objectives and strategies of the organization	Strategy and business model	GRI 102-14	20-22
	Main factors and trends that may affect your future evolution	Environment Strategy and business model	GRI 102-15	5-13
General	Reporting framework	Non-financial information	GRI 102-54	4
	Principle of materiality	Strategy and business model/ Materiality	GRI 102-46 GRI 102-47	20-22
Management approach	Description of the applicable policies	Customer comes first/Customer security and protection The best and most engaged team/People management, Professional development, Work environment, Remuneration, Volunteer work Ethical behaviour Sustainability at BBVA Contribution to society	GRI 103-2	81-86
	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 behaviour Sustainability at BBVA Contribution to society	GRI 103-2	81-86
	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	81-86
Environmental questions				
Environmental management	Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	Sustainability at BBVA/Environmental impact and risk management	GRI 102-15	81-86
	Environmental assessment or certification procedures	Sustainability at BBVA/Environmental impact and risk management	GRI 103-2	20-22
	Resources dedicated to the prevention of environmental risks	Sustainability at BBVA/Sustainable funding:mobilization metric	GRI 103-2	79-80
	Application of the precautionary principle	Sustainability at BBVA/Environmental impact and risk management	GRI 102-11	81
	Amount of provisions and guarantees for environmental risks	Sustainability at BBVA/Sustainable funding:mobilization metric	GRI 103-2	79-80

Contamination	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of activity-specific air pollution, including noise and light pollution	Sustainability at BBVA/Environmental impact and risk management	GRI 103-2	75-78, 88-91
Circular economy and waste prevention and management	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	Sustainability at BBVA/Environmental impact and risk management	GRI 103-2 GRI 306-2 with respect to recycling and reusing	88-91
	Actions to combat food waste	BBVA Group considers this indicator not to be material	GRI 103-2	Non material
Sustainable use of resources	Water consumption and water supply according to local constraints	Sustainability at BBVA/Environmental impact and risk management	GRI 303-5 (2018) with respect total water consumption	90-91
	Use of raw materials and measures taken to improve the efficiency of their utilization	Sustainability at BBVA/Environmental impact and risk management	GRI 301-1 with respect to renewable materials used	89-91
	Energy use, direct and indirect	Sustainability at BBVA/Environmental impact and risk management	GRI 302-1 GRI 302-3	89-91
	Measures taken to improve energy efficiency	Sustainability at BBVA/Environmental impact and risk management	GRI 103-2 GRI 302-4	89-90
	Use of renewable energies	Sustainability at BBVA/Environmental impact and risk management	GRI 302-1 with respect to renewable energies consumption	89-90
Climate change	Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	Sustainability at BBVA/Environmental impact and risk management	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	91
	Measures taken to adapt to the consequences of climate change	Sustainability at BBVA/Environmental impact and risk management	GRI 103-2 GRI 201-2	81-86
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	Sustainability at BBVA/Environmental impact and risk management	GRI 305-5	89
Protection of biodiversity	Measures taken to protect or restore biodiversity	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 304-3	Non material
	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

Social and personnel questions				
Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	The best and most engaged team/People management, Professional development	GRI 102-8 GRI 405-1	42-44
	Total number and distribution of work contract modalities	The best and most engaged team/People management, Professional development	GRI 102-8	45-47
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	The best and most engaged team/People management, Professional development	GRI 102-8	45-47
	Number of dismissals by sex, age, and professional classification	The best and most engaged team /Work environment	GRI 103-2 GRI 401-1 with respect to staff turn-over by sex, age and country	48-49
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	The best and most engaged team/Remuneration	GRI 103-2 GRI 405-2 with respect to women remuneration compared to men's by professional category	56-57
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	The best and most engaged team/Remuneration	GRI 103-2 GRI 405-2 with respect to women remuneration compared to men's by professional category	56-57
	Salary gap	The best and most engaged team/Remuneration	GRI 103-2 GRI 405-2 with respect to women remuneration compared to men's by professional category	57
	Implementation of work disconnection policies	The best and most engaged team/ Work environment/Organization of work	GRI 103-2	51
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	Number of hours of absenteeism	The best and most engaged team/ Work environment/Health and labor safety	GRI 403-9	53-54
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	The best and most engaged team/Work environment/Diversity and inclusion	GRI 103-2	51
Health and safety	Work health and safety conditions	The best and most engaged team/Work environment/Health and labor safety	GRI 103-2 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018)	36, 52-54

	Work accidents, in particular their frequency and severity, disaggregated by gender	The best and most engaged team/Work environment/Health and labor safety	GRI 403-9 (2018) with respect to labor accident injuries	53-54
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	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	120

	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	67
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102-27	Collective knowledge of highest governance body	Annual Corporate Governance Report (Section C)
102-28	Evaluating the highest governance body's performance	Annual Corporate Governance Report (Section C)
102-29	Identifying and managing economic, environmental, and social impacts	Sustainability at BBVA Risk management Annual Corporate Governance Report Report (Sections C,E)
102-30	Effectiveness of risk management processes	Risk management Annual Corporate Governance Report Report (Sections C,E)
102-31	Review of economic, environmental, and social topics	Sustainability at BBVA Risk management Annual Corporate Governance Report Report (Sections C,E)
102-32	Highest governance body's role in sustainability reporting	The non-financial information report is part of the Management Report and the Consolidated Financial Statements, which are prepared by the Board of Directors as responsible social body, in the meeting held on the February 8, and is subjet to approval by the Annual General Meeting
102-33	Communicating critical concerns	Strategy and business model Annual Corporate Governance Report (Section C)
102-34	Nature and total number of critical concerns	Environment Strategy and business model
102-35	Remuneration policies	The best and most engaged team/Remuneration Consolidated Financial Statements (Notes 44.1 and 54)
102-36	Process for determining remuneration	The best and most engaged team/ Remuneration Consolidated Financial Statements (Notes 44.1 and 54)
102-37	Stakeholders' involvement in remuneration	Strategy and business model The best and most engaged team/Remuneration Annual Corporate Governance Report
102-38	Annual total compensation ratio	The best and most engaged team/Remuneration
102-39	Percentage increase in annual total compensation ratio	The best and most engaged team/Remuneration
Stakeholder engagement		
102-40	List of stakeholder groups	Strategy and business model/Materiality
102-41	Collective bargaining agreements	The best and most engaged team/Working enviroment
102-42	Identifying and selecting stakeholders	Strategy and business model/Materiality
102-43	Approach to stakeholder engagement	Strategy and business model/Materiality
102-44	Key topics and concerns raised	Strategy and business model/Materiality
Report elaboration practices		
102-45	Entities included in the consolidated financial statements	Consolidated Financial Statements (Note 3)
102-46	Defining report content and topic Boundaries	Non-financial information report (page 4) Strategy and business model/Materiality Consolidated Financial Statements (Note 1)
102-47	List of material topics	Strategy and business model/Materiality
102-48	Restatements of information	With respect to the fiancial information, restatements made during 2020 financial year are desgribed in Notes 1 and 3 of the Consolidated Financial Statements. Changes in non-financial information report have been indicated with its corresponding footnote in section "Customer comes first", "The best and most engaged team", "Sustainable Finance: mobilization metrics", "Direct environmental impacts management" of the Non-financial information report.

102-49	Changes in reporting	Non financial information report (page 4) Strategy and business model/Materiality Consolidated Financial Statements (Notes 1 and 3)
102-50	Reporting period	Annual. From January 1, 2020 to December 31, 2020.
102-51	Date of most recent report	2019
102-52	Reporting cycle	Annual
102-53	Contact point for questions regarding the report	For contacts regarding sustainability and responsible banking see https://accionistaseinversores.bbva.com/negocio-responsable/contacto/
102-54	Claims of reporting in accordance with the GRI Standards	Non financial information report (page 4) Strategy and business model/Materiality Consolidated Financial Statements (Notes 1 and 3)
102-55	GRI content index	Contents Index of the GRI standards
102-56	External assurance	Independent verification report

Basic specific disclosures GRI STANDARDS

Indicator			Chapter/Section	Scope	Material aspects identified and coverage of the material aspect
ECONOMIC CATEGORY					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Solvency and financial results Climate change: opportunities and risks Employee engagement and talent management Inclusive growth
	103-2	The management approach and its components	Group financial information The best and most engaged team Sustainability at BBVA Contribution to society	Global	Solvency and financial results Climate change: opportunities and risks Employee engagement and talent management Inclusive growth
	103-3	Evaluation of the management approach	Group financial information	Global	Solvency and financial results Climate change: opportunities and risks Employee engagement and talent management Inclusive growth
GRI 201 Economic performance	201-1	Direct economic value generated and distributed	The direct economic value generated during the 2020 financial year amounts to €18,771m. The total direct economic value distributed is €10,466m in the same period. As a result, the direct economic value (Direct economic value generated - Total direct economic value distributed) amounts to €8,334m.	Global	Solvency and financial results
	201-2	Financial implications and other risks and opportunities due to climate change	Sustainable finance/Environmental risk management	Global	Climate change: opportunities and risks
	201-3	Defined benefit plan obligations and other retirement plans	The best and most engaged team/Remuneration Consolidated Financial Statements (Notes 2.2.12 and 25)	Global	Solvency and financial results
	201-4	Financial assistance received from government	Contribution to society/Fiscal transparency	Global	Solvency and financial results
GRI 202 Market presence	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	The best and most engaged team/Remuneration	Global	Employee engagement and talent management
	202-2	Proportion of senior management hired from the local community	The percentage of management team working in their country of birth in the countries where the Group operates is 97.2%	Global	Employee engagement and talent management
GRI 203 Indirect economic impacts	203-1	Infrastructure investments and services supported	Sustainable Finance Contribution to society	Global	Inclusive growth
	203-2	Significant indirect economic impacts	Sustainable Finance Contribution to society	Global	Inclusive growth
GRI 204 Procurement practices	204-1	Proportion of spending on local suppliers	Contribution to society/Suppliers	Global	Inclusive growth
Anti-corruption					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-2	The management approach and its components	Ethical behavior/Compliance system Contribution to society/Community investment	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection

	103-3	Evaluation of the management approach	Ethical behavior/Compliance system Contribution to society/Community investment	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
GRI 205 Anti-corruption	205-1	Operations assessed for risks related to corruption	Ethical behavior/Compliance system Contribution to society/Community investment	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	205-2	Communication and training about anti-corruption policies and procedures	Ethical behavior/Compliance system	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	205-3	Confirmed incidents of corruption and actions taken	During the 2020 financial year different criminal proceedings were brought against Banco Bilbao Vizcaya Argentina S.A. ("BBVA") for the alleged commission of various types of crime.However the above, to date BBVA has not been convicted in a final judgment for criminal responsibility.		
Anti-competitive behavior					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-2	The management approach and its components	Ethical behavior/Compliance system	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	Ethical behavior/Compliance system	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
GRI 206 Anti-competitive behavior	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	BBVA has not identified any significant lawsuit in which a final ruling against this concept has been issued	Global	Corporate governance and strong management of all risks Business ethics, culture and customer protection
Tax					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Solvency and financial results
	103-2	The management approach and its components	Contribución a la sociedad/Transparencia fiscal	Global	Solvency and financial results
	103-3	Evaluation of the management approach	Contribución a la sociedad/Transparencia fiscal	Global	Solvency and financial results
GRI 207 Tax	207-1	Approach to tax	Contribution to society/Fiscal transparency	Global	Solvency and financial results
	207-2	Tax governance, control, and risk management	Contribution to society/Fiscal transparency	Global	Solvency and financial results
	207-3	Stakeholder engagement and management of concerns related to tax	Contribution to society/Fiscal transparency	Global	Solvency and financial results
	207-4	Country-by-country reporting	Contribution to society/Fiscal transparency Consolidated Financial Statements (Appendix XIII)	Global	Solvency and financial results
ENVIRONMENTAL CATEGORY					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Climate change: opportunities and risks
	103-2	The management approach and its components	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts	Global	Climate change: opportunities and risks

	103-3	Evaluation of the management approach	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts	Global	Climate change: opportunities and risks
Materials					
GRI 301 Materials	301-1	Materials used by weight or volume	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts	Global	Environment and climate change (external)
	301-2	Recycled input materials used	All paper consumed in Spain is environmental respectfull and 100% certified	Spain	Environment and climate change (external)
	301-3	Reclaimed products and their packaging materials	Given the activities of BBVA Group, this indicator is not considered material.		
Energy					
GRI 302 Energy	302-1	Energy consumption within the organization	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	302-2	Energy consumption outside of the organization	Given the activities of BBVA Group, this indicator is not considered material		
	302-3	Energy intensity	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	302-4	Reduction of energy consumption	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	302-5	Reductions in energy requirements of products and services	Not applicable		
Water					
GRI 303 Water	303-1	Interactions with water as a shared resource	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts	Global	Climate change: opportunities and risks
	303-2	Management of water discharge-related impacts	Given the activities of BBVA Group, this indicator is not considered material		
	303-3	Water withdrawal	Given the activities of BBVA Group, this indicator is not considered material		
	303-4	Water discharge	Given the activities of BBVA Group, this indicator is not considered material		
	303-5	Water consumption	Given the activities of BBVA Group, this indicator is not considered material		
Biodiversity					
GRI 304 Biodiversity	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity	Global	Climate change: opportunities and risks
	304-2	Significant impacts of activities, products, and services on biodiversity	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity	Global	Climate change: opportunities and risks
	304-3	Habitats protected or restored	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity	Global	Climate change: opportunities and risks
	304-4	Total number of IUCN Red List species and national conservation list species with habitats in areas affected by operations, by level of extinction risk.	The BBVA offices are in urban settings, which therefore have no impact on protected natural areas and/or biodiversity	Global	Climate change: opportunities and risks
Emissions					
GRI 305 Emissions	305-1	Direct (Scope 1) GHG emissions	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	
	305-2	Energy indirect (Scope 2) GHG emissions	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	305-3	Other indirect (Scope 3) GHG emissions	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	305-4	GHG emissions intensity	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	305-5	Reduction of GHG emissions	Sustainability at BBVA /Environmental impact and risk management/Management of direct environmental impacts [2]	Global	Climate change: opportunities and risks
	305-6	Emissions of ozone-depleting substances (ODS)	Given the activities of BBVA Group, this indicator is not considered material		

	305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions	Given the activities of BBVA Group, this indicator is not considered material		
Environmental compliance					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Climate change: opportunities and risks Business ethics, culture and customer protection
	103-2	The management approach and its components	Sustainability at BBVA /Environmental impact and risk management	Global	Climate change: opportunities and risks Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	Sustainability at BBVA /Environmental impact and risk management	Global	Climate change: opportunities and risks Business ethics, culture and customer protection
GRI 307 Environmental compliance	307-1	Non-compliance with environmental laws and regulations	BBVA Group has no fines or penalties for non-compliance with regulations related to significant environmental aspects.	Global	Cambio climático, oportunidades y riesgos Business ethics, culture and customer protection
SOCIAL DIMENSION					
Labor practices and decent work					
Employment					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Employee engagement and talent management Diversity and work-life balance
	103-2	The management approach and its components	The best and most engaged team/Professional development, Oganization of work	Global	Employee engagement and talent management Diversity and work-life balance
	103-3	Evaluation of the management approach	The best and most engaged team	Global	Employee engagement and talent management Diversity and work-life balance
GRI 401 Employment	401-1	New employee hires and employee turnover	The best and most engaged team/Professional development	Global	Employee engagement and talent management
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	The proportion of temporary employees in BBVA is not significant (3.4%)	Global	Employee engagement and talent management Diversity and work-life balance
	401-3	Parental leave	The best and most engaged team/Organization of work BBVA Group employees are entitled to parental leave in accordance to the legislation in each country	Global	Employee engagement and talent management Diversity and work-life balance
Labor/Management relations					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Employee engagement and talent management
	103-2	The management approach and its components	The best and most engaged team	Global	Employee engagement and talent management
	103-3	Evaluation of the management approach	The best and most engaged team	Global	Employee engagement and talent management
GRI 402 Labor/Management relations	402-1	Minimum notice periods regarding operational changes	The organizational changes in BBVA Group are analyzed on a case-by-case basis, so the negative impact on employees can be avoided or mitigated, and always within the legal provisions of each country.	Global	Employee engagement and talent management
Occupational health and safety					
GRI 103 Management approach	103-1	Explicación del tema material y su cobertura	Strategy and business model/Materiality	Global	Employee engagement and talent management COVID-19 management

	103-2	El enfoque de gestión y sus componentes	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management COVID-19 management
	103-3	Evaluación del enfoque de gestión	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management COVID-19 mangement
GRI 403 Occupational health and safety	403-1	Workers representation in formal joint management–worker health and safety committees	The best and most engaged team/Work environment	Global	Employee engagement and talent management
	403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities	The best and most engaged team/Work environment	Global	Employee engagement and talent management COVID-19 management
	403-3	Workers with high incidence or high risk of diseases related to their occupation	The best and most engaged team/Work environment Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified	Global	Employee engagement and talent management COVID-19 management
	403-4	Health and safety topics covered in formal agreements with trade unions	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management COVID-19 management
	403-5	Worker training on occupational health and safety	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management COVID-19 management
	403-6	Promotion of worker health	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management COVID-19 management
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management COVID-19 management
	403-8	Workers covered by an occupational health and safety management system	The best and most engaged team/Work environment/Health and labor safety	Global	Employee engagement and talent management
	403-9	Work-related injuries	The best and most engaged team/Work environment/Health and labor safety	Spain	Employee engagement and talent management
	403-10	Work-related ill health	The best and most engaged team/Work environment/Health and labor safety Given the nature of BBVA's activity, no high risk of serious diseases related to the workers' occupation has been identified	Spain	Employee engagement and talent management
Training					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Employee engagement and talent management
	103-2	The management approach and its components	The best and most engaged team/Professional development	Global	Employee engagement and talent management
	103-3	Evaluation of the management approach	The best and most engaged team/Professional development	Global	Employee engagement and talent management
GRI 404 Training and education	404-1	Average hours of training per year per employee	The best and most engaged team/Professional development	Global	Employee engagement and talent management
	404-2	Programs for upgrading employee skills and transition assistance programs	The best and most engaged team/Professional development	Global	Employee engagement and talent management
	404-3	Percentage of employees receiving regular performance and career development reviews	The best and most engaged team/Professional development	Global	Employee engagement and talent management
Diversity and equal opportunity					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Diversity and work-life balance
	103-2	The management approach and its components	The best and most engaged team/Professional development	Global	Diversity and work-life balance
	103-3	Evaluation of the management approach	The best and most engaged team/Professional development	Global	Diversity and work-life balance
GRI 405 Diversity and equal opportunity	405-1	Diversity of governance bodies and employees	The best and most engaged team/Professional development Annual Corporate Goverance Report (Section C)	Global	Diversity and work-life balance

	405-2	Ratio of basic salary and remuneration of women to men	The best and most engaged team/Remuneration	Global	Diversity and work-life balance
Human rights					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Human rights Business ethics and customer protection
	103-2	The management approach and its components	Ethical behaviour Sustainability at BBVA /Environmental impact and risk management/Equator Principles Contribution to society/Suppliers	Global	Human rights Business ethics and customer protection
	103-3	Evaluation of the management approach	Ethical behaviour Sustainability at BBVA /Environmental impact and risk management/Equator Principles	Global	Human rights Business ethics and customer protection
GRI 406 Non-discrimination	406-1	Incidents of discrimination and corrective actions taken	Ethical behaviour/Compliance system [8]	Global	Human rights
GRI 407 Freedom of association and collective bargaining	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	BBVA has not identified any operations or suppliers as having significant risk related to freedom of association and collective bargaining	Spain	Human rights
GRI 408 Child labor	408-1	Operations and suppliers at significant risk for incidents of child labor	BBVA has not identified any operations or suppliers as having significat risk related to child labor	Spain	Human rights
GRI 409 Forced or compulsory labor	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	BBVA has not identified any operations or suppliers as having significat risk related to forced or compulsory labor	Spain	Human rights
GRI 410 Security practices	410-1	Security personnel trained in human rights policies or procedures	Not reported. The security personnel belong to external companies. Although these companies are committed to assume BBVA's human rights standards, there is no specific commitment on training in this area		
GRI 411 Rights of indigenous peoples	411-1	Incidents of violations involving rights of indigenous peoples	BBVA has reinforced due diligence procedures associated with the financing of projects whose development affects indigenous peoples. When this circumstance happens, the free, prior and informed consent (FPIC) of these peoples must be obtained regardless of the geographic location of the project. What it means to expand the current requirement of PEs to all the countries in which the Group operates. In 2020, a total of 30 operations have been evaluated.	Global	Human rights
GRI 412 Human rights assessment	412-1	Operations that have been subject to human rights reviews or impact assessments	BBVA has not identified any significant impacts with respect to human rights in its workplaces	Global	Human rights
	412-2	Employee training on human rights policies or procedures	Ethical behavior/Commitment to human rights[6]	Global	Business ethics, culture and customer protection Human rights
	412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	Ethical behavior/Commitment to human rights Sustainability at BBVA /Environmental impact and risk management Contribution to society/Suppliers(6)	Global	Business ethics, culture and customer protection Human rights
Society					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Inclusive growth Business ethics, culture and customer protection
	103-2	The management approach and its components	Customer comes first Contribution to society	Global	Inclusive growth Business ethics, culture and customer protection
	103-3	Evaluation of the management approach	Customer comes first Ethical behaviour/Compliance system Contribution to society	Global	Inclusive growth Business ethics, culture and customer protection

GRI 413 Local communities	413-1	Operations with local community engagement, impact assessments, and development programs	Contribution to society/Community investment	Global	Inclusive growth
	413-2	Operations with significant actual and potential negative impacts on local communities	Customer comes first Contribution to society/Suppliers (8)	Global	Inclusive growth
GRI 415 Public policy	415-1	Total value of political contributions by country and recipient/beneficiary.	BBVA's policy in countries does not allow contributions of this type Ethical behaviour/Compliance system Contribution to society/Community investment	Global	Business ethics, culture and customer protection
Product responsibility					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Business ethics, culture and customer protection COVID-19 management
	103-2	The management approach and its components	Customer comes first	Global	Business ethics, culture and customer protection COVID-19 management
	103-3	Evaluation of the management approach	Customer comes first	Global	Business ethics, culture and customer protection COVID-19 management
GRI 416 Customer health and safety	416-1	Assessment of the health and safety impacts of product and service categories	Customer comes first[8]	Global	Business ethics, culture and customer protection COVID-19 management
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	Customer comes fitst/Customer care[7]	Global	Business ethics, culture and customer protection Financial health and personalized advice to customers
Marketing and labeling					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Easy, fast and do it yourself Financial health and personalized advice to customers Business ethics, culture and customer protection Cybersecurity
	103-2	The management approach and its components	Customer comes fitst/Customer care Ethical behavior/Compliance system Consolidated Financial Statements (Note 24)	Global	Easy, fast and do it yourself Financial health and personalized advice to customers Business ethics, culture and customer protection Cybersecurity
	103-3	Evaluation of the management approach	Customer comes fitst/Customer care Ethical behavior/Compliance system Consolidated Financial Statements (Note 24)	Global	Easy, fast and do it yourself Financial health and personalized advice to customers Business ethics, culture and customer protection Cybersecurity
GRI 417 Marketing and labeling	417-1	Requirements for product and service information and labeling	Customer comes fitst/Customer care Ethical behavior/Compliance system	Global	Responsable use of data Business ethics, culture and customer protection Cibersecurity
	417-2	Incidents of non-compliance concerning product and service information and labeling	Customer comes fitst/Customer care Ethical behavior/Compliance system Consolidated Financial Statements (Note 24)	Global	Responsable use of data Business ethics, culture and customer protection Cibersecurity

	417-3	Incidents of non-compliance concerning marketing communications	Customer comes fitst/Customer care Ethical behavior/Compliance system Consolidated Financial Statements (Note 24)	Global	Easy, fast and do it yourself Financial health and personalized advice to customers Business ethics, culture and customer protection Cybersecurity
Client privacy					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Responsable use of data Business ethics, culture and customer protection Cibersecurity
	103-2	The management approach and its components	Customer comes fitst/Customer care , Customer security and protection Ethical behavior/Compliance System Cuentas Anuales Consolidadas (Nota 24)	Global	Responsable use of data Business ethics, culture and customer protection Cibersecurity
	103-3	Evaluation of the management approach	Customer comes fitst/Customer care , Customer security and protection Ethical behavior/Compliance System Consolidated Financial Statementes (Note 24))[7][9]	Global	Responsable use of data Business ethics, culture and customer protection Cibersecurity
GRI 418 Client privacy	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	Customer comes fitst/Customer care , Customer security and protection[10]	Global	Responsable use of data Business ethics, culture and customer protection Cibersecurity
Regylatory compliance					
GRI 103 Management approach	103-1	Explanation of the material topic and its boundary	Strategy and business model/Materiality	Global	Business ethics, culture and customer protection Cybersecurity
	103-2	The management approach and its components	Customer comes fitst/Customer security and protection,Customer care Ethical behavior/Compliance System Cuentas Anuales Consolidadas (Nota 24)	Global	Business ethics, culture and customer protection Cybersecurity
	103-3	Evaluation of the management approach	Customer comes fitst/Customer security and protection,Customer care Ethical behavior/Compliance System Consolidated Financial Statements (Note 24)	Global	Business ethics, culture and customer protection Cybersecurity
GRI 419 Regylatory compliance	419-1	Non-compliance with laws and regulations in the social and economic area	Ethical behavior/Compliance System Consolidated Financial Statements (Note 24)	Global	Business ethics, culture and customer protection Cybersecurity

Note: The GRIs 306, 308 and 414 are not disclosed in the table as they are not considered material

(1) No breakdown by geographical area

(2) The limitations on the scope of the indicator, the perimeter and the criteria followed in the estimates are detailed in the table referenced. The intensity indicators have been calculated according to the number of occupants of the buildings, understanding as such the sum of the average workforce and the estimation of the third parties that work in the Bank's facilities.

(3) The consumption of the branches network has been estimated from a limited sample of offices.

(4) In relation to business trips, only the emissions derived from the plane trips of Group employees are reported.

(5) It is only reported on operations analyzed in relation to compliance with the Equator Principles.

(6) The information regards employees trained in the Code of Conduct

(7) Number of indicents or issues are not informed

(8) The information regards BBVA corporate policy

(9) The information regards BBVA product communication policy

(10) The information regards audits on the security measures in the processing of personal data implemented in the BBVA Group

Contents index of the UNEP FI Principles for responsible banking

UNEPFI Principles for Responsible Banking reporting Index

Reporting and Self-Assessment Requirements	High-level summary of bank's response (limited assurance required for responses to highlighted items)	Reference(s)/ Link(s) to bank's full response/ relevant information
Principle 1: Alignment **We will align our business strategy to be consistent with and contribute to individuals' needs and society's goals, as expressed in the Sustainable Development Goals, the Paris Climate Agreement and relevant national and regional frameworks.**		
1.1 Describe (high-level) your bank's business model, including the main customer segments served, types of products and services provided, the main sectors and types of activities, and where relevant the technologies financed across the main geographies in which your bank has operations or provides products and services.	BBVA is a financial group that holds a leadership position in the Spanish market, is the largest financial institution in Mexico, it has leading franchises in South America and Turkey. As of the end of 2020, BBVA had €736 billions in assets, 80.7 million customers, 7,432 branches and presence in 30 countries.	"BBVA in Brief" and "Group financial information " of the Annual Report 2020 (hereinafter, AR 2020)
1.2 Describe how your bank has aligned and/or is planning to align its strategy to be consistent with and contribute to society's goals, as expressed in the Sustainable Development Goals (SDGs), the Paris Climate Agreement, and relevant national and regional frameworks.	In December 2019, BBVA incorporated sustainability as one of its 6 strategic priorities with the goal of aligning its activity to the Paris Agreement and the Sustainable Development Goals (SDG). This step solidified the bank's sustainability commitment. A commitment that inspired the Group to define its landmark Pledge 2025 in 2018, based on three lines of action: finance, manage and engage. In the "finance" line of action, BBVA pledged to mobilize €100 billion in green finance, sustainable infrastructure and agribusiness, entrepreneurship and financial inclusion by 2025. Additionally, BBVA defined a set of goals to reduce the direct impact of its activity (see point 2.2.). With its inclusion as one of the Group's six global strategic priorities, BBVA places sustainability at the core of its business.	"Strategy and business model" and "Sustainable Finance" chapters, of the Non-financial information report, AR 2020

Principle 2: Impact and Target Setting

We will continuously increase our positive impacts while reducing the negative impacts on, and managing the risks to, people and environment resulting from our activities, products and services. To this end, we will set and publish targets where we can have the most significant impacts.

2.1 Impact Analysis: Show that your bank has identified the areas in which it has its most significant (potential) positive and negative impact through an impact analysis that fulfills the following elements: a) Scope: The bank's core business areas, products/services across the main geographies that the bank operates in have been as described under 1.1. have been considered in the scope of the analysis. b) Scale of Exposure: In identifying its areas of most significant impact the bank has considered where its core business/its major activities lie in terms of industries, technologies and geographies. c) Context & Relevance: Your bank has taken into account the most relevant challenges and priorities related to sustainable development in the countries/regions in which it operates. d) Scale and intensity/salience of impact: In identifying its areas of most significant impact, the bank has considered the scale and intensity/salience of the (potential) social, economic and environmental impacts resulting from the bank's activities and provision of products and services. (your bank should have engaged with relevant stakeholders to help inform your analysis under elements c) and d)) Show that building on this analysis, the bank has • Identified and disclosed its areas of most significant (potential) positive and negative impact • Identified strategic business opportunities in relation to the increase of positive impacts / reduction of negative impacts	BBVA has prioritized sectors or areas where the financing activity has a greater positive impact, such as the Pledge 2025 (see point 2.2). In the framework of sustainability as a strategic priority, BBVA has prioritized 2 axes of action that maximize the positive impact: 1. Climate action: With a focus on energy efficiency (SDG 7), the circular economy (SDG 12) and the reduction of carbon emissions (SDG 13) 2. Inclusive growth: Specifically in SDG 8 and 9, with business initiatives around financial inclusion, entrepreneurship support and sustainable infrastructures. BBVA has also identified negative impacts and risks through a number of processes, including: * Environmental &Social framework, identifying sectors with a higher environmental impact (mining, agribusiness, energy, infrastructures and defense). * Equator Principles for project finance * Human Rights due diligence Other processes listed and detailed in the TCFD BBVA 2020 report are: *The identification and assessment of sectors sensitive to the transition risk and the development of an internal taxonomy of the transition risk with data concerning exposure to these sectors. *Qualification of exposure to carbon-related sectors * Impact assessment process with wholesale and retail sector-specific frameworks * Application of the methodology among the Katowice banks to align efforts with the Paris Agreement in the most sensitive sectors to the transition risk, and establish metrics for these sectors Finally, the BBVA Microfinance Foundation conducted an impact assessment exercise of its activity that is explained in its Social Performance Report 2019.	"Strategy and business model ", " Ethical Behavior" , "Sustainability at BBVA" and "Contribution to Society" chapters of the Non-financial information report, AR 2020 pag. 30-31, 34-37, and 50-51, Report of the Task Force on Climate-Related Financial Disclosures BBVA 2020 (hereinafter BBVA Report on TCFD 2020) Social Performance Report 2019 of the BBVA Microfinance Foundation

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting. BBVA has conducted impact analyses on a strategic level in order to define the new priority focal points in the sustanability discipline with Group coverage.

2.2 Target Setting Show that the bank has set and published a minimum of two Specific, Measurable (can be qualitative or quantitative), Achievable, Relevant and Time-bound (SMART) targets, which address at least two of the identified "areas of most significant impact", resulting from the bank's activities and provision of products and services. Show that these targets are linked to and drive alignment with and greater contribution to appropriate Sustainable Development Goals, the goals of the Paris Agreement, and other relevant international, national or regional frameworks. The bank should have identified a baseline (assessed against a particular year) and have set targets against this baseline. Show that the bank has analysed and acknowledged significant (potential) negative impacts of the set targets on other dimensions of the SDG/climate change/society's goals and that it has set out relevant actions to mitigate those as far as feasible to maximize the net positive impact of the set targets.	In the framework of the Pledge 2025, BBVA defined the following objectives for the 2018 to 2025 timeframe: * Mobilize €100 billion, with the following breakdown: €70 billion in projects aimed at the transition to a low-carbon economy, €18 billion to financial inclusion and entrepreneurship and €12 billion to sustainable infrastructures and agribusiness. * Reduce direct CO2 emissions by 68% (compared to 2015) and to source 70% of electricity from renewables by 2025 and 100% by 2030. Additionally, BBVA is striving to progressively align its activity to the Paris Agreement within the framework of the Katowice Commitment and the Collective Commitment to Climate Action (CCCA) promoted by UNEP FI. Before the end of 2021, it will define alignment targets in the most sensitive sectors, in line with the commitment assumed in 2018 with the Katowice Commitment. On the other hand, the Human Rights due diligence process allowed it to identify potential negative impacts and the corresponding actions, with goals to ensure their mitigation or minimization. In addition, in its Environmental and Social Framework - updated in 2020 – the Group decided to reduce the financing of fossil fuels by lowering the exclusion threshold of clients with high coal exposure from 35% to 25%, applicable in both extractive activities and energy generation	* " Ethical Behavior" and " Sustainable Finance" , of the Non-financial information report, AR 2020 *Pag. 35, BBVA Report on TCFD 2020
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Target Setting. BBVA periodically monitors the goals set in the 2025 Pledge.		
2.3 Plans for Target Implementation and Monitoring Show that your bank has defined actions and milestones to meet the set targets. Show that your bank has put in place the means to measure and monitor progress against the set targets. Definitions of key performance indicators, any changes in these definitions, and any rebasing of baselines should be transparent.	The goals established in Pledge 2025 related to the mobilization of capital broken down by geography and business areas are tracked on a quarterly basis. Direct impact goals are monitored on an annual basis. Additionally and within the framework of the mobilization goal: 1.- BBVA is incorporating sustainability into its CIB, Enterprise, and Retail units' business plans through workstreams, with a progressive deployment across all geographies and within the GSO framework 2.- BBVA is part of the so-called Katowice Group, a group of banks that have jointly drawn up a methodological paper on the implementation of PACTA's (Paris Alignment Capital Transition Assessment) portfolio alignment methodology. The paper describes the different indicators for measuring the level of alignment in the most polluting sectors with the Paris objectives. Member banks have committed to setting targets on these indicators in 2021. 3.-BBVA is updating its sustainable financing standard in line with the European taxonomy.	"Sustainability at BBVA" chapter of the Non-financial information report" , AR 2020 pag. 28-30, BBVA Report on TCFD 2020 BBVA Group Quarterly Reports 2020
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Plans for Target Implementation and Monitoring. Pledge 2025 demonstrates the commitment to establish measureable, specific objectives.		

2.4 Progress on Implementing Targets For each target separately: Show that your bank has implemented the actions it had previously defined to meet the set target. Or explain why actions could not be implemented / needed to be changed and how your bank is adapting its plan to meet its set target. Report on your bank's progress over the last 12 months (up to 18 months in your first reporting after becoming a signatory) towards achieving each of the set targets and the impact your progress resulted in. (where feasible and appropriate, banks should include quantitative disclosures)	The bank shows progress in the goals set in the framework of Pledge 2025. For 2021, BBVA is working on setting new goals related to the assignment of portfolios with the Paris Agreement. At the end of 2020, BBVA had mobilized over €20.3 billion in sustainable finance and against climate change. Thus, in 2020 the bank had already mobilized 50% of the €100 billion goal pledged for the 2018-2025 timeframe. This figure includes transactions in green ~~and social~~ financing (52% of the total), financial inclusion and entrepreneurship (11%), sustainable infrastructure and 'agribusiness' (14%), and other sustainable mobilization (23%). In addition, BBVA managed to lower its direct CO2 emissions by 62% per person compared to 2015 and sourced 65% of its electricity from renewable sources. As for alignment objectives, BBVA is carrying out a sector analysis based on which it will set long-term objectives	"Sustainability at BBVA"and "Contribution to Society " Chapters of the Non-financial information report, AR 2020

Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing Targets. The Bank is showing clear progress in the objectives included in the framework of Pledge 2025.

Principle 3: Clients and Customers

We will work responsibly with our clients and our customers to encourage sustainable practices and enable economic activities that create shared prosperity for current and future generations.

3.1 Provide an overview of the policies and practices your bank has in place and/or is planning to put in place to promote responsible relationships with its customers. This should include high-level information on any programmes and actions implemented (and/or planned), their scale and, where possible, the results thereof.	In 2019, sustainability and financial health were established as 2 of BBVA's 6 strategic priorities at a global level. Consequently, in 2020 the Board of Directors approved: - the new Sustainability General Policy of BBVA, whereby BBVA established its firm commitment to support customers and clients as they transition towards sustainable business models. As a result of this policy, the Global Sustainability Office (hereinafter GSO) was created with some working groups specifically aimed at developing sustainable solutions for customers and promoting responsible practices in the communication and marketing efforts targeted at these customers and clients. - The update of the General Policy on Corporate Social Responsibility (CSR) of BBVA, with the aim of establishing a relationship with the clients based on "transparency clarity and responsibility" as one of its principles, as well as financial education - to help them make informed financial decision making - and promoting financial health.	"Strategy and business model " ," Ethical Behavior" and " Sustainable Finance" chapters of the Non-financial information report, AR 2020 General Policy on Corporate Social Responsibility of BBVA Sustainability General Policy of BBVA
3.2 Describe how your bank has worked with and/or is planning to work with its clients and customers to encourage sustainable practices and enable sustainable economic activities. This should include information on actions planned/implemented, products and services developed, and, where possible, the impacts achieved.	In 2020, one of the main lines of action was the development of sustainable solutions aimed at 3 customer segments: Retail customers, businesses and corporations and institutions. In order to establish a responsible relationship with clients, helping them to achieve their personal and professional goals, BBVA established 3 lines of action: 1 / Ensuring that digital developments for clients are carried out in accordance with transparency, clarity and responsibility (TCR) standards. 2 / Promote the development of products and services to improve the financial health of customers. 3 / Financial education solutions for clients.	* "Customer comes first" and "Sustainable Finance" chapters of the Non-financial information report, AR 2020 * pag. 24 and 25, BBVA Report on TCFD 2020

Principle 4: Stakeholders
We will proactively and responsibly consult, engage and partner with relevant stakeholders to achieve society's goals.

4.1 Describe which stakeholders (or groups/types of stakeholders) your bank has consulted, engaged, collaborated or partnered with for the purpose of implementing these Principles and improving your bank's impacts. This should include a high-level overview of how your bank has identified relevant stakeholders and what issues were addressed/results achieved.	The Bank has been actively involved in many initiatives, always in close collaboration with all stakeholders.All these initiatives were related to one or more of the following priority areas: A / Universal frameworks of reference, for example in its capacity as one of the founding banks of the Principles for Responsible Banking. B / Alignment with the Paris Agreement: with the signing of the Collective Commitment to Climate Action, and involvement in the PACTA (Paris Alignment Capital Transition Assessment) methodology pilot together with other banks, the so-called the 'Katowice banks ', C / Market Standards, playing a role promoting the Green Bond Principles, the Social Bonds Principles, the Green Loan Principles and other similar standards developed by the industry itself. D / Transparency, in compliance with the the Financial Stability Board's TCFD recommendations. E / Financial regulation, with participation in a number of consultative processes and in different activities with regulatory and supervisory bodies to promote regulation in sustainable finance. It should be noted that BBVA chairs the Sustainable Finance Working Group of the European Banking Federation (EBF) and co-chairs of the UNEP FI Global Steering Committee.	* "Strategy and business model" (section of "Materiality") and "Sustainable Finance" chapters of the Non-financial information report, AR 2020 *Pag.9, BBVA Report on TCFD 2020 * First anniversary report of the Collective Agreement on Climate Action.

Principle 5: Governance & Culture
We will implement our commitment to these Principles through effective governance and a culture of responsible banking

5.1 Describe the relevant governance structures, policies and procedures your bank has in place/is planning to put in place to manage significant positive and negative (potential) impacts and support effective implementation of the Principles.	The Board of Directors defines, promotes and monitors the sustainability and climate change strategy. In 2020, the Global Sustainability Office (GSO) was created with the aim of implementing the commitments derived from this strategy and developing a single sustainability agenda. The work of the GSO is divided into 13 working groups. . Likewise, the GSO plan is periodically reviewed by the leadership (5 review meetings held in 2020 since the GSO was set up in May 2020)	* "Sustaniability at BBVA" chapter of the Non-financial information report, AR 2020 * pag. 11- 15, BBVA Report on TCFD 2020
5.2 Describe the initiatives and measures your bank has implemented or is planning to implement to foster a culture of responsible banking among its employees. This should include a high-level overview of capacity building, inclusion in remuneration structures and performance management and leadership communication, amongst others.	The remuneration system for the Chairman and the Chief Executive Officer integrates sustainability. In the case of the Chairman, it had been carried out through a synthetic index and, for 2021, it is proposed, as indicated in the Annual Remuneration Report, to include an indicator on sustainable mobilization for both the Chairman and the CEO. In 2020, BBVA launched a sustainability training offer aimed at more than 123,000 employees around the world. A key piece of this offer included an introduction course on sustainability, mandatory for all teams and which includes basic content on these principles. A financial health course was also launched for the Group´s employees in 2020.	"The best and most engaged team " chapter of the Non-financial information report, AR 2020 Pag. 16 and 27, TCFD BBVA 2020 Report

5.3 Governance Structure for Implementation of the Principles Show that your bank has a governance structure in place for the implementation of the PRB, including: a) target-setting and actions to achieve targets set b) remedial action in the event of targets or milestones not being achieved or unexpected negative impacts being detected.	Within the GSO framework, the different working stream created report monthly to the CEO on the progress of their actions and monitor their indicators on a monthly basis. The monitoring model includes specific lines of action, KPIs for measuring progress as well as blocking points with their consequent mitigation or unblocking action. Specifically, the monitoring of these principles is integrated into the "Sustainability Public Engagement" working group of the GSO where public commitments are monitored.	"Sustainable Finance" chapter of the Non-financial information report, AR 2020
Please provide your bank's conclusion/ statement if it has fulfilled the requirements regarding Governance Structure for Implementation of the Principles.With the role of the Board of Directors and the establishment of the Global Sustainability Office (GSO), BBVA has reinforced its governance structure in order to ensure full compliance with these principles.		
Principle 6: Transparency & Accountability **We will periodically review our individual and collective implementation of these Principles and be transparent about and accountable for our positive and negative impacts and our contribution to society's goals.**		
6.1 Progress on Implementing the Principles for Responsible Banking Show that your bank has progressed on implementing the six Principles over the last 12 months (up to 18 months in your first reporting after becoming a signatory) in addition to the setting and implementation of targets in minimum two areas (see 2.1-2.4). Show that your bank has considered existing and emerging international/regional good practices relevant for the implementation of the six Principles for Responsible Banking. Based on this, it has defined priorities and ambitions to align with good practice. Show that your bank has implemented/is working on implementing changes in existing practices to reflect and be in line with existing and emerging international/regional good practices and has made progress on its implementation of these Principles.	In accordance with the recommendations of the Financial Stability Board, in 2020 BBVA published its first report on the risks and opportunities of climate change in accordance with the standards of the Task Force on Climate-related Financial Disclosure (TCFD). Along the same lines, BBVA and the rest of the Katowice banks published a joint methodology to align their loan portfolios with the objectives of the Paris Agreement and thus reconfigure their portfolios in order to finance a society with less carbon emissions. A year after adopting the Collective Commitment to Climate Action (CCCA), BBVA, together with other financial institution members, published their measures to align their portfolios with the international climate objectives. BBVA's progress in implementing these principles will be published annually. Additionally, BBVA Argentina, BBVA Garanti (Turkey), and BBVA Mexico, as signatories at the local level, will integrate their progress reports in their annual reports. (See items 4.1 and 5.1.)	"Sustainability at BBVA" chapter of the Statement of Non-Financial Information, AR 2020 BBVA Report on TCFD 2020 First anniversary report of the Collective Agreement on Climate Action. Credit Portfolio Alignment: An application of the PACTA methodology by Katowice Banks in partnership with 2DII"
Please provide your bank's conclusion/statement if it has fulfilled the requirements regarding Progress on Implementing the Principles for Responsible Banking. BBVA has reinforced the transparency with the publication of its first TCFD report as well as the publication of the joint methodology for aligning our loan portfolios with other Katowice banks.		

Group financial information

BBVA Group main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)	31-12-20	Δ %	31-12-19	31-12-18
Balance sheet (millions of euros)				
Total assets	736,176	5.5	697,737	675,675
Loans and advances to customers (gross)	378,139	(4.5)	396,012	386,225
Deposits from customers	409,122	6.1	385,686	375,970
Total customer funds	512,068	3.8	493,488	474,085
Total equity	50,020	(8.9)	54,925	52,874
Income statement (millions of euros)				
Net interest income	16,801	(7.3)	18,124	17,511
Gross income	22,974	(6.1)	24,463	23,667
Operating income	12,219	(2.7)	12,561	11,965
Net attributable profit/(loss)	1,305	(62.9)	3,512	5,400
Adjusted net attributable profit or (loss) (1)	3,084	(36.1)	4,830	4,703
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,668
Share price (euros)	4.04	(19.0)	4.98	4.64
Earning per share (euros) (2)	0.14	(70.4)	0.47	0.75
Adjusted earning per share (euros) (1) (2)	0.41	(38.9)	0.66	0.64
Book value per share (euros)	6.70	(8.5)	7.32	7.12
Tangible book value per share (euros)	6.05	(3.6)	6.27	5.86
Market capitalization (millions of euros)	26,905	(19.0)	33,226	30,909
Yield (dividend/price; %) (3)	4.0		5.2	5.4
Significant ratios (%)				
ROE (net attributable profit or (loss)/average shareholders' funds +/- average accumulated other comprehensive income) (1)	6.9		9.9	10.2
ROTE (net attributable profit or (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) (1)	7.8		11.9	12.5
ROA (Profit or (loss) for the year/average total assets) (1)	0.53		0.82	0.81
RORWA (Profit or (loss) for the year/average risk-weighted assets - RWA) (1)	1.07		1.57	1.56
Efficiency ratio	46.8		48.7	49.4
Cost of risk	1.51		1.02	0.99
NPL ratio	4.0		3.8	3.9
NPL coverage ratio	81		77	73
Capital adequacy ratios (%)				
CET1 fully-loaded	11.73		11.74	11.34
CET1 phased-in (4)	12.15		11.98	11.58
Total ratio phased-in (4)	16.46		15.92	15.71
Other information				
Number of clients (million)	80.7	3.6	77.9	74.6
Number of shareholders	879,226	0.6	874,148	902,708
Number of employees	123,174	(3.0)	126,973	125,627
Number of branches	7,432	(4.0)	7,744	7,963
Number of ATMs	31,000	(5.1)	32,658	32,502

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the information of the 2019 and 2018 income statements has been restated.

(1) Excluding the net capital gain from the bancassurance transaction in 2020 and BBVA Chile in 2018 and the goodwill impairments in the United States registered in the first quarter of 2020 and the last quarter of 2019.

(2) Adjusted by additional Tier 1 instrument remuneration.

(3) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

(4) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis amendments of the Capital Requirements Regulation (CRR), introduced by the Regulation (EU) 2020/873.

Highlights

Results

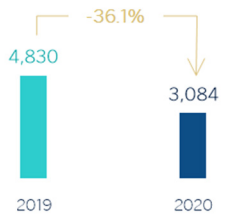
The BBVA Group generated a **net attributable profit** of €1,305m during 2020, in a year marked by several factors that influenced the income statement:

- First, the outbreak of the **COVID-19 pandemic**, the main impacts of which were increased impairment on financial assets and higher provisions.
- Secondly, the **goodwill impairment in the United States** in the first quarter of 2020, amounting to €2,084m, also as a result of the pandemic. In relation to this business area, the sale agreement reached by the Group is detailed later in this section. It should be noted that the Group's results in this report are shown from a **management's business perspective**, that is, with the United States business area in continuity. Financial information is being presented to the senior management of the Group with this management's business perspective, and this report includes a conciliation between the management's business perspective and the Consolidated Financial Statements of the Group.
- Lastly, and to a lesser extent, the execution in the fourth quarter of 2020 of the bancassurance agreement reached with **Allianz** in Spain, once all required authorizations were received, which has represented a net capital gain of €304m, registered in the line of corporate operations of the Group.

Despite the complexity of the environment, the **operating income** registered an 11.7% year-on-year increase at constant exchange rates at the end of 2020, driven by the net trading income (NTI) and the operating expenses reduction.

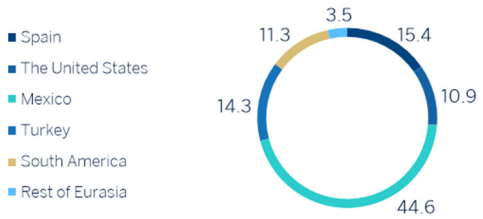
The Group's adjusted **net attributable profit**, excluding the goodwill impairment in the United States and **the results from corporate operations** in 2020, stood at €3,084m, that is a 36.1% below the 2019 result, also excluding the goodwill impairment in the United States in the last quarter of 2019

NET ATTRIBUTABLE PROFIT (1)
(MILLIONS OF EUROS)



(1) Excluding the goodwill impairment in the United States, registered in 2019 and 2020 and the net capital gain from the bancassurance operation in 2020.

NET ATTRIBUTABLE PROFIT BREAKDOWN (1)
(PERCENTAGE 2020)



(1) Excludes the Corporate Center.

Balance sheet and business activity

- The figure for **loans and advances to customers** (gross) fell by 4.5% compared to the end of the previous year, with deleveraging in all portfolios in the last quarter of 2020, with the exception of consumer and credit cards.
- **Customer funds** grew by 3.8% during 2020, mainly as a result of customers placing larger liquidity in demand deposits.

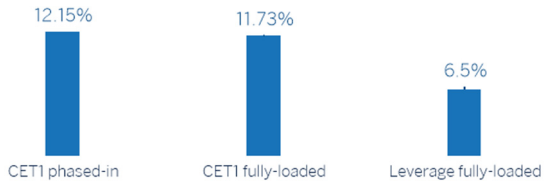
Liquidity

- The availability of substantial **liquidity** buffers in each of the geographical areas in which the BBVA Group operates and their management, have allowed internal and regulatory ratios to be maintained well above the minimums required.

Solvency

- From 2021 onwards the BBVA Group sets the **target** to keep the CET1 fully-loaded ratio between 11.5%-12.0%, increasing the distance to the minimum requirement (currently at 8.59%) to 291-341 basis points. As of December 31, 2020, the CET1 fully-loaded ratio stood at 11.73%, already within the target range. This ratio does not include the positive impact of the sale of BBVA USA and other companies in the United States with activities related to its banking business, which according to the current estimate and taking by reference the capital base in 2020, would place the CET1 fully-loaded ratio at 14.58%. Additionally, it does not include the effect of the closing of the sale of BBVA Paraguay, which would have a positive impact of approximately +6 basis points, which will be registered in the first quarter of 2021.

CAPITAL AND LEVERAGE RATIOS
(PERCENTAGE AS OF 31-12-20)



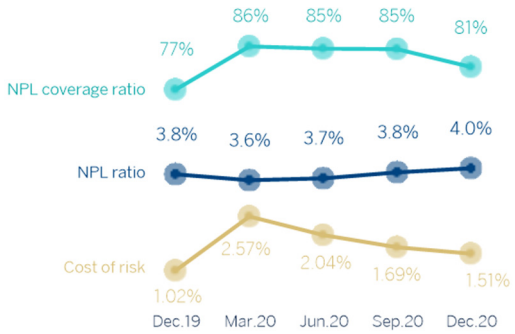
Shareholder remuneration

- Regarding **shareholder remuneration**, the European Central Bank (hereinafter ECB) approved on December 15, 2020, given the persistent uncertainty about the economic impact of the COVID-19 pandemic, a new recommendation which will be maintained until the end of September 2021 and repeals the previous recommendation. The decision continues the line of recommending to the credit institutions exercise extreme prudence in the distribution of profits, either through the payment of dividends or through conducting share buy-backs, remaining this remuneration below 15% of the cumulative profit for 2019 and 2020 financial years, and in any case, not higher than 20 basis points of the Common Equity Tier 1 (CET1).
- Following the **ECB recommendation**, it is expected to be proposed for the consideration of the competent government bodies the intention to pay out €0.059 (gross) per share to its shareholders. The maximum amount distributed will be approximately €393m corresponding to the 15% consolidated profit for 2020 (excluding among others, the goodwill impairment in the United States, the capital gain from corporate operations and the remuneration of additional Tier 1 capital-AT1-), following the recommendation of the ECB.

Risk management

- The calculation of **expected credit losses** accumulated in 2020 incorporates:
  - The update of the forward-looking information in the IFRS 9 models in order to reflect the circumstances created by the COVID-19 pandemic.
  - The granting of relief measures in the form of temporary payment deferrals for customers affected by the pandemic, as well as the option to grant lending with a public guarantee facility. In relation to said payments deferrals and in order to mitigate as much as possible the impact of these measures for the Group, due to the high concentration in the time of their maturities, an anticipation plan has been worked out.
- The behaviour of the main **credit risk** indicators of the Group at the end of 2020 were:
  - The NPL ratio stood at 4.0% at the end of December 2020, 17 basis points above the end of the previous year.
  - The NPL coverage ratio closed at 81%, with a relevant improvement compared to the end of 2019.
  - The cumulative cost of risk at the end of December stood at 1.51%, after the rebound experienced in the first quarter of 2020 and the subsequent correction throughout the year.

NPL AND NPL COVERAGE RATIOS AND COST OF RISK (PERCENTAGE)



Agreement for the sale of the United States

The BBVA Group announced, on November 16, 2020, that it has reached an agreement with The PNC Financial Services Group, Inc. (hereinafter PNC) for the **sale** of 100% of the shareholders' equity of its subsidiary BBVA USA Bancshares, Inc., which in turn owns, all of the shareholders' equity 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. or the participation in Propel Venture Partners US Fund I, L.P. Likewise, BBVA will continue to develop the wholesale business that it currently conducts through its New York branch. The price of the transaction amounts to aproximately USD 11,600m, which will be paid entirely in cash. It is estimated that the operation will generate a positive impact on the CET1 fully-loaded ratio of the BBVA Group of approximately 294 basis points and a net of taxes attributable profit of approximately €580m (calculated with a rate of 1.29 euros/U.S dollar) of which at the end of the financial year 2020, are already collected approximately €300m (corresponding to the results generated by the companies for sale from the signing of the transaction to the end of the year, and that there are recorded in the consolidated Financial Statements on 31 December, 2020) and approximately 9 basis points of positive impact in the CET1 fully-loaded ratio. As usual, the closing of the operation is subject to obtaining regulatory authorizations from the competent authorities and it is estimated that it will take place in mid-2021.

Sale of BBVA Paraguay

The BBVA Group announced on 22 January 2021 that, once the regulatory authorizations were obtained, it has **completed the sale** of its direct and indirect stake of 100% of the Shareholders' equity of the Banco Bilbao Vizcaya Argentaria Paraguay S.A. (hereinafter, BBVA Paraguay) to the Banco GNB Paraguay S.A. The total amount received after the closing of the operation amounts to approximately USD250m and has generated a capital loss, net of taxes, of approximately €9m. Likewise, this transaction will have a positive impact on BBVA Group's Common Equity Tier 1 (fully-loaded) of approximately +6 basis points. This impact will be reflected in the first quarter of 2021's capital base of BBVA Group.

Results

The BBVA Group generated a **net attributable profit** of €1,305m during 2020, in a year marked by several factors that influenced the income statement:

- First, the outbreak of the **COVID-19 pandemic**, the main impacts of which were the increased impairment on financial assets and higher provisions.
- Secondly, the **goodwill impairment in the United States** recorded in the first quarter of 2020, amounting to €2,084m, also as a result of the pandemic.
- Lastly, and to a lesser extent, the execution of the agreement reached with **Allianz**, once all required authorizations were received, which had a net capital gain of €304m.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2020				2019			
	4Q	3Q	2Q	1Q	4Q	3Q	2Q	1Q
Net interest income	**4,038**	**4,109**	**4,097**	**4,556**	**4,709**	**4,473**	**4,544**	**4,398**
Net fees and commissions	1,173	1,143	1,043	1,258	1,290	1,273	1,256	1,214
Net trading income	213	372	512	594	490	351	116	426
Other operating income and expenses	(157)	38	(91)	75	(89)	22	(18)	8
Gross income	**5,266**	**5,663**	**5,561**	**6,484**	**6,400**	**6,120**	**5,897**	**6,046**
Operating expenses	(2,674)	(2,570)	(2,594)	(2,918)	(3,082)	(2,946)	(2,952)	(2,922)
Personnel expenses	(1,420)	(1,356)	(1,342)	(1,532)	(1,637)	(1,572)	(1,578)	(1,553)
Other administrative expenses	(892)	(848)	(884)	(988)	(1,039)	(971)	(976)	(977)
Depreciation	(362)	(366)	(369)	(397)	(406)	(403)	(398)	(392)
Operating income	**2,593**	**3,093**	**2,967**	**3,566**	**3,317**	**3,174**	**2,945**	**3,124**
Impairment on financial assets not measured at fair value through profit or loss	(834)	(928)	(1,571)	(2,575)	(1,169)	(1,172)	(731)	(1,001)
Provisions or reversal of provisions	(144)	(60)	(228)	(312)	(243)	(113)	(117)	(144)
Other gains (losses)	(83)	(128)	(101)	(29)	(126)	(4)	(3)	(22)
Profit/(loss) before tax	**1,532**	**1,978**	**1,066**	**649**	**1,778**	**1,886**	**2,095**	**1,957**
Income tax	(407)	(524)	(269)	(186)	(430)	(488)	(595)	(541)
Profit/(loss) after tax	**1,125**	**1,454**	**798**	**463**	**1,349**	**1,398**	**1,500**	**1,416**
Goodwill impairment in the United States and corporate operations [1]	304	-	-	(2,084)	(1,318)	-	-	-
Profit/(loss) for the year	**1,430**	**1,454**	**798**	**(1,621)**	**31**	**1,398**	**1,500**	**1,416**
Non-controlling interests	(110)	(312)	(162)	(172)	(186)	(173)	(241)	(234)
Net attributable profit/(loss)	**1,320**	**1,141**	**636**	**(1,792)**	**(155)**	**1,225**	**1,260**	**1,182**
Earning per share (euros) [2]	**0.18**	**0.16**	**0.08**	**(0.29)**	**(0.04)**	**0.17**	**0.17**	**0.16**
Net attributable profit/(loss) excluding the goodwill impairment in the United States and corporate operations [1]	**1,015**	**1,141**	**636**	**292**	**1,163**	**1,225**	**1,260**	**1,182**
Earning per share excluding the goodwill impairment in the United States and corporate operations (euros) [1] [2]	**0.14**	**0.16**	**0.08**	**0.03**	**0.16**	**0.17**	**0.17**	**0.16**

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the quarterly information of the 2019 income statements has been restated.

(1) Include the net capital gain from the sale to Allianz the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

(2) Adjusted by additional Tier 1 instrument remuneration.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	2020	Δ %	Δ % at constant exchange rates	2019
Net interest income	**16,801**	**(7.3)**	**3.6**	**18,124**
Net fees and commissions	4,616	(8.3)	(0.4)	5,033
Net trading income	1,692	22.3	37.6	1,383
Other operating income and expenses	(135)	76.2	46.3	(77)
Gross income	**22,974**	**(6.1)**	**4.5**	**24,463**
Operating expenses	(10,755)	(9.6)	(2.6)	(11,902)
Personnel expenses	(5,650)	(10.9)	(4.4)	(6,340)
Other administrative expenses	(3,612)	(8.9)	(0.8)	(3,963)
Depreciation	(1,494)	(6.6)	0.0	(1,599)
Operating income	**12,219**	**(2.7)**	**11.7**	**12,561**
Impairment on financial assets not measured at fair value through profit or loss	(5,908)	45.1	67.3	(4,073)
Provisions or reversal of provisions	(744)	20.7	33.0	(617)
Other gains (losses)	(341)	119.4	117.0	(155)
Profit/(loss) before tax	**5,225**	**(32.3)**	**(21.9)**	**7,716**
Income tax	(1,385)	(32.5)	(22.4)	(2,053)
Profit/(loss) after tax	**3,840**	**(32.2)**	**(21.7)**	**5,663**
Goodwill impairment in the United States and corporate operations [1]	(1,780)	35.0	35.0	(1,318)
Profit/(loss) for the year	**2,060**	**(52.6)**	**(42.6)**	**4,345**
Non-controlling interests	(756)	(9.3)	13.0	(833)
Net attributable profit/(loss)	**1,305**	**(62.9)**	**(55.3)**	**3,512**
Earning per share (euros) [2]	**0.14**			**0.47**
Net attributable profit/(loss) excluding the goodwill impairment in the United States and corporate operations [1]	**3,084**	**(36.1)**	**(27.2)**	**4,830**
Earning per share excluding the goodwill impairment in the United States and corporate operations (euros) [1] [2]	**0.41**			**0.66**

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the information of the 2019 income statements has been restated.

(1) Include the net capital gain from the sale to Allianz the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

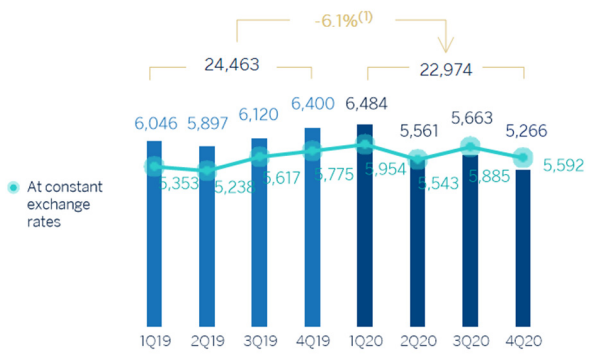
(2) Adjusted by additional Tier 1 instrument remuneration.

Unless expressly indicated otherwise, to better understand the changes under the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates**.

Gross income

Gross income grew 4.5% year-on-year, supported by the favorable evolution of net interest income and NTI, which offset the flat performance of fees and commissions and a greater negative impact of the other operating income and expenses line compared to 2019.

GROSS INCOME (MILLIONS OF EUROS)

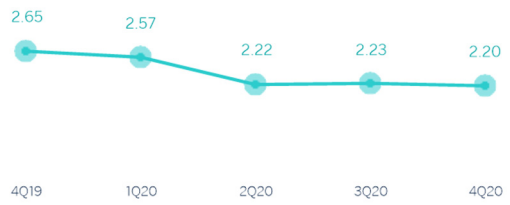


(1) At constant exchange rates: +4.5%.

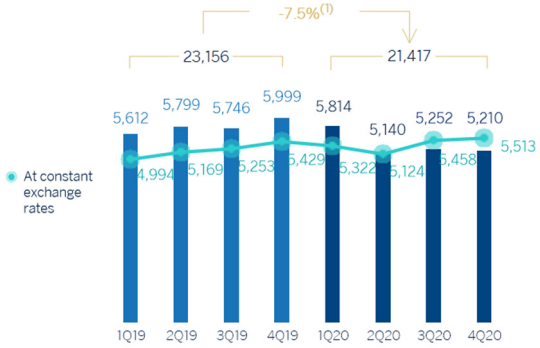
Net interest income grew by 3.6% year-on-year, supported by the good performance, mainly, from Turkey and the Rest of Eurasia and, to a lesser extent, South America, which offset the smaller contribution from the United States and Mexico, as a result of the cuts in the benchmark interest rates by the banking authorities in these countries. Spain was also affected by an environment of falling rates and showed flat performance.

Net fees and commissions were affected by the lower activity as a result of the pandemic. The areas that showed year-on-year reductions were Mexico and Turkey; the latter was also affected by changes in regulations on fees and commissions charged, which have been in application since March 2020. In Spain, the United States, Rest of Eurasia and South America, the net fees and commissions showed year-on-year increase, despite not charging certain fees and commissions as a measure to support customers during the worst moments of the pandemic.

NET INTEREST INCOME/ATAS (PERCENTAGE)



NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS)



(1) At constant exchange rates: +2.7%.

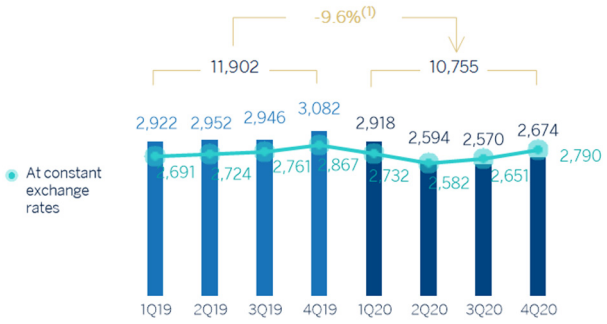
The **NTI** was up 37.6% year-on-year, primarily due to the exchange rate hedging gains, recorded in the Corporate Center and the increase in the results generated throughout the year by all the business areas, except for South America, due to the positive effect from selling the stake in Prisma Medios de Pago S.A. on the results of the previous year, and except for Spain, where the negative results generated in the fourth quarter hindered positive evolution throughout the year.

The **other operating income and expenses** line posted €-135m in 2020 compared to the €-77m posted 12 months earlier. This unfavorable evolution is due to a lower contribution by the insurance business in Spain and Mexico, as well as BBVA's increased contributions to the public bank deposit protection schemes in said countries. Both effects offset the positive impact of Argentina's lower hyperinflation adjustment.

Operating income

Operating expenses fell by 2.6% year-on-year as a result of the containment plans implemented by all business areas and also due to the lesser execution of some discretionary expenses since the beginning of the pandemic. The expenses reduction is remarkable in Spain and the Corporate Center.

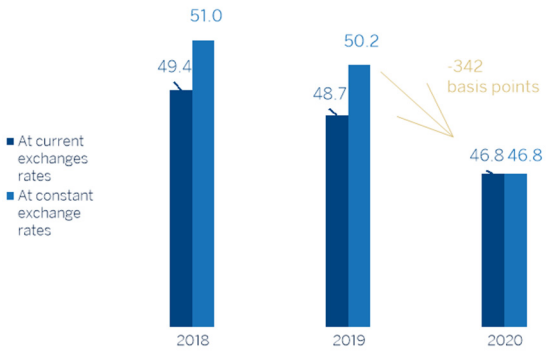
OPERATING EXPENSES (MILLIONS OF EUROS)



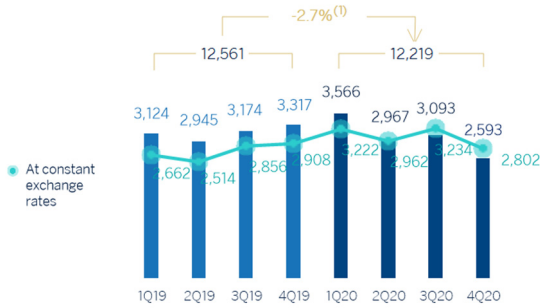
(1) At constant exchange rates: -2.6%.

As a result, the **efficiency** ratio stood at 46.8% as of December 31, 2020, significantly below the level recorded one year earlier (50.2%), and **operating income** recorded a year-on-year growth of 11.7%.

EFFICIENCY RATIO (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)

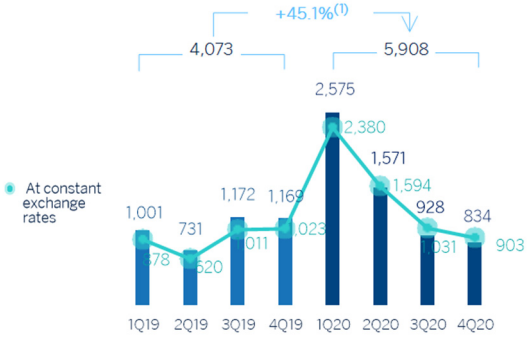


(1) At constant exchange rates: +11.7%.

Provisions and other

The impairment on financial assets not measured at fair value through profit and loss **(impairment on financial assets)** closed December 67.3% above the figure recorded in the previous year, as a result of the negative impacts of COVID-19, mainly due to the worsening macroeconomic scenario.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS)



(1) At constant exchange rates: +67.3%.

Provisions or reversal of provisions (hereinafter provisions) closed December with a cumulative negative balance of €744m, 33.0% higher than the loss recorded in the previous year, mainly due to higher provisions in Spain.

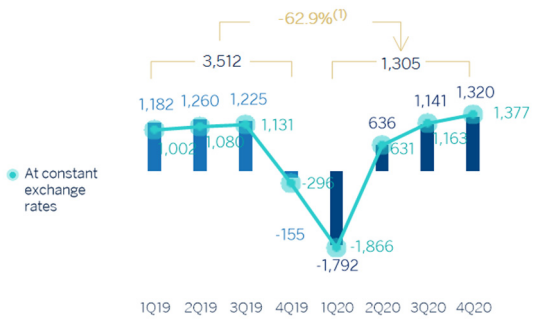
The **other gains (losses)** line was 117.0% more negative compared to the previous year.

Results

As a result of the above, the cumulative **net attributable profit** of the BBVA Group in 2020 was €1,305m, which includes **results from corporate operations** derived from the net capital gain of €304m, generated by the transfer to Allianz of half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line, and the goodwill impairment in the United States of €2,084m. This result is 55.3% less than the €3,512m posted the previous year in a comparison also influenced by the goodwill impairment in the United States in 2019.

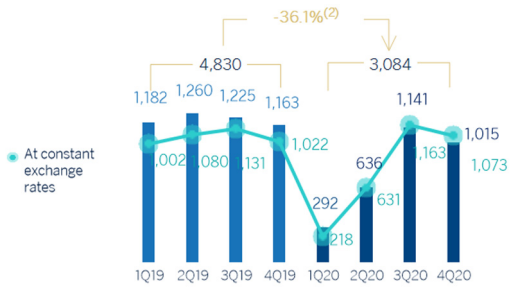
The Group's **net attributable profit**, when adjusted to exclude the goodwill impairment in the United States and the **results from corporate operations** in 2020, stood at €3,084m, which is 27.2% lower than the result in 2019, also excluding the goodwill impairment in the United States.

NET ATTRIBUTABLE PROFIT (MILLIONS OF EUROS)



(1) At constant exchange rates: -55.3%.

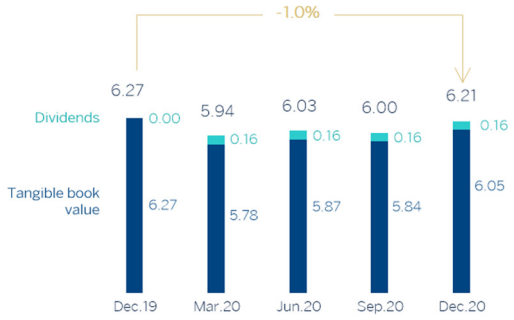
NET ATTRIBUTABLE PROFIT EXCLUDING THE UNITED STATES GOODWILL IMPAIRMENT AND CORPORATE OPERATIONS(1) (MILLIONS OF EUROS)



(1) Net profit before tax because of the sale to Allianz of half plus one share of the company created to jointly promote non-life insurance business in Spain, excluding the health insurance line.
(2) At constant exchange rates: -27.2%.

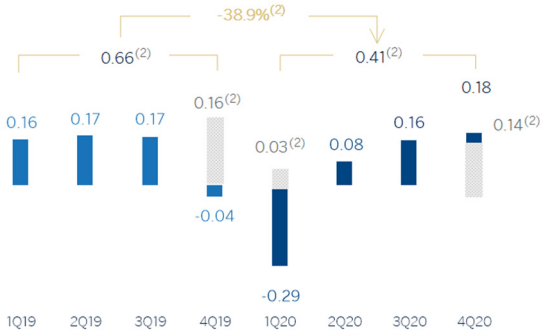
The cumulative **net attributable profits**, in millions of euros at the close of December 2020 for the different business areas that make up the Group were: 606 in Spain, 429 in the United States, 1,759 in Mexico, 563 in Turkey, 446 in South America and 137 in the Rest of Eurasia.

TANGIBLE BOOK VALUE PER SHARE AND DIVIDENDS (1) (EUROS)



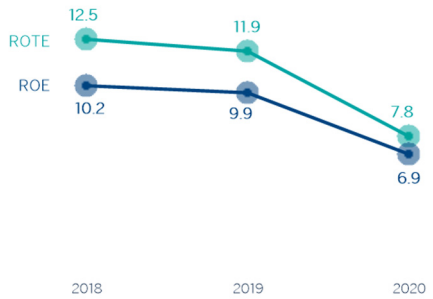
(1) Replenishing dividends paid in the period.

EARNING PER SHARE (1) (EUROS)



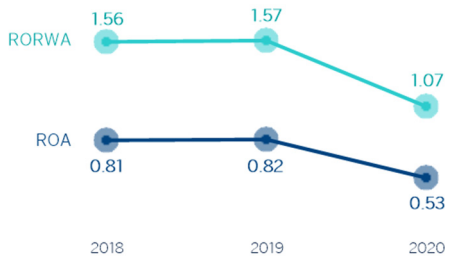
(1) Adjusted by additional Tier 1 instrument remuneration
(2) Excluding the goodwill impairment in the United States in 4Q19 and 1Q20 and the net capital gain from the insurance operation in 4Q20.

ROE AND ROTE (1) (PERCENTAGE)



(1) Ratios excluding BBVA Chile in 2018, the goodwill impairment in the United States in 2019 and 2020 and the net capital gain from the bancassurance operation in 2020 .

ROA AND RORWA (1) (PERCENTAGE)



(1) Ratios excluding BBVA Chile in 2018, the goodwill impairment in the United States in 2019 and 2020 and the net capital gain from the bancassurance operation in 2020.

Balance sheet and business activity

The most relevant aspects related to the **evolution** of the Group's balance sheet and business activity in 2020, are summarized below:

- **Loans and advances to customers** (gross) decreased by 4.5% compared to the end of the previous year, with deleveraging in all the portfolios in the last quarter of 2020, with the exception of consumer and credit cards, which showed some dynamism thanks to the recovery of economic activity in the new normal environment. In the comparison with December 2019, the mortgage portfolio registered the greatest reduction in absolute terms, despite the good origination data in several geographical areas.
- **Non-performing loans** were lower than at the end of December of the previous year, despite the increase in the last quarter of the year, mainly due to the entries of non-performing loans in the retail portfolios in Mexico.
- Customer **deposits** closed December 2020 6.1% above December 2019 balances, strongly supported by the good performance of demand deposits (up 14.0%), where customers have deposited the available liquidity to face the pandemic and which more than offset the reduction in time deposits.
- **Off-balance sheet funds** recovered in the quarter (up 2.9%) although it continued to show a negative growth rate compared to December 2019 (down 4.5%), mainly due to the unfavorable evolution of the markets during the first quarter of the year.
- Regarding **intangible assets**, the balance sheet figures as of December 31, 2020 and December 31, 2019 include the goodwill impairments in the United States registered in the last quarter of 2019 and the first quarter of 2020, with no effect on the tangible net equity, solvency or liquidity of the BBVA Group.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

	31-12-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	77,303	73.1	44,666
Financial assets held for trading	109,078	7.2	101,735
Non-trading financial assets mandatorily at fair value through profit or loss	5,211	(6.2)	5,557
Financial assets designated at fair value through profit or loss	1,117	(8.0)	1,214
Financial assets at fair value through accumulated other comprehensive income	74,416	21.6	61,186
Financial assets at amortized cost	430,260	(2.3)	440,430
Loans and advances to central banks and credit institutions	20,821	16.2	17,924
Loans and advances to customers	365,006	(4.8)	383,565
Debt securities	44,434	14.1	38,940
Investments in subsidiaries, joint ventures and associates	1,437	(3.5)	1,488
Tangible assets	8,629	(14.4)	10,077
Intangible assets	4,297	(38.4)	6,970
Other assets	24,428	0.1	24,413
Total assets	**736,176**	**5.5**	**697,737**
Financial liabilities held for trading	86,587	(2.4)	88,680
Other financial liabilities designated at fair value through profit or loss	10,050	0.4	10,010
Financial liabilities at amortized cost	565,085	9.1	518,182
Deposits from central banks and credit institutions	77,513	41.6	54,722
Deposits from customers	409,122	6.1	385,686
Debt certificates	64,591	0.9	64,004
Other financial liabilities	13,860	0.6	13,771
Liabilities under insurance and reinsurance contracts	9,951	(6.2)	10,606
Other liabilities	14,483	(5.5)	15,333
Total liabilities	**686,156**	**6.7**	**642,812**
Non-controlling interests	5,471	(11.8)	6,201
Accumulated other comprehensive income	(14,356)	40.4	(10,226)
Shareholders' funds	58,904	(0.1)	58,950
Total equity	**50,020**	**(8.9)**	**54,925**
Total liabilities and equity	**736,176**	**5.5**	**697,737**
Memorandum item:			
Guarantees given	43,294	(5.8)	45,952

General note: figures without considering the classification of BBVA Paraguay as Non-current Assets and Liabilities Held for Sale as of 31-12-2020 and 31-12-2019 and BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as Non-current Assets and Liabilities Held For Sale as of 31-12-2020.

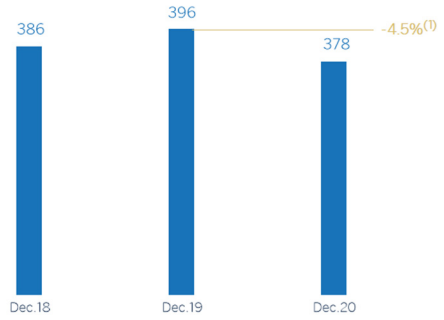
LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	31-12-20	Δ %	31-12-19
Public sector	**24,273**	**(14.0)**	**28,226**
Individuals	**163,460**	**(6.5)**	**174,867**
Mortgages	103,922	(6.0)	110,534
Consumer	34,256	(6.1)	36,500
Credit cards	12,742	(14.6)	14,925
Other loans	12,540	(2.8)	12,907
Business	**174,492**	**(1.4)**	**176,920**
Non-performing loans	**15,914**	**(0.5)**	**16,000**
Loans and advances to customers (gross)	**378,139**	**(4.5)**	**396,012**
Allowances [1]	(13,133)	5.5	(12,447)
Loans and advances to customers	**365,006**	**(4.8)**	**383,565**

General note: figures without considering the classification of BBVA Paraguay as Non-current Assets and Liabilities Held for Sale as of 31-12-2020 and 31-12-2019 and BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as Non-current Assets and Liabilities Held For Sale as of 31-12-2020.

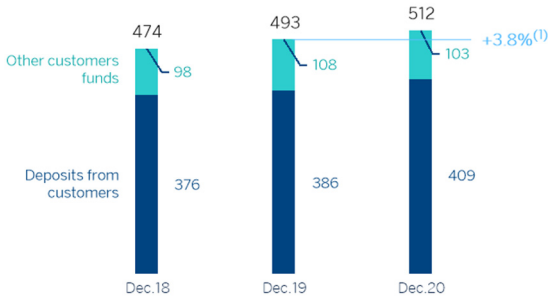
(1) Allowances include the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). As of December 31, 2020 and December 31, 2019 the remaining amount was €363m and €433m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (GROSS. BILLIONS OF EUROS)



(1) At constant exchange rates: +3.5%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



(1) At constant exchange rates: +11.9%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	31-12-20	Δ %	31-12-19
Deposits from customers	**409,122**	**6.1**	**385,686**
Current accounts	320,713	14.0	281,270
Time deposits	79,978	(17.7)	97,170
Other deposits	8,430	16.3	7,246
Other customer funds	**102,947**	**(4.5)**	**107,803**
Mutual funds and investment companies	64,869	(5.5)	68,639
Pension funds	36,215	(1.1)	36,630
Other off-balance sheet funds	1,863	(26.5)	2,534
Total customer funds	**512,068**	**3.8**	**493,488**

General note: figures without considering the classification of BBVA Paraguay as Non-current Assets and Liabilities Held for Sale as of 31-12-2020 and 31-12-2019 and BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as Non-current Assets and Liabilities Held For Sale as of 31-12-2020.

Solvency

Capital base

BBVA's **fully-loaded CET1** ratio stood at 11.73% at the end of December 2020. From 2021 onwards the BBVA Group sets the target to keep the CET1 fully-loaded ratio between 11.5%-12.0% increasing the distance to the minimum requirement (currently at 8.59%) to 291-341 basis points. At the end of 2020 financial year the CET1 fully-loaded ratio is already within this target management range.

In the last quarter of 2020, the CET1 fully-loaded ratio stood 21 basis points above the previous quarter. This increase includes a positive impact of +7 basis points due to the execution of the agreement reached with Allianz to jointly boost the non-life insurance business in Spain, excluding the health insurance line. The corresponding amount to €0.059 (gross) per share as shareholder remuneration allowed by the ECB recommendation has been already deduced from the capital base. This ratio does not include the positive impact of the sale of BBVA USA and other companies in the United States with activities related to said banking business, which, according to the current estimate and using as a reference the capital level in December 2020, would place the fully-loaded CET1 ratio at 14.58%. Additionally, it does not include the effect from the closing of the BBVA Paraguay sale, which would have a positive impact of approximately +6 basis points and which will be registered in the first quarter of 2021.

Furthermore, the profit generated in the period, excluding the gains generated by the operation with Allianz, has contributed +30 basis points, while the other elements of the capital ratios has contributed to a total net impact of -16 points, being the most significant component the growth in risk-weighted assets, and, conversely, the good market performance recorded in equity instruments measured at fair value through accumulated other comprehensive income. It also includes the positive effect on the regulatory deduction of software, following the publication of Delegated Regulation 2020/2176 on December 22 concerning the prudential treatment of software.

Fully-loaded **additional Tier 1 capital (AT1)** stood at 1.89% at the end of December 2020. In this regard, the **world's first green CoCo for a financial institution** was issued in July 2020 for €1,000m, a coupon of 6% and with an early amortization option from five and a half years, allowing all requirements at this tier to be fulfilled, including those from the tiering of Pillar 2 and therefore the distance to MDA to be increased. Moreover, a CoCo of €1,500m (coupon of 6.75%) was amortized in February, on the first date of the early amortization option; in January 2021, the early amortization options were implemented for two preferential issuances, issued by BBVA International Preferred and Caixa Sabadell Preferents for 31 million pounds sterling and €90m respectively; and finally, for a third preferential issuance issued by Caixa Terrassa Societat de Participacions Preferents, the bondholders' meeting has approved its early amortization on January 29, 2021 (versus the amortization option date of August 10, 2021). As of December 31, 2020, these issuances do not form part of the Group's capital adequacy ratios.

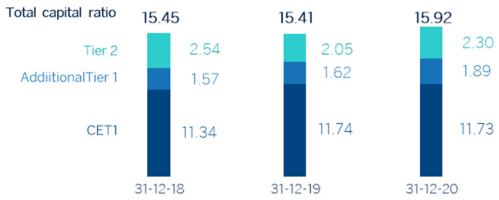
The fully-loaded Tier 2 ratio stood at 2.30% on December 31. Two Tier 2 issuances were issued in 2020: an issuance of €1,000m in January, with a maturity of 10 years and an amortization option from the fifth year, with a coupon of 1%; and another issuance of 300 million pounds sterling in July, with a maturity of 11 years and with an early amortization option from the sixth year, with a coupon of 3.104%, thereby diversifying the investment base and improving the price compared to an equivalent issuance in euros.

The phased-in **CET1** ratio stood at 12.15% at the end of December 2020, taking into account the transitory effect of the IFRS 9 standard. **AT1** stood at 1.89% and **Tier 2** at 2.42%, resulting in a **total capital adequacy ratio** of 16.46%.

Regarding **shareholder remuneration**, on April 9, 2020, a cash payment was made for a supplementary dividend for the 2019 financial year for the gross amount of €0.16 per share, according to the approved at the General Shareholders' Meeting on March 13, 2020. This amounted to €1,067m. Thus, the total dividend for the 2019 financial year amounts to €0.26 gross per share. This distribution had no impact on the evolution of the capital adequacy ratio since it had already accrued at the end of 2019

BBVA has announced its intention to return in 2021 to its **shareholders remuneration policy**, communicated through a relevant event on February 1, 2017, consisting of distributing annually between 35% and 40% of the profits resulting of each financial year entirely in cash through two distributions (predictably in October and April and subject to relevant approvals) when the current ECB recommendation applicable on the date of publication of this report is revoked and there are no additional restrictions or limitations. (For more information see the "Shareholder remuneration" paragraph, included in the "Highlights" section).

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			*CRD IV fully-loaded*		
	31-12-20 (1) (2)	**30-09-20**	**31-12-19**	**31-12-20 (1) (2)**	**30-09-20**	**31-12-19**
Common Equity Tier 1 (CET 1)	42,931	41,231	43,653	41,368	39,651	42,856
Tier 1	49,597	48,248	49,701	48,035	46,550	48,775
Tier 2	8,549	9,056	8,304	8,103	8,628	7,464
Total Capital (Tier 1 + Tier 2)	**58,147**	**57,305**	**58,005**	**56,138**	**55,178**	**56,240**
Risk-weighted assets	**353,272**	**343,923**	**364,448**	**352,679**	**344,215**	**364,942**
CET1 (%)	12.15	11.99	11.98	11.73	11.52	11.74
Tier 1 (%)	14.04	14.03	13.64	13.62	13.52	13.37
Tier 2 (%)	2.42	2.63	2.28	2.30	2.51	2.05
Total capital ratio (%)	**16.46**	**16.66**	**15.92**	**15.92**	**16.03**	**15.41**

(1) As of December 31, 2020, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873).
(2) Preliminary data.

Regarding the **MREL** (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA has continued its issuance plan during 2020 by closing two public issuances of non-preferred senior debt, one in January 2020 for €1,250m with a maturity of seven years and a coupon of 0.5%, and another in February 2020 for CHF 160m with a maturity of six and a half years and a coupon of 0.125%. In May 2020, the first issuance of a **COVID-19 social bond** by a private financial institution in Europe was completed. This is a five-year senior preferred bond, for €1,000m and a coupon of 0.75%. Finally, in order to optimize the MREL requirement, in September BBVA issued preferred senior debt of USD 2,000m in two tranches, with maturities of three and five years, for USD 1,200m and USD 800m and coupons of 0.875% and 1.125% respectively.

The Group estimates that, following the entry into force of Regulation (EU) No. 2019/877 of the European Parliament and of the Council of May 20 (which, among other matters, establishes the MREL in terms of RWAs and new periods for said requirement's transition and implementation), the current structure of shareholders' funds and admissible liabilities enables compliance with the MREL.

In November 2015 (effective January 1, 2017) BBVA ceased to be included in the list of **banks with global systemic importance** (Global Systemically Important Banks -G-SIBs-). This list is prepared annually by the Financial Stability Board (FSB) based on a set of quantitative indicators that can be consulted, together with the evaluation methodology, at the link www.bis.org/bcbs/gsib/. In November 2020, BBVA, at a consolidated level, was again identified as Another Entity of Systemic Importance (OEIS). As a consequence of the foregoing, the Bank of Spain imposes the obligation to maintain, as a buffer for OEIS during the financial year 2021, Common Equity Tier 1 elements for an amount equal to 0.75% of the total amount of its exposure to risk in the consolidated base.

Finally, the Group's **leverage** ratio maintained a solid position, at 6.5% fully-loaded (6.7% phased-in). These figures include the effect of the temporary exclusion of certain positions with the central bank provided for in the "CRR-Quick fix."

Stress testing at BBVA

The BBVA Group has a Stress Testing Programme (hereinafter, STP) that is part of its risk management framework. This Stress Testing Programme covers the exercises used for BBVA's internal management and those fostered by supervisory authorities (e.g., stress test of the EBA and ECB). However, as the latter usually have a specific framework determined by the supervisor establishing, among other, its frequency, methodology, infrastructure, assumptions to be applied, etc., the STP focuses on the internal stress tests.

Some of the main targets of these internal tests are the following:

- Promote a better understanding of the exposures and risks assumed by the Group on its operations, identifying risk factors and scenarios that could jeopardize compliance with the Risk Appetite Framework.

- Allow proactive risk management and an effective response through the design of mitigating measures, so that the Group remains within the target risk profile even in stress situations.
- Contribute to the calibration of the core metrics thresholds of the Risk Appetite Framework (maximum capacity and maximum appetite thresholds) supported, among other factors, on the implementation of stress tests and their results, both internal and regulatory tests included in the internal capital (ICAAP) and liquidity (ILAAP) adequacy assessment processes and the Recovery Plan of the BBVA Group.
- Feed the setting of thresholds of the Risk Appetite Framework used for the budgeting process, which shall be aligned with the targets of the strategic plan.
- Promote and encourage BBVA's risk culture and dialog.

Stress testing types

Stress tests carried out in BBVA's STP have different scopes depending mainly on the geographies and the type of risk covered. On the one hand, global tests are carried out impacting all or a large number of geographies where the Group is present and all material risks faced by the Group, regardless of their nature. In addition, tests focused on a specific geographical area or aimed at stressing a specific type of risk are carried out.

These stress tests must incorporate, among other, the following principles:

- The design of global stress testing models, including the criteria adopted, the assessed scope, and the complexity and granularity of the calculations, must be proportional to and consistent with BBVA's risk profile. BBVA's business model and the characteristics of its portfolios must be considered.
- Stress tests assumptions must preserve a sufficient level of prudence and conservatism as not to underestimate the impact of those elements that are difficult to forecast, such as diversification assumptions.

Global stress tests are composed by the analysis of scenarios, associated with macroprudential tests (ICAAP, ILAAP and Recovery Plan) and planning processes, sensitivity analyses and reverse stress tests. The latter two are also inputs to complete the analysis of scenarios, as they contribute to the risk scenarios definition process and to the selection of adverse and very adverse scenarios, and, in the sensitivity analysis case, they allow for an agile approximation of the assessment and analysis of scenarios.

Global stress test			
Stress	**Frequency**	**Methodology**	**Infrastructure and data procurement**
High-level stress tests – Sensitivities	Annual	Sensitivities to fluctuations in the main macro-financial variables included in a stress scenario	-BBVA Research financial forecasts - Corporate budget database and output of planning tools - Sensitivities by type of risk of specialist departments - Internal balance sheet, income statement and regulatory capital base forecasting tool.
Ad-hoc	*One-off*	Detailed calculation by specialist Risk and Finance departments of the potential impact on fluctuations of macro-financial variables in a stress scenario	-BBVA Research financial forecasts -Calculation in departmental tools of the impacts on the balance sheet and income statement - Internal balance sheet, income statement and regulatory capital base forecasting tool
Reverse stress test	Annual	Sensitivities to fluctuations in the main macro-financial variables included in a stress scenario	-Idem stress sensitivities
Group ICAAP & Recovery	Annual	Detailed methodology of the stress tests included in the ICAAP	
EBA stress test	One-off	Regulatory	

Stress tests integration into management

The scenario analysis is integrated into management through the following processes:

- Stress test results are incorporated into capital planning processes in order to project capital paths under the proposed periods and scenarios, both from a regulatory (CET1, AT1, T2) and economic (economic solvency ratio) perspective.

- BBVA's solvency level and loss-absorbency capacity to face a variety of adverse scenarios are assessed, contributing to capital self-assessment and to the calibration of the thresholds of the Risk Appetite Framework based on specific capital requirements.
- This stress analysis is also integrated into the ICAAP, ILAAP and Recovery Plan macroprudential exercises and, under scenarios with different severities, contribute to planning capital and liquidity management measures aimed at reshaping solvency and funding structure requirements and resetting target levels.

The sensitivity analysis is integrated into management through the following processes:

- Assessment of the impact of each High Level Risk Scenario (HLRS) developed by BBVA Research throughout the year describing a wide range of risk scenarios with a different nature, origin, likelihood and severity. The impact of these scenarios on BBVA's core metrics allow to assess the resilience of the Group to different risk scenarios.
- Based on the severity of the abovementioned results, and the likelihood allocated to each scenario assessed, and considering the risk assessment carried out to identify the main vulnerabilities of BBVA, conclusions are made on the nature and driver of the adverse and very adverse scenarios developed by BBVA Research at the end of each year to be subsequently assessed in the ICAAP and Recovery Plan processes.
- In addition, the severity of certain risk factors is adjusted through these tests, quickly assessing the impact on BBVA's core metrics of different alternative levels for specific variables.

Reverse stress tests contribute to determining the severity in the definition of the different scenarios, depending on its use in internal management processes, liquidity and capital self-assessment or Recovery Plan, while allowing the identification of those hypotheses with greater impact on the results of the stress tests and the risk sources to which the entity is more vulnerable.

Elements of the Global Stress Tests

Five elements are identified in each of the global stress tests: scenarios, models, hypotheses and inputs, tools and impacts/outputs.

The scenario generation process is described and governed by the "Rule on the generation of Internal Risk Scenarios", which is reviewed and approved annually by the Global Risk Management Committee.

Stress test models must comply with the general risk strategy established by BBVA's Board, and must be proportional to the level of the equity, borrowed capital and generation of recurrent earnings of the BBVA Group, and must be managed in a prudent and integrated manner throughout the life cycle of the risk models.

An adequate management framework for risk models requires considering all phases of their life cycle, from the moment a need is identified, it is planned and the development of a model begins, or its modification, to its implementation, use, validation and monitoring.

Model risk management must be based on tools that integrate the models, criteria and management strategies, and that allow decision processes to be automated. It is based on three levels and an internal governance structure that allows adequate mitigation of model risk:

- The first level consists of owners, technicians, users and developers, ensuring the existence of a suitable governance framework consistent with the needs of the BBVA Group. The second level consists of Internal Validation and the Risk Internal Control function, while the third level or line of defense consists of Internal Audit.
- With regard to the governance framework of the models, the necessary approval levels are established for each model or modification according to its tiering (categorization of the models according to the relative importance of their use in the management of the BBVA Group), which must also be applied to stress models in order to allow an adequate management on the deployment of the models, as well as the modifications that occur in risk models currently in use.

With regard to the hypotheses, and regardless of the specific criteria established in each test, they must all meet the following general requirements:

- The correlations between risk factors and types of risk must be assessed and stressed, both at an individual level in each entity or business area, as well as at the consolidated level of the BBVA Group, recognizing that in stress situations certain correlations tend to increase, reducing the benefits of the diversification between portfolios and geographies.
- The non-linear effects between risk factors and stress parameters in very low severity scenarios must be considered.

Ratings

In a year marked by the COVID-19 pandemic, BBVA's has maintained its rating during 2020 in the single A space for senior preferred debt granted by all agencies. DBRS confirmed BBVA's rating at A (high) with a stable outlook on April 1, and on April 29 S&P confirmed BBVA's rating (A-) and its outlook (negative) in a joint action with the rest of the Spanish banks, in which the agency also assigned a negative outlook to the majority of the Spanish banks. In the month of July, as a consequence of the economic uncertainty caused by COVID-19 in the countries where BBVA is present, the rating agency Fitch downgraded its rating by one notch to A- with a stable outlook. For its part, Moody's has maintained BBVA's rating at A3 with a stable outlook. These ratings, together with their corresponding outlooks, are shown in the following table:

RATINGS

Rating agency	Long term [1]	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's	A3	P-2	Stable
Standard & Poor's	A-	A-2	Negative

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A- rating respectively, to BBVA's long term deposits.

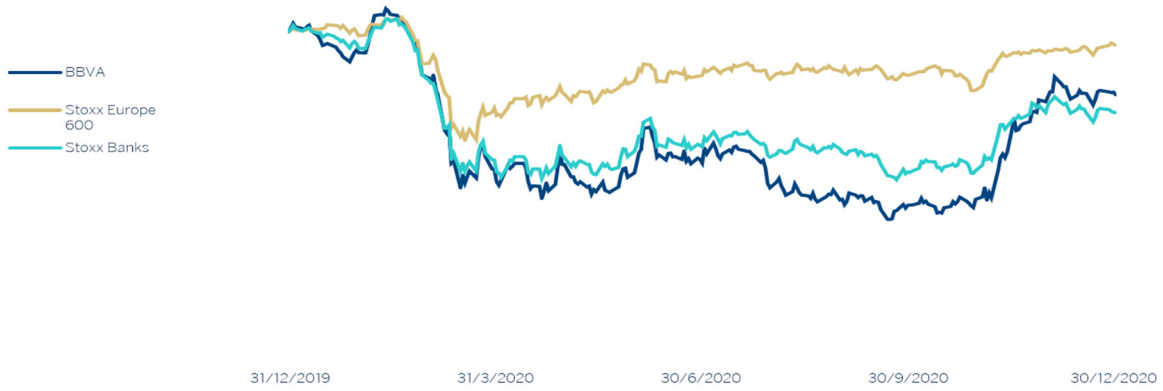
The BBVA share

In a trading year clearly marked by the evolution of the pandemic, the main **stock market** indexes have shown a mixed behaviour during 2020. In Europe, the Stoxx Europe 600 index fell slightly in the year, down 4.00%, and in Spain the Ibex 35 fell by 15.5%. In the United States, the S&P 500 index had a faster recovery and improved by 16.3% in the period.

With regard to the **banking sector indexes**, its performance was worse than the general market. In Europe, the Stoxx Europe 600 Banks index, which includes the banks in the United Kingdom, and the Euro Stoxx Banks, the Eurozone bank index, fell by 24.5% and 23.7% respectively, meanwhile in the United States, the S&P Regional Banks sectoral index fell by 10.6% in the period.

For its part, the **BBVA share** price fell by 19.0% during the year, less than that of the banking sector in Spain (the Ibex 35 index fell by 27.3%) and closed the month of December at €4.04.

BBVA SHARE EVOLUTION COMPARED WITH EUROPEAN INDICES (BASE INDICE 100=31-12-19)



THE BBVA SHARE AND SHARE PERFORMANCE RATIOS

	31-12-20	31-12-19
Number of shareholders	879,226	874,148
Number of shares issued	6,667,886,580	6,667,886,580
Daily average number of shares traded	34,180,978	30,705,133
Daily average trading (millions of euros)	108	153
Maximum price (euros)	5.34	5.68
Minimum price (euros)	2.13	4.19
Closing price (euros)	4.04	4.98
Book value per share (euros)	6.70	7.32
Tangible book value per share (euros)	6.05	6.27
Market capitalization (millions of euros)	26,905	33,226
Yield (dividend/price; %) (1)	4.0	5.2

(1) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

As of December 31, 2020, the number of BBVA **shares** was 6,668 billion, and the number of shareholders reached 879,226. By type of investor, 57.18% of the capital belongs to institutional investors and the remaining 42.82% belongs to retail shareholders.

SHAREHOLDER STRUCTURE (31-12-2020)

	Shareholders		Shares	
Number of shares	Number	%	Number	%
Up to 500	361,681	41.1	67,754,273	1.0
501 to 5,000	406,886	46.3	710,105,474	10.6
5,001 to 10,000	59,129	6.7	416,320,737	6.2
10,001 to 50,000	46,362	5.3	888,242,755	13.3
50,001 to 100,000	3,366	0.4	229,327,509	3.4
100,001 to 500,000	1,513	0.2	273,726,222	4.1
More than 500,001	289	0.0	4,082,409,610	61.2
Total	**879,226**	**100.0**	**6,667,886,580**	**100.0**

BBVA **shares** are included on the main stock market indexes, including the Ibex 35, and the Stoxx Europe 600 index, with a weighting of 6.34% and 0.31%, respectively at the end of December 2020. They are also included on several sector indexes, including Stoxx Europe 600 Banks, which includes the United Kingdom, with a weighting of 4.63% and the Euro Stoxx Banks index for the Eurozone with a weighting of 8.58%.

Finally, BBVA maintains a significant presence on a number of international **sustainability indexes** or Environmental, Social and Governance (ESG) indexes, which evaluates companies' performance in these areas. For more information, see the chapter "Sustainable finance" of this management report.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios.

At the end of 2020, BBVA Group's business areas reporting **structure** continued to be the same as the one presented at the end of 2019, although BBVA has reached agreements that, in some cases, could affect that structure. BBVA Group's business areas and the agreements reached in relation to some of them are summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in this country. In relation to the agreement reached in April 2020 with Allianz to create a bancassurance alliance, by setting up a newly created insurance company, once the authorizations from the competent regulators had been received, on December 14, 2020. BBVA Seguros transferred half plus one share from the aforementioned company to Allianz. The results from this new company are included in this business area.
- **The United States** incorporates the businesses of BBVA USA, including the Group´s wholesale business through the New York branch office, the stake in Propel Venture Partners and the broker dealer BBVA Securities Inc business, all of which are excluded from the sale agreement reached with PNC. In relation to said agreement (for more information, see the chapter "Highlights" of this report), it includes BBVA USA and other companies in the United States with activities related to this banking business. Likewise, in accordance with IFRS 8 "Operating Segments", the information for this business area is provided for the financial years 2020 and 2019, including the companies subject to the sale agreement, whose closing is subject to obtaining regulatory authorizations from the competent authorities.
- **Mexico** includes banking and insurance businesses in this country, as well as the activity that BBVA Mexico carries out through its branch in Houston.
- **Turkey** reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** mainly includes banking and insurance activity carried out in the region. With respect to the agreement reached with Banco GNB Paraguay, S.A., for the sale of BBVA Paraguay, the closing of the transaction materialized on January 22, 2021, once the approval of the competent regulatory authorities was received. The information in this business area includes BBVA Paraguay at the end of December 2020 and 2019.
- **Rest of Eurasia** includes the banking business activity carried out in Asia and in Europe, excluding Spain.

The **Corporate Center** contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; management of structural exchange rate positions; some equity instrument issuances to ensure an adequate management of the Group's global solvency. It also includes portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets.

The **information by business area** is based on units at the lowest level and/or companies that comprise the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity.

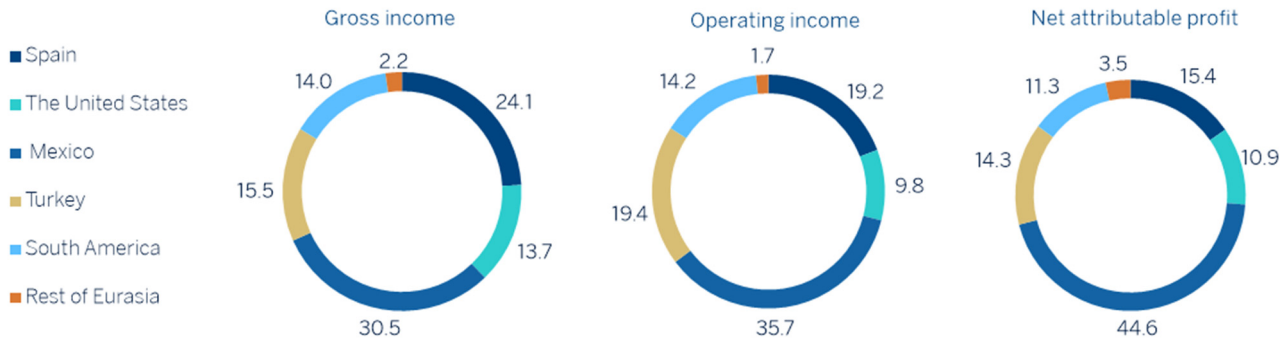
As usual, in the case of the different business areas in Americas and Turkey, the results applying constant **exchange rates** are given as well as the year-on-year variations at current exchange rates.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas							
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas	Corporate Center
31-12-20									
Net interest income	16,801	3,553	2,284	5,415	2,783	2,701	214	16,950	(149)
Gross income	22,974	5,554	3,152	7,017	3,573	3,225	510	23,031	(57)
Operating income	12,219	2,515	1,281	4,677	2,544	1,853	225	13,094	(876)
Profit/(loss) before tax	5,225	809	502	2,472	1,522	896	184	6,386	(1,160)
Net attributable profit/(loss)	1,305	606	429	1,759	563	446	137	3,940	(2,635)
31-12-19									
Net interest income	18,124	3,567	2,395	6,209	2,814	3,196	175	18,357	(233)
Gross income	24,463	5,656	3,223	8,029	3,590	3,850	454	24,802	(339)
Operating income	12,561	2,402	1,257	5,384	2,375	2,276	161	13,855	(1,294)
Profit/(loss) before tax	7,716	1,878	705	3,691	1,341	1,396	163	9,173	(1,457)
Net attributable profit/(loss)	3,512	1,386	590	2,699	506	721	127	6,029	(2,517)

General note: as a result of the interpretation issued by the International Financial Reporting Standards Interpretations Committee (IFRIC) regarding the collecting of interests of written-off financial assets for the purpose of IFRS 9, those collections are presented as reduction of the credit allowances and not as a higher interest income, recognition method applied until December 2019. Therefore, and in order to make the information comparable, the information of the 2019 income statements has been restated.

GROSS INCOME(1), OPERATING INCOME(1) AND NET ATTRIBUTABLE PROFIT(1) BREAKDOWN (PERCENTAGE. 2020)



(1) Excludes the Corporate Center.

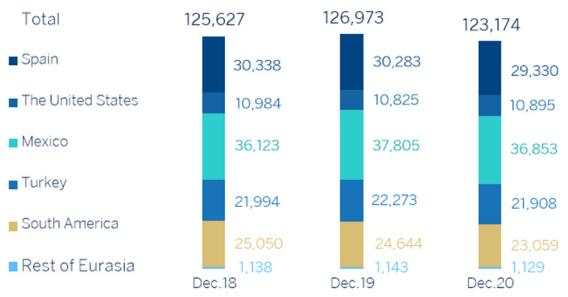
MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas								
	BBVA Group	Spain	The United States	Mexico	Turkey	South America	Rest of Eurasia	Σ Business areas	Corporate Center	Deletions
31-12-20										
Loans and advances to customers	365,006	167,998	57,983	50,002	37,295	33,615	18,908	365,801	503	(1,299)
Deposits from customers	409,122	206,428	69,923	54,052	39,353	36,874	4,578	411,208	363	(2,449)
Off-balance sheet funds	102,947	62,707	-	22,524	3,425	13,722	569	102,947	-	-
Total assets/liabilities and equity	736,176	405,878	93,953	110,224	59,585	55,435	22,881	747,957	41,674	(53,455)
RWAs	353,272	104,388	60,365	60,797	53,021	39,804	18,249	336,624	16,648	-
31-12-19										
Loans and advances to customers	383,565	167,332	63,162	58,081	40,500	35,701	19,669	384,445	813	(1,692)
Deposits from customers	385,686	182,370	67,525	55,934	41,335	36,104	4,708	387,976	308	(2,598)
Off-balance sheet funds	107,803	66,068	-	24,464	3,906	12,864	500	107,803	-	-
Total assets/liabilities and equity	697,737	364,427	88,529	109,079	64,416	54,996	23,257	704,703	49,886	(56,852)
RWAs	364,448	104,911	65,170	59,299	56,642	45,413	17,989	349,422	15,026	-

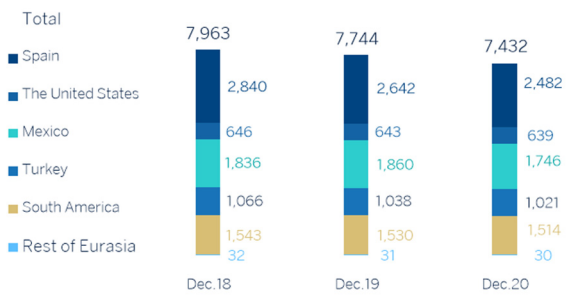
General note: figures without considering the classification of BBVA Paraguay as Non-current Assets and Liabilities Held for Sale as of 31-12-2020 and 31-12-2019 and BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as Non-current Assets and Liabilities Held For Sale as of 31-12-2020.

The balance sheet includes a column, which represents the **deletions** and balance sheet adjustments between the different business areas, especially in terms of the relationship between the areas in which the parent company operates, i.e. Spain, Rest of Eurasia and the United States, and the Corporate Center.

NUMBER OF EMPLOYEES

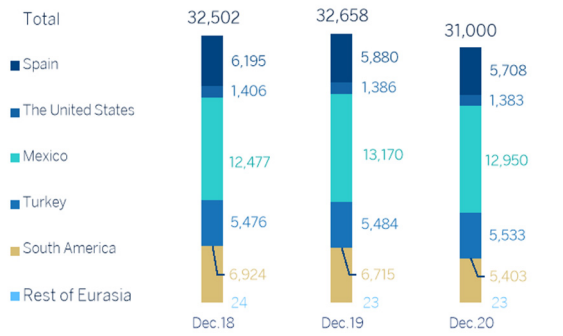


NUMBER OF BRANCHES



(1) December 2020 data for the United States includes Houston branch employees.

NUMBER OF ATMS

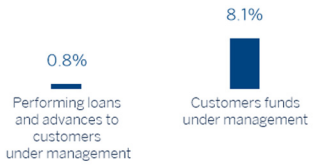


Spain

Highlights

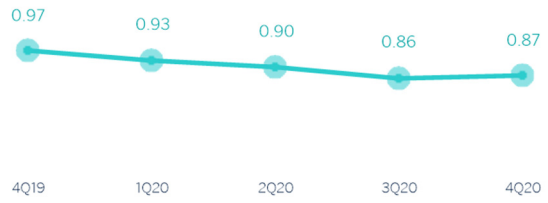
- **Activity growth driven by corporate and investment banking operations and government support programs.**
- **Improved efficiency ratio, driven by controlled operating expenses.**
- **Risk indicators contained.**
- **Net attributable profit affected by the level of impairment on financial assets.**

BUSINESS ACTIVITY[1]
(YEAR-ON-YEAR CHANGE. DATA AS OF 31-12-20)

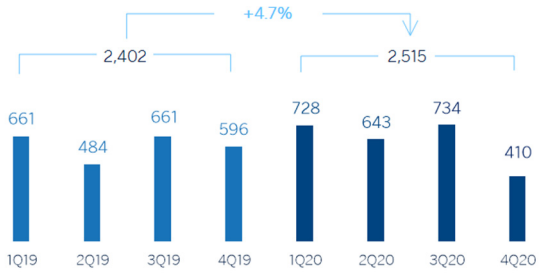


(1) Excluding repos.

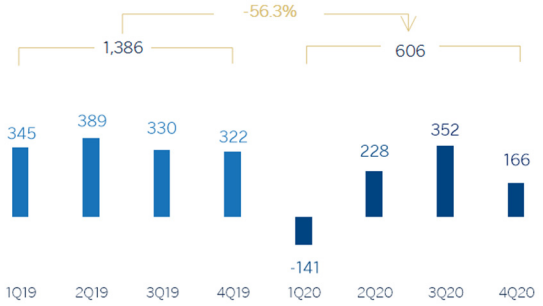
NET INTEREST INCOME/ATAS
(PERCENTAGE)



OPERATING INCOME
(MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	2019
Net interest income	**3,553**	**(0.4)**	**3,567**
Net fees and commissions	1,802	2.9	1,751
Net trading income	174	(27.2)	239
Other operating income and expenses	25	(74.2)	98
Of which: Insurance activities [1]	465	(10.1)	518
Gross income	**5,554**	**(1.8)**	**5,656**
Operating expenses	(3,039)	(6.6)	(3,253)
Personnel expenses	(1,738)	(7.7)	(1,883)
Other administrative expenses	(841)	(5.9)	(895)
Depreciation	(460)	(3.4)	(476)
Operating income	**2,515**	**4.7**	**2,402**
Impairment on financial assets not measured at fair value through profit or loss	(1,167)	n.s.	(138)
Provisions or reversal of provisions and other results	(538)	39.3	(386)
Profit/(loss) before tax	**809**	**(56.9)**	**1,878**
Income tax	(200)	(59.1)	(489)
Profit/(loss) for the year	**610**	**(56.1)**	**1,389**
Non-controlling interests	(3)	36.5	(3)
Net attributable profit/(loss)	**606**	**(56.3)**	**1,386**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-12-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	38,360	141.2	15,903
Financial assets designated at fair value	137,969	13.2	121,890
Of which: Loans and advances	30,680	(10.2)	34,175
Financial assets at amortized cost	198,173	1.5	195,260
Of which: Loans and advances to customers	167,998	0.4	167,332
Inter-area positions	21,940	1.4	21,637
Tangible assets	2,902	(12.1)	3,302
Other assets	6,535	1.5	6,436
Total assets/liabilities and equity	**405,878**	**11.4**	**364,427**
Financial liabilities held for trading and designated at fair value through profit or loss	73,921	(4.9)	77,731
Deposits from central banks and credit institutions	58,783	43.1	41,092
Deposits from customers	206,428	13.2	182,370
Debt certificates	39,326	10.7	35,520
Inter-area positions	-	-	-
Other liabilities	16,964	(8.2)	18,484
Economic capital allocated	10,457	13.3	9,229

Relevant business indicators	31-12-20	Δ %	31-12-19
Performing loans and advances to customers under management [1]	165,511	0.8	164,140
Non-performing loans	8,340	(3.4)	8,635
Customer deposits under management [1]	205,809	12.9	182,370
Off-balance sheet funds [2]	62,707	(5.1)	66,068
Risk-weighted assets	104,388	(0.5)	104,911
Efficiency ratio (%)	54.7		57.5
NPL ratio (%)	4.3		4.4
NPL coverage ratio (%)	67		60
Cost of risk (%)	0.67		0.08

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity

The most relevant aspects related to the area's activity throughout 2020 were:

- **Lending activity** (performing loans under management) stood higher than at the end of 2019 (up 0.8%). The reduction in mortgage lending and lending to public institutions (down 4.2%) was offset, among others, by higher balances in retail banking (up 11.2%), in SMEs (up 6.5%) and in corporate and investment banking (up 3.3%), which benefited from the facilities guaranteed by the Spanish *Instituto de Crédito Oficial* (hereinafter ICO).
- With regard to **asset quality**, the indicators remained stable compared to the previous quarter. As a result, the NPL ratio remained at 4.3% and the coverage ratio at 67%.
- **Total customer funds** grew by 8.1% compared to the close of 2019, partly due to the trend for greater saving, both by companies and by individual customers. This has resulted in an increase in customer deposits under management (up 12.9%), which managed to offset the negative evolution of **off-balance sheet funds** (down 5.1%) resulting from the unfavorable performance of the markets in 2020.

Results

Spain generated a cumulative net attributable **profit** of €606m in 2020, 56.3% lower than in 2019, mainly due to the increase in impairment on financial assets as a result of the pandemic, meanwhile, operating income increased by 4.7% compared to the previous year.

The main highlights of the area's income statement are:

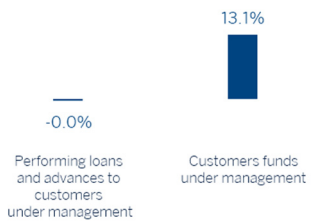
- **Net interest income** was slightly lower than at the close of 2019 (down 0.4%), affected by the falling rate environment and the change in the financing mix of the companies from long- to short-term.
- **Net fees and commissions** performed well (up 2.9% year-on-year), widely as a result of asset management fees and fees generated by corporate banking operations, which offset exemptions on some products at the worst moments of the pandemic.
- **NTI** decreased (down 27.2% year-on-year), mainly due to performance of the Global Markets area in the last quarter of the year, which offsets the higher gains from ALCO portfolio sales in 2020.
- The **other operating income and expenses** line compares negatively to the previous year (down 74.2%), due to increased contributions to both the Single Resolution Fund and the Deposit Guarantee Fund and the lower contribution of the insurance business. It should also be noted that, once authorization was received from the competent regulators, on December 14, BBVA Seguros transferred to Allianz half plus one share of the company created to jointly develop non-life insurance business, excluding health insurance line.
- There was a reduction in **operating expenses** (down 6.6% year-on-year), mainly as a result of the cost-containment plans and supported by the reduction in discretionary expenses as a result of the pandemic. Therefore, the **efficiency** ratio stood at 54.7% compared to 57.5% in 2019.
- **Impairment on financial assets** increased by €1,029m compared to the previous year, mainly due to the negative impact recorded mainly in the first quarter of 2020, as a result of deterioration in the macroeconomic scenario due to COVID-19, which includes credit provisions for those sectors most affected, in a comparison that is further impacted by portfolio sales made in 2019. In quarterly terms, this line item stood at similar levels prior to the pandemic, which meant that the cumulative cost of risk stood at 0.67% at the close of December.
- Finally, **provisions and other results** generated a more negative result compared to the previous year, mainly due to provisions for potential claims.

The United States

Highlights

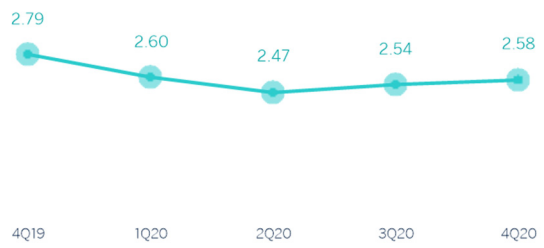
- **Flat lending activity and strong increase in customer deposits in the year.**
- **The cost of risk favorable evolution continues, with a significant improvement in the quarter.**
- **Positive evolution of fees and commissions and NTI.**
- **Net attributable profit impacted by the Fed rate reduction and the significant increase in the impairment on financial assets line.**

BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 31-12-20)

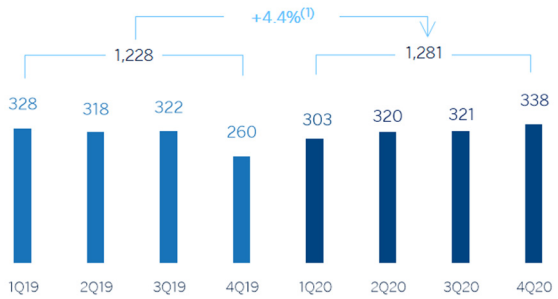


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

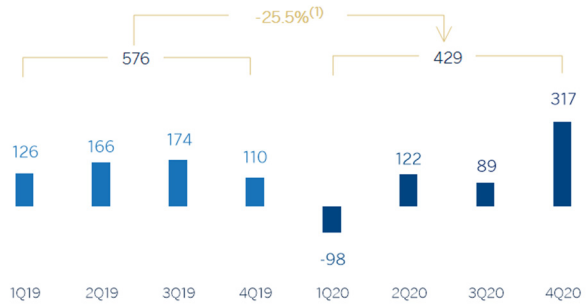


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +1.9%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -27.2%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	Δ % [1]	2019
Net interest income	**2,284**	**(4.6)**	**(2.6)**	**2,395**
Net fees and commissions	665	3.2	5.5	644
Net trading income	220	27.4	31.8	173
Other operating income and expenses	(17)	n.s.	n.s.	12
Gross income	**3,152**	**(2.2)**	**(0.0)**	**3,223**
Operating expenses	(1,870)	(4.9)	(2.8)	(1,966)
Personnel expenses	(1,085)	(3.7)	(1.6)	(1,126)
Other administrative expenses	(577)	(7.1)	(5.1)	(621)
Depreciation	(209)	(4.7)	(2.7)	(219)
Operating income	**1,281**	**1.9**	**4.4**	**1,257**
Impairment on financial assets not measured at fair value through profit or loss	(776)	41.0	44.3	(550)
Provisions or reversal of provisions and other results	(4)	70.8	72.5	(2)
Profit/(loss) before tax	**502**	**(28.8)**	**(27.1)**	**705**
Income tax	(73)	(36.8)	(35.4)	(115)
Profit/(loss) for the year	**429**	**(27.2)**	**(25.5)**	**590**
Non-controlling interests	-	-	-	-
Net attributable profit/(loss)	**429**	**(27.2)**	**(25.5)**	**590**

Balance sheets	31-12-20	Δ %	Δ % [1]	31-12-19
Cash, cash balances at central banks and other demand deposits	17,260	108.1	127.3	8,293
Financial assets designated at fair value	6,792	(11.3)	(3.1)	7,659
Of which: Loans and advances	349	33.8	46.2	261
Financial assets at amortized cost	66,933	(3.7)	5.2	69,510
Of which: Loans and advances to customers	57,983	(8.2)	0.3	63,162
Inter-area positions	-	-	-	-
Tangible assets	810	(11.4)	(3.2)	914
Other assets	2,158	0.2	9.5	2,153
Total assets/liabilities and equity	**93,953**	**6.1**	**15.9**	**88,529**
Financial liabilities held for trading and designated at fair value through profit or loss	952	237.9	269.0	282
Deposits from central banks and credit institutions	5,570	36.5	49.1	4,081
Deposits from customers	69,923	3.6	13.1	67,525
Debt certificates	2,879	(18.9)	(11.4)	3,551
Inter-area positions	4,869	42.5	55.7	3,416
Other liabilities	6,124	5.0	14.7	5,831
Economic capital allocated	3,636	(5.4)	3.3	3,843

Relevant business indicators	31-12-20	Δ %	Δ % [1]	31-12-19
Performing loans and advances to customers under management [2]	57,887	(8.5)	(0.0)	63,241
Non-performing loans	1,258	72.3	88.2	730
Customer deposits under management [2]	69,926	3.5	13.1	67,528
Off-balance sheet funds [3]	-	-	-	-
Risk-weighted assets	60,365	(7.4)	1.2	65,170
Efficiency ratio (%)	59.3			61.0
NPL ratio (%)	2.1			1.1
NPL coverage ratio (%)	84			101
Cost of risk (%)	1.18			0.88

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and earnings, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators. In relation to the sale agreement reached by the BBVA Group with PNC (For more information see "Highlights" section of this report), which includes certain companies of the Group in the United States, the figures and comments of this business area are presented incorporating the companies mentioned at the end of December 2020.

Activity

The most relevant aspects related to the area's activity during 2020 were:

- The **lending activity** (performing loans under management) showed lower dynamism between October and December (down 3.2%), due to the combined effect of several factors, including the volume of liquidity injected into the system and the use by companies of credit facilities provided during the first and second quarters of the year. In comparison to December 2019, the loan portfolio remains flat, mainly due to the performance of the Corporate and Business Banking segment, which was driven by the Paycheck Protection Program. The rest of the retail portfolio showed reductions in rates of change with respect to the end of 2019, due to the unfavorable impact of the pandemic.
- In terms of **risk indicators**, the NPL ratio showed an upward trend during the year, focused on the most sensitive sectors in the COVID-19 environment and closed at 2.1%. For its part, the NPL coverage ratio stood at 84%, compared to 101% at the end of December 2019.
- **Customer deposits** under management increased by 13.1% in the year, due to the placement of the increased liquidity made available to customers in demand deposits. This line showed a flat performance in the quarter.

Results

The United States generated a net attributable **profit** of €429m during 2020, 25.5% less than in the same period of the previous year. The most relevant aspects related to the income statement are summarized below:

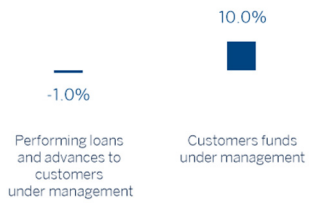
- **Net interest income** fell by 2.6% year-on-year, affected by the Fed's interest rate cuts, for a total of 225 basis points since the first quarter of 2019, partially offset by the lower financing costs due to the excellent cost of deposits management. This line increased by 2.3% in the quarter, mainly by both the lower expenses and the funding mix improvement.
- **Net fees and commissions** closed with an increase of 5.5% compared to the same period last year, mainly due to commissions generated by the New York branch.
- **NTI** contribution increased (up 31.8% year-on-year) with a favorable evolution in the quarter (up 54.8%), due to the higher results from the Global Markets unit and the stake in Propel.
- **Operating expenses** fell compared to the previous year (down 2.8%), as a result of both the decrease in some discretionary expenses due to the pandemic and the containment plans implemented.
- Increase in the **impairment on financial assets** (up 44.3% year-on-year), explained mainly by the adjustment in the macroeconomic scenario due to the negative effects of COVID-19, mainly registered in the first quarter of 2020, and to higher loan-loss provisions to cover specific customers in the Oil & Gas sector. It should be noted that in the last quarter of 202, this line closed with a release of €58m, which explains the improvement of the cumulative **cost of risk**, which stood at 1.18% at the end of December 2020 compared to 1.69 at the end of September.

Mexico

Highlights

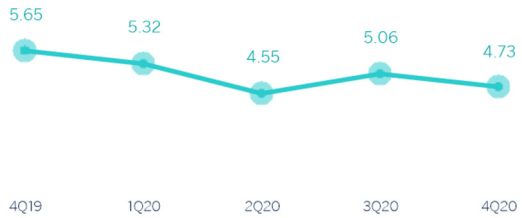
- **Slight deceleration of activity, impacted by the macroeconomic environment.**
- **Solid liquidity position.**
- **Controlled expenses growing significatively under the inflation and the strength of the gross income.**
- **Net attributable profit affected by the significant increase in the impairment on financial assets line.**

BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 31-12-20)

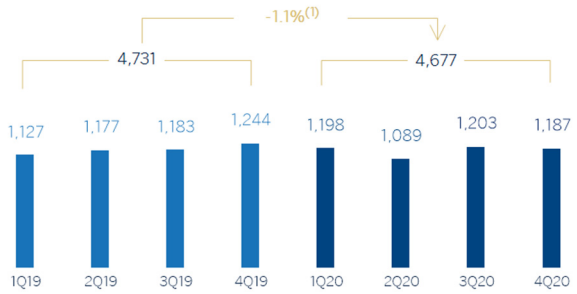


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

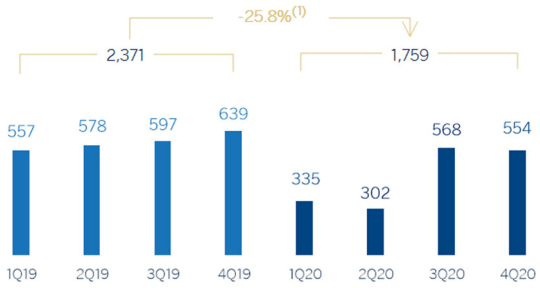


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -13.1%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -34.8%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	Δ % [1]	2019
Net interest income	**5,415**	**(12.8)**	**(0.7)**	**6,209**
Net fees and commissions	1,065	(17.9)	(6.6)	1,298
Net trading income	423	36.4	55.3	310
Other operating income and expenses	114	(46.2)	(38.8)	212
Gross income	**7,017**	**(12.6)**	**(0.5)**	**8,029**
Operating expenses	(2,340)	(11.5)	0.7	(2,645)
Personnel expenses	(967)	(14.0)	(2.1)	(1,124)
Other administrative expenses	(1,061)	(9.7)	2.8	(1,175)
Depreciation	(311)	(9.9)	2.5	(346)
Operating income	**4,677**	**(13.1)**	**(1.1)**	**5,384**
Impairment on financial assets not measured at fair value through profit or loss	(2,172)	28.0	45.6	(1,698)
Provisions or reversal of provisions and other results	(33)	n.s.	n.s.	5
Profit/(loss) before tax	**2,472**	**(33.0)**	**(23.8)**	**3,691**
Income tax	(713)	(28.1)	(18.2)	(992)
Profit/(loss) for the year	**1,759**	**(34.8)**	**(25.8)**	**2,699**
Non-controlling interests	(0)	(32.6)	(23.3)	(0)
Net attributable profit/(loss)	**1,759**	**(34.8)**	**(25.8)**	**2,699**

Balance sheets	31-12-20	Δ %	Δ %[1]	31-12-19
Cash, cash balances at central banks and other demand deposits	9,159	41.2	62.4	6,489
Financial assets designated at fair value	36,360	15.8	33.2	31,402
Of which: Loans and advances	2,589	233.2	283.4	777
Financial assets at amortized cost	59,814	(9.6)	4.0	66,180
Of which: Loans and advances to customers	50,002	(13.9)	(0.9)	58,081
Tangible assets	1,647	(18.5)	(6.3)	2,022
Other assets	3,244	8.7	25.0	2,985
Total assets/liabilities and equity	**110,224**	**1.0**	**16.3**	**109,079**
Financial liabilities held for trading and designated at fair value through profit or loss	23,801	9.3	25.7	21,784
Deposits from central banks and credit institutions	5,122	141.9	178.3	2,117
Deposits from customers	54,052	(3.4)	11.2	55,934
Debt certificates	7,387	(16.4)	(3.8)	8,840
Other liabilities	14,526	(6.4)	7.7	15,514
Economic capital allocated	5,336	9.1	25.6	4,889

Relevant business indicators	31-12-20	Δ %	Δ % [1]	31-12-19
Performing loans and advances to customers under management [2]	50,446	(13.9)	(1.0)	58,617
Non-performing loans	1,818	23.0	41.6	1,478
Customer deposits under management [2]	53,775	(2.8)	11.8	55,331
Off-balance sheet funds [3]	22,524	(7.9)	5.9	24,464
Risk-weighted assets	60,797	2.5	18.0	59,299
Efficiency ratio (%)	33.3			32.9
NPL ratio (%)	3.3			2.4
NPL coverage ratio (%)	122			136
Cost of risk (%)	4.02			3.01

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds, pension funds and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during the year 2020 were:

- **Lending activity** (performing loans under management) decreased slightly (down 1.0% year-on-year), due to the economic weakness resulting from the closure of non-essential activities related to the pandemic. The wholesale portfolio fell slightly in 2020 (down 0.7% year-on-year) due to the amortizations related to the credit facilities registered in the first quarter of the year. On the other hand, the **retail** portfolio registered a decrease compared to December 2019 (down 0.5%), mainly due to the fact that the consumer and credit card portfolios recorded lower balances, affected by the lower economic activity resulting from the pandemic. This was partially offset by a year-on-year increase in the mortgage portfolio (up 7.4%).
- As for the **asset quality** indicators, the NPL ratio stood above the figure at the end of 2019 (up 3.3%), with an increase in the balance of non-performing loans in the consumer, credit cards and mortgage portfolios, mainly related to portfolios that participated in the support programs. For its part, the coverage ratio stood below December 2019 level, at 122%.
- **Customer deposits** under management increased by 11.8%, supported by the growth of demand deposits that offset the decrease of time deposits, due to the preference of customers to have their balance liquid in an environment of lower interest rates and uncertainty due to the pandemic. Off-balance sheet funds also performed well in 2020 (up 5.9%).

Results

BBVA Mexico achieved a net attributable **profit** of €1,759m in 2020, which is a 25.8% reduction compared to the previous year. This was due to the increase in the impairment on financial assets, generated by additional provisions made during the first half of the 2020, derived from COVID-19. The most relevant aspects related to the income statement are summarized below:

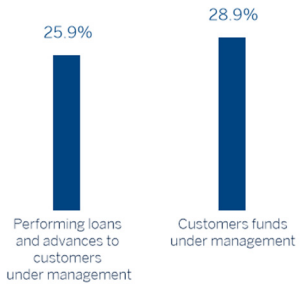
- **Net interest income** closed almost in line with the end of 2019 (down 0.7%). The appropriate management and optimization of the net interest income has managed to offset the lower dynamism of the retail portfolio and a reduction of 300 basis points in the benchmark rates throughout 2020. Additionally, this reflects the application of customer support programs during the first half and a change in the portfolio mix, with a higher percentage of wholesale customers for most of 2020 and stood at the end of December at pre-pandemic levels.
- **Net fees and commissions** fell (down 6.6%), mainly as a result of the closure of non-essential activities in Mexico, which caused a lower transactionality with credit cards. Likewise, the lower activity in investment banking and the increase in transactions made through digital channels, which do not generate fees and commissions for individual customers, also influenced this decrease.
- **NTI** continued to perform well, with a 55.3% year-on-year growth, mainly derived from the result of the Global Markets unit, as well as greater earnings from foreign exchange operations and capital gains from the ALCO portfolio sales.
- The **other operating income and expenses** line registered a year-on-year decrease of 38.8%, as a result of a greater contribution to the Deposit Guarantee Fund due to the higher volume deposited by customers and a lower performance of the insurance business, as a result of an increase in claims.
- **Operating expenses** closed at similar levels to the previous year (up 0.7%), with a growth that is below the average inflation levels for the year (up 3.4%) reflecting the effort to maintain strict control, despite additional expenses in medical supplies to ensure the health and safety of the employees and customers.
- The **impairment on financial assets** line increased by 45.6%, fundamentally due to the additional provisions caused by COVID-19, mainly registered in the first half of 2020, which include the deterioration in the macroeconomic scenario compared to the one originally forecasted in early 2020. With regard to the cumulative cost of risk as of December 2020, it stood at 4.02% following the upturn in March.
- The **provisions and other results** line showed an unfavorable comparison at €-33m compared with a positive result of €5m in the previous year, and mainly includes higher provisions for contingent liabilities arising from COVID-19.

Turkey

Highlights

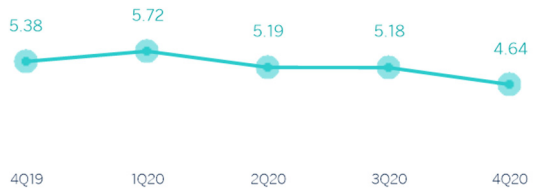
- **Significant credit growth driven by Turkish lira loans. Strong growth in foreign currency deposits.**
- **Outstanding performance of recurring revenue and efficiency ratio improvement.**
- **Reduction in the NPL ratio year-to date.**
- **Double digit growth in the main income statement margins.**

BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATE. DATA AS OF 31-12-20)

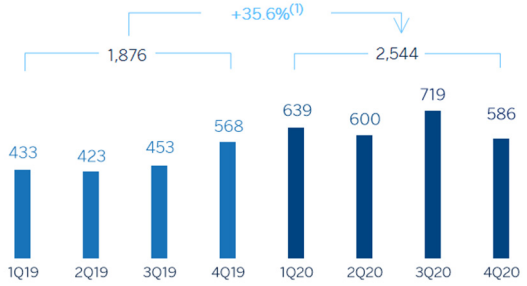


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

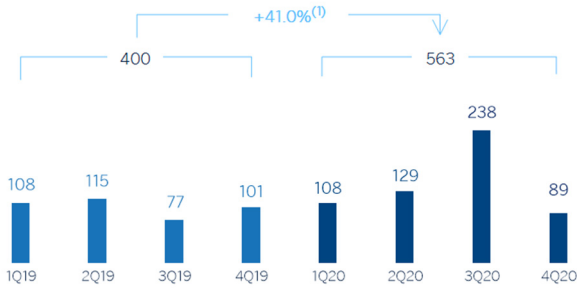


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +7.1%

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +11.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	Δ %[1]	2019
Net interest income	**2,783**	**(1.1)**	**25.2**	**2,814**
Net fees and commissions	510	(28.8)	(9.9)	717
Net trading income	227	n.s.	n.s.	10
Other operating income and expenses	53	7.3	35.8	50
Gross income	**3,573**	**(0.5)**	**26.0**	**3,590**
Operating expenses	(1,029)	(15.3)	7.3	(1,215)
Personnel expenses	(561)	(17.2)	4.8	(678)
Other administrative expenses	(319)	(11.1)	12.6	(359)
Depreciation	(150)	(16.4)	5.9	(179)
Operating income	**2,544**	**7.1**	**35.6**	**2,375**
Impairment on financial assets not measured at fair value through profit or loss	(895)	(1.2)	25.0	(906)
Provisions or reversal of provisions and other results	(127)	(1.0)	25.3	(128)
Profit/(loss) before tax	**1,522**	**13.5**	**43.7**	**1,341**
Income tax	(380)	21.7	54.1	(312)
Profit/(loss) for the year	**1,142**	**11.0**	**40.5**	**1,029**
Non-controlling interests	(579)	10.6	40.0	(524)
Net attributable profit/(loss)	**563**	**11.4**	**41.0**	**506**

Balance sheets	31-12-20	Δ %	Δ %[1]	31-12-19
Cash, cash balances at central banks and other demand deposits	5,477	(0.2)	36.1	5,486
Financial assets designated at fair value	5,332	1.2	38.0	5,268
Of which: Loans and advances	415	(6.6)	27.3	444
Financial assets at amortized cost	46,705	(8.9)	24.2	51,285
Of which: Loans and advances to customers	37,295	(7.9)	25.5	40,500
Tangible assets	901	(19.4)	9.9	1,117
Other assets	1,170	(7.1)	26.7	1,260
Total assets/liabilities and equity	**59,585**	**(7.5)**	**26.1**	**64,416**
Financial liabilities held for trading and designated at fair value through profit or loss	2,336	7.0	45.8	2,184
Deposits from central banks and credit institutions	3,381	(24.4)	3.0	4,473
Deposits from customers	39,353	(4.8)	29.8	41,335
Debt certificates	3,503	(18.0)	11.8	4,271
Other liabilities	8,476	(10.6)	21.9	9,481
Economic capital allocated	2,535	(5.1)	29.3	2,672

Relevant business indicators	31-12-20	Δ %	Δ %[1]	31-12-19
Performing loans and advances to customers under management [2]	36,638	(7.6)	25.9	39,662
Non-performing loans	3,183	(13.1)	18.5	3,663
Customer deposits under management [2]	39,346	(4.8)	29.8	41,324
Off-balance sheet funds [3]	3,425	(12.3)	19.5	3,906
Risk-weighted assets	53,021	(6.4)	27.6	56,642
Efficiency ratio (%)	28.8			33.8
NPL ratio (%)	6.6			7.0
NPL coverage ratio (%)	80			75
Cost of risk (%)	2.13			2.07

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds and other off-balance sheet funds.

Unless expressly stated otherwise, all comments below on rates of changes for both activity and income, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during 2020 were:

- **Lending activity** (performing loans under management) increased by 25.9% year-to-date mainly driven by a growth in Turkish lira loans (up 33.6%) which was supported by commercial and consumer loans. Foreign-currency loans (in U.S. dollars) fell during 2020 (down 5.4%).
- Lending growth was accelerated in the first half the year favored by the low interest rate environment, yet as the interest rates started to increase its loan growth moderated in the second half of the year. By segments;
    - Turkish lira commercial loans performed remarkably well year-on-year (up 51.6%) mainly thanks to the Credit Guarantee Fund utilizations and short term commercial lending.
    - Additionally, retail loans increased (up 22.3%) driven by both consumer loans including mortgages (up 22.6%) and credit cards (up 21.5%), thanks to the recovering economic activity with the steps taken towards new normal in the COVID-19 environment.
- In terms of **asset quality**, the NPL ratio decreased from December 2019 and stood at 6.6%. The NPL coverage ratio increased to 80% as of December 31, 2020 compared to the previous year.
- Customer **deposits** under management (66% of total liabilities in the area as of December 31, 2020) remained the main source of funding for the balance sheet and increased by 29.8% year-to-date. It is worth mentioning the positive performance of demand deposits which increased by 73.9% year-to-date and now represent 51% of total customer deposits, as well as the off-balance sheet funds which grew by 19.5% during the same period. Foreign currency demand deposit grew by 84.6% year-to-date, with remarkable increases in second and third quarters, mainly due to the dollarization impact and increasing demand towards gold deposits.

Results

Turkey generated a net attributable **profit** of €563m in 2020, 41.0% higher than the same period of the previous year, despite a decrease in the quarter (down -62.6%). The most significant aspects of the year-on-year evolution in the income statement are the following:

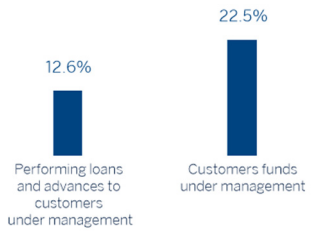
- **Net interest income** grew (up 25.2%) mainly thanks to good management of customer spreads, higher activity volume and remarkable contribution from inflation-linked bonds.
- **Net fees and commissions** contracted by -9.9% on a year-on-year basis, mainly due to the changes in fees regulation that came into force in March 2020 and lower activity levels due to the impact of COVID-19. With the beginning of the third quarter, this line started to record growth thanks to the recovery of the economic activity with the gradual steps taken towards normalization.
- Good performance of the **NTI**, which contributed €227m in 2020 compared to €10m in 2019. This is mainly the result of the good performance of foreign currency positions and trading operations.
- **Other operating income and expenses** increased by 35.8% year-on-year, mainly due to the positive contribution of non-financial activities (renting activity) and higher insurance activity net results.
- **Operating expenses** increased by 7.3%, significantly below the average inflation rate (12.28%), which is also supported by the reduction in some discretionary expenses due to COVID-19. As a result of the growth of the gross income well above the growth of expenses, the efficiency ratio improved 5 percentage points during the year to 28.8%.
- **Impairment losses on financial assets** increased by 25.0% primarily due to higher provisions for specific clients in the commercial portfolio. As a result, the cumulative cost of risk at the end of December stood at 2.13%.
- The line **provisions and other results** closed in 2020 with a loss of €127m, which is a similar level to the one registered in the previous year, mainly due to provisions for special funds and for contingent liabilities and commitments.

South America

Highlights

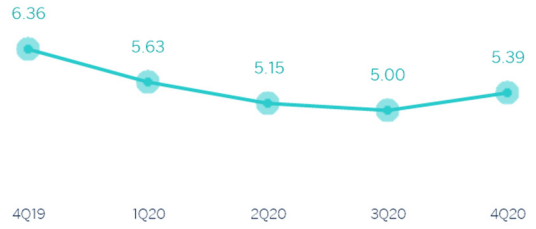
- **Activity growth impacted by the support measures from the different governments.**
- **Year-on-year growth in recurring revenues and year-on-year decline in NTI due to the sale of the stake in Prisma in 2019.**
- **Contained growth in expenditure, well below the area's average inflation.**
- **Net attributable profit affected by the increase in the impairment on financial assets line.**

BUSINESS ACTIVITY [1]
(YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATES. DATA AS OF 31-12-20)

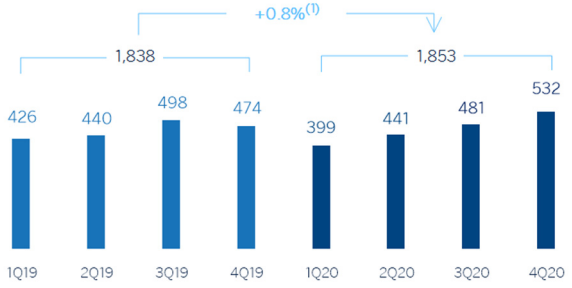


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

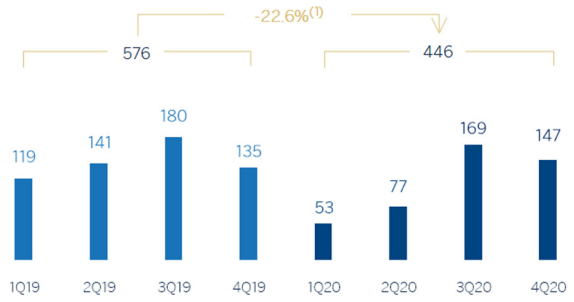


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: -18.6%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: -38.2%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	Δ % [1]	2019
Net interest income	**2,701**	**(15.5)**	**0.9**	**3,196**
Net fees and commissions	484	(13.1)	0.6	557
Net trading income	407	(29.3)	(12.8)	576
Other operating income and expenses	(367)	(23.4)	(18.9)	(479)
Gross income	**3,225**	**(16.2)**	**1.7**	**3,850**
Operating expenses	(1,372)	(12.8)	2.8	(1,574)
Personnel expenses	(669)	(15.7)	0.2	(794)
Other administrative expenses	(549)	(9.8)	6.5	(609)
Depreciation	(154)	(10.3)	1.9	(171)
Operating income	**1,853**	**(18.6)**	**0.8**	**2,276**
Impairment on financial assets not measured at fair value through profit or loss	(864)	11.3	34.0	(777)
Provisions or reversal of provisions and other results	(93)	(10.2)	24.5	(103)
Profit/(loss) before tax	**896**	**(35.8)**	**(19.9)**	**1,396**
Income tax	(277)	(24.5)	(4.5)	(368)
Profit/(loss) for the year	**619**	**(39.8)**	**(25.3)**	**1,028**
Non-controlling interests	(173)	(43.7)	(31.6)	(307)
Net attributable profit/(loss)	**446**	**(38.2)**	**(22.6)**	**721**

Balance sheets	31-12-20	Δ %	Δ %[1]	31-12-19
Cash, cash balances at central banks and other demand deposits	7,126	(17.1)	4.1	8,601
Financial assets designated at fair value	7,329	19.7	44.3	6,120
Of which: Loans and advances	108	(5.2)	8.4	114
Financial assets at amortized cost	38,549	1.8	20.7	37,869
Of which: Loans and advances to customers	33,615	(5.8)	11.8	35,701
Tangible assets	808	(16.5)	(4.7)	968
Other assets	1,624	12.9	32.5	1,438
Total assets/liabilities and equity	**55,435**	**0.8**	**20.7**	**54,996**
Financial liabilities held for trading and designated at fair value through profit or loss	1,326	(28.7)	(17.6)	1,860
Deposits from central banks and credit institutions	5,378	47.1	72.0	3,656
Deposits from customers	36,874	2.1	23.4	36,104
Debt certificates	2,612	(18.9)	(7.5)	3,220
Other liabilities	7,093	(7.5)	10.4	7,664
Economic capital allocated	2,152	(13.6)	4.7	2,492

Relevant business indicators	31-12-20	Δ %	Δ % [1]	31-12-19
Performing loans and advances to customers under management [2]	33,719	(5.3)	12.6	35,598
Non-performing loans	1,780	(3.9)	13.6	1,853
Customer deposits under management [3]	36,886	2.1	23.3	36,123
Off-balance sheet funds [4]	13,722	6.7	20.3	12,864
Risk-weighted assets	39,804	(12.4)	5.2	45,413
Efficiency ratio (%)	42.5			40.9
NPL ratio (%)	4.4			4.4
NPL coverage ratio (%)	110			100
Cost of risk (%)	2.36			1.88

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds, pension funds and other off-balance sheet funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit/(loss)			
Country	**2020**	**Δ %**	**Δ % (1)**	**2019**	**2020**	**Δ %**	**Δ % (1)**	**2019**
Argentina	343	(37.3)	n.s.	548	89	(33.0)	n.s.	133
Colombia	591	(7.4)	6.2	639	165	(38.0)	(28.9)	267
Peru	718	(13.2)	(7.2)	827	110	(45.6)	(41.8)	202
Other countries (2)	200	(23.4)	(11.4)	261	82	(31.7)	(20.2)	120
Total	**1,853**	**(18.6)**	**0.8**	**2,276**	**446**	**(38.2)**	**(22.6)**	**721**

(1) Figures at constant exchange rates.
(2) Bolivia, Chile (Forum), Paraguay, Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	31-12-20	**31-12-19**	**31-12-20**	**31-12-19**	**31-12-20**	**31-12-19**
Performing loans and advances to customers under management (1)(2)	2,812	1,909	11,682	11,234	15,106	12,575
Non-performing loans and guarantees given (1)	52	68	677	648	904	675
Customer deposits under management (1)(3)	4,622	2,845	12,129	11,097	15,850	12,250
Off-balance sheet funds (1)(4)	969	420	1,567	1,214	2,146	1,523
Risk-weighted assets	5,685	6,093	13,095	14,172	15,845	19,293
Efficiency ratio (%)	53.6	46.9	35.2	36.2	37.7	35.8
NPL ratio (%)	1.8	3.4	5.2	5.3	4.5	4.1
NPL coverage ratio (%)	241	161	113	98	101	96
Cost of risk (%)	3.24	4.22	2.64	1.67	2.13	1.45

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators.

Activity and results

The most relevant aspects related to the area's activity in 2020 were:

- **Lending activity** (performing loans under management) was 12.6% higher as of December 31, 2020 compared to the close of the previous year. The performance of the wholesale portfolio stands out (up 20.3% year-on-year), due to the greater drawdown of credit facilities by companies in response to the situation generated by the COVID-19 pandemic. The retail portfolio closed up compared to the end of 2019 (up 5.1%) following the upturn in the quarter (up 1.9%), mainly due to the evolution of credit cards and consumer loans (up 4.3% collectively). In terms of **asset quality**, the non-performing loan ratio stood at 4.4% while the NPL coverage ratio stood at 110%.
- On the **funding** side, the performance has been boosted by the measures taken by the different central banks to ensure liquidity in the respective financial systems in the region. As a result, deposits from customers under management increased by 23.3% throughout the year, mainly due to the evolution of demand deposits. Likewise, off-balance sheet funds grew by 20.3% throughout the year.

South America generated a cumulative net attributable profit of €446m in 2020, representing a year-on-year decline of 22.6% (down 38.2% at current exchange rates), mainly due to the increase in the impairment on financial assets in the first half of 2020 caused by the COVID-19 crisis. The cumulative impact of inflation in Argentina on the area's net attributable profit in 2020 stood at a loss of around €104m, compared to a cumulative loss of €98m at the end of December 2019.

The most notable aspects of the cumulative evolution of the income statement as of December 2020 are summarized below:

- **Net interest income** continued to grow at constant exchange rates (up 0.9%). At current exchange rates, the devaluation of the main currencies in the region weakened this positive performance.
- Decreased contribution from **NTI** (down 12.8% at constant exchange rates, down 29.3% at current exchange rates). This line includes the annual valuation in the last quarter of 2020 of the Bank's stake in Prisma Medios de Pago S.A. (hereinafter Prisma), the outcome of which was more positive than the 2019 annual valuation, in a comparison that also includes the capital gains in the first quarter of 2019.
- **Operating expenses** (up 2.8%) increased significantly below the inflation rate in the region.

- Increased requirements for **impairment on financial assets** (up 34.0%, up 11.3% at current exchange rates) mainly due to the extraordinary deterioration in the macroeconomic scenario resulting from the impact of COVID-19 and largely recorded in the first half of the year.

The evolution throughout 2020 for the business area's most representative countries, **Argentina**, **Colombia** and **Peru**, is summarized below:

Argentina

- **Lending activity** grew by 47.3% since December 2019 due to growth in commercial and credit card segments. Throughout the quarter, retail portfolios showed higher growth than wholesale portfolios as a result of lower activity caused by the pandemic. Greater credit card and consumer finance dynamism was also observed. There was a decrease in the NPL ratio, which stood at 1.8% as of December 31, 2020, from 3.4% at the end of December 2019, due to the reduction in non-performing loans. The NPL coverage ratio increased to 241%.
- On the **total customers funds** side, available liquidity meant that deposits from customers under management increased by 62.5% in 2020, with growth in both demand deposits and time deposits, the latter was favored by minimum returns on deposits in pesos established by the Central Bank of the Republic of Argentina. Off-balance sheet funds also increased significantly.
- Net attributable **profit** stood at €89m, with recurrent revenues performing well (up 8.0%) and a greater contribution as a result of the annual valuation on the remaining stake in Prisma. The year-on-year comparison is affected by the positive effect of the sale of the stake in Prisma and the increased need for impairment on financial assets in 2019, due to the rating downgrade and the situation in the country at the time.

Colombia

- **Lending activity** grew by 4.0% in 2020 due to the performance of retail portfolios (up 5.1% year-on-year), particularly consumer and mortgages, the latter supported by government incentives for non-social housing. In terms of asset quality, the NPL ratio and NPL coverage ratio improved to 5.2% and 113% respectively at the close of December 2020.
- **Deposits** from customers under management increased by 9.3% in 2020, driven by growth in demand deposits. Off-balance sheet funds continued their recovery after the withdrawals seen at the end of the first quarter of the year and closed 29.0% higher than the one reached at the end of December 2019. In the quarter, the search for more profitable investment alternatives by customers, in line with the bank's strategy of reducing financial costs, meant a reduction in deposits from customers (down 0.9%).
- Net attributable **profit** stood at €165m, with a year-on-year decrease of 28.9%. The strength of operating income is notable, which increased by 6.2% in 2020 thanks to higher income generation from net interest income and NTI, although there was a negative impact from the higher loan-loss provisioning due to the COVID-19 crisis.

Peru

- **Lending activity** was 20.1% higher than at the end of the 2019 financial year, mainly driven by the wholesale portfolio, as a result of the distribution of funds from the *Plan Reactiva*, which more than offset the decline still seen in credit cards as a result of the lower activity due to the pandemic. In terms of asset quality, as of December 31, 2020, an increase was recorded in the NPL ratio, which stood at 4.5%, due to the deterioration of certain refinanced loans, as well as other assets in the commercial, SMEs and retail portfolio segments. For its part, the NPL coverage ratio stood at 101%, higher than at the end of December 2019.
- Customer **deposits** under management increased by 29.4% during 2020, mainly due to the 53.4% growth in demand deposits driven by legislative measures that allowed pension plan participants to withdraw part of their funds as a relief measure to cope with the pandemic. Off-balance sheet funds increased by 40.9%.
- Net interest income fell compared to the previous year, due to the pressure on interest rates caused by the drop in official rates and government-backed loans at preferential rates, which are in addition to other customer relief measures such as interest-free deferral of repayments on credit cards. Net fees and commissions grew slightly (up 0.5%), influenced by reduced activity as a result of the pandemic, the temporary elimination of certain fees and commissions as a measure to support customers, and the increased use of digital channels. The upturn in operating expenses in the last quarter caused a growth in this line (up 1.1%) in the year, but below the inflation growth (up 2%). Greater impairment on financial assets was observed in the quarter as a result of rating adjustments, which were combined with provisions made mainly in the first half of the year as a result of the COVID-19 crisis and resulted in this line increasing by 70.2%. As a result, net attributable **profit** stood at €110m, 41.8% lower than in 2019.

Rest of Eurasia

Highlights

- **Activity mainly affected by the loans amortizations made during the second half of the year.**
- **Contained risk indicators.**
- **Increased recurring income and good performance of NTI.**
- **Reduction of operating expenses.**

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	2019
Net interest income	**214**	**22.4**	**175**
Net fees and commissions	150	8.2	139
Net trading income	137	4.4	131
Other operating income and expenses	9	(4.8)	9
Gross income	**510**	**12.3**	**454**
Operating expenses	(285)	(2.7)	(293)
Personnel expenses	(135)	(6.3)	(144)
Other administrative expenses	(133)	1.6	(131)
Depreciation	(17)	(5.5)	(18)
Operating income	**225**	**39.8**	**161**
Impairment on financial assets not measured at fair value through profit or loss	(38)	n.s.	(4)
Provisions or reversal of provisions and other results	(2)	n.s.	6
Profit/(loss) before tax	**184**	**13.3**	**163**
Income tax	(48)	33.3	(36)
Profit/(loss) for the year	**137**	**7.6**	**127**
Non-controlling interests	-	-	-
Net attributable profit/(loss)	**137**	**7.6**	**127**

Balance sheets	31-12-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	285	15.3	247
Financial assets designated at fair value	492	3.0	477
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	21,839	(1.8)	22,233
Of which: Loans and advances to customers	18,908	(3.9)	19,669
Inter-area positions	-	-	-
Tangible assets	65	(9.5)	72
Other assets	200	(11.9)	228
Total assets/liabilities and equity	**22,881**	**(1.6)**	**23,257**
Financial liabilities held for trading and designated at fair value through profit or loss	46	(19.4)	57
Deposits from central banks and credit institutions	858	(17.4)	1,039
Deposits from customers	4,578	(2.8)	4,708
Debt certificates	704	(16.0)	838
Inter-area positions	15,398	0.3	15,351
Other liabilities	419	4.9	399
Economic capital allocated	879	1.7	864

Relevant business indicators	31-12-20	Δ %	31-12-19
Performing loans and advances to customers under management [1]	18,906	(3.8)	19,663
Non-performing loans	296	(15.3)	350
Customer deposits under management [1]	4,578	(2.8)	4,708
Off-balance sheet funds [2]	569	13.8	500
Risk-weighted assets	18,249	1.4	17,989
Efficiency ratio (%)	56.0		64.6
NPL ratio (%)	1.1		1.2
NPL coverage ratio (%)	100		98
Cost of risk (%)	0.18		0.02

(1) Excluding repos.
(2) Includes mutual funds, pension funds and other off-balance sheet funds.

Activity and results

The most relevant aspects of the activity and results in the area during 2020 were:

- **Lending activity** (performing loans under management) decreased in the last quarter of the year, mainly in the commercial segment in Europe (excluding Spain), which together with that of the previous quarter caused the 2020 balances in this business area to close below those recorded in the previous year (down 3.8%). The above is explained by both the amortizations made during the second half of the year, as customers did not have to use all the liquidity initially available to cope with the situation generated by COVID-19, and by the reopening of the wholesale funding markets in the third quarter of 2020, as a funding alternative.
- **Credit risk** indicators remained stable compared to the end of 2019: the NPL ratio and NPL coverage ratio closed at 1.1% and 100%, respectively, as of December 31, 2020.
- Customer **deposits** under management fell by 2.8%, due to the decrease in time deposits.
- In terms of **results**, double-digit increase of 16.1% year-on-year in the most recurring revenues due to the positive performance of both **net interest income** (up 22.4% year-on-year) and **net fees and commissions** (up 8.2% year-on-year), supported by CIB activity.
- The **NTI** line increased (up 4.4% year-on-year) due to the good performance of customer activity and favorable management of market volatility.
- Reduction of **operating expenses** (down 2.7% year-on-year).
- The line of **impairment on financial assets** registered a release of €10m in the last quarter of the year and closed the year at €-38m, well above the €-4m recorded 12 months earlier, mainly as a consequence of the deterioration of specific customers in the wholesale portfolio. As a result, the cumulative cost of risk of the area at the end of the year stood at 0.18%.
- As a result, the area's cumulative **net attributable profit** at the end of December 2020 was €137m (up 7.6% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	2020	Δ %	2019
Net interest income	**(149)**	**(36.0)**	**(233)**
Net fees and commissions	(59)	(18.6)	(73)
Net trading income	104	n.s.	(54)
Other operating income and expenses	47	119.8	21
Gross income	**(57)**	**(83.1)**	**(339)**
Operating expenses	(819)	(14.3)	(955)
Personnel expenses	(494)	(16.4)	(591)
Other administrative expenses	(131)	(24.5)	(173)
Depreciation	(194)	1.7	(190)
Operating income	**(876)**	**(32.3)**	**(1,294)**
Impairment on financial assets not measured at fair value through profit or loss	4	n.s.	(0)
Provisions or reversal of provisions and other results	(289)	77.1	(163)
Profit/(loss) before tax	**(1,160)**	**(20.4)**	**(1,457)**
Income tax	305	18.1	258
Profit/(loss) after tax	**(856)**	**(28.6)**	**(1,199)**
Goodwill impairment in the United States and corporate operations [1]	(1,780)	35.0	(1,318)
Profit/(loss) for the year	**(2,635)**	**4.7**	**(2,517)**
Non-controlling interests	0	(61.3)	0
Net attributable profit/(loss)	**(2,635)**	**4.7**	**(2,517)**
Net attributable profit/(loss) excluding the goodwill impairment in the United States and corporate operations [1]	**(856)**	**(28.6)**	**(1,199)**

(1) Include the net capital gain from the sale to Allianz the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

Balance sheets	31-12-20	Δ %	31-12-19
Cash, cash balances at central banks and other demand deposits	818	(2.2)	836
Financial assets designated at fair value	1,457	(40.7)	2,458
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	2,095	(15.5)	2,480
Of which: Loans and advances to customers	503	(38.1)	813
Inter-area positions	17,536	(18.4)	21,477
Tangible assets	2,063	(7.9)	2,240
Other assets	17,705	(13.2)	20,394
Total assets/liabilities and equity	**41,674**	**(16.5)**	**49,886**
Financial liabilities held for trading and designated at fair value through profit or loss	20	48.3	14
Deposits from central banks and credit institutions	820	14.3	718
Deposits from customers	363	17.8	308
Debt certificates	8,179	5.4	7,764
Inter-area positions	-	-	-
Other liabilities	7,266	(28.4)	10,148
Economic capital allocated	(24,995)	4.2	(23,989)
Total equity	50,020	(8.9)	54,925

The Corporate Center registered a cumulative **net attributable** loss of €2,635m in 2020, due to the €2,084m goodwill impairment in the United States in the first quarter of 2020, which was fundamentally caused by the negative impact of the macroeconomic scenario adjustment due to the COVID-19 pandemic. This attributable loss also includes the result of **corporate operations** for the net capital gain, of €304m, recorded in the last quarter of 2020 due to the materialization of the agreement with Allianz. For its part, 2019 reflected the goodwill impairment in the United States that amounted to €-1,318m euros at the net attributable loss level, mainly due to the evolution of interest rates in the country and the slowdown in the economy in the fourth quarter of 2019. The Corporate Center's **net attributable loss**, excluding the goodwill impairment in the United States and the result of corporate operations in 2020, stood at €-856m, 28.6% better than in 2019, equally excluding the goodwill impairment in the United States.

The most relevant aspects of the income statement evolution are:

- The **net interest income** increased by 36.0% due to the lower financing costs.
- The **NTI** recorded €104m, mainly from gains in foreign-exchange rate hedging, which compares very positively to the €-54m registered in 2019.
- **Other operating income and expenses** include mainly the dividends from Telefónica, S.A., as well as the income from the consolidated companies accounted for by the equity method.
- Containment of the **operating expenses**, which decreased by 14.3% year-on-year, both for personnel expenses (mainly variable remuneration) and for general expenses.

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 those 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 regulatory risk 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 the most relevant GRM 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.

Credit risk

The local authorities of the countries in which the Group operates have initiated economic support measures including the granting of relief measures in terms of temporary **payments deferrals** for customers affected by the pandemic, as well as the **granting of loans**, especially to companies and SMEs, with public guarantees. The amount of current payment deferrals granted by the Group was €6,803m at December 31, 2020.

These measures are supported by the rules issued by the authorities of the geographical areas where the Group operates as well by certain industry agreements and should help to ease the temporary liquidity needs of the customers. The classification of the customers' credit quality and the calculation of the expected credit loss, once the credit quality of those customers have been reviewed under the new circumstances, will depend on the effectiveness of these relief measures. In any case, the incorporation of public guarantees is considered to be a mitigating factor in the estimation of the expected credit losses.

For the purposes of classifying exposures based on their credit risk, the Group has maintained a rigorous application of IFRS9 at the time of the granting of the moratoriums and has reinforced the procedures to monitor credit risk both during their validity and upon their expiration. In this sense, additional indicators have been introduced to identify the significant increase in risk that may have occurred in some operations or a set of them and, where appropriate, proceed to its classification in the corresponding risk stage.

Likewise the indications provided by the European Banking Authority (EBA) have been taken into account to not consider refinancing the moratoriums that meet a series of requirements, without prejudice to keeping the exposure classified in the corresponding risk stage or its consideration as refinancing if it was previously so qualified.

In relation to the payment deferrals for customers affected by the pandemic, and with the goal of mitigating as much as possible the impact of these measures in the Group, due to the high concentration of its maturities over time, BBVA has worked on an anticipation plan based on some basic lines of action, supported by the following pillars:

- Diagnose: portfolio segmentation.
- Strategy: value offering and action protocols by segment.
- Operationality: equipment and channel sizing.

These lines of action have made it possible to advance the management actions to be carried out with customers according to their level of involvement and local legislation.

Calculation of expected losses due to credit risk

To respond to the circumstances generated by the global COVID-19 pandemic in the macroeconomic environment, characterized by a high level of uncertainty regarding its intensity, duration and speed of recovery, **forward-looking information** has been updated in the IFRS 9 models to incorporate the best information available at the date of publication of this report. The estimation of the expected losses has been calculated for the different geographical areas in which the Group operates, with the best information available for each of them, considering both the macroeconomic perspectives and the effects on specific portfolios, sectors or specific accredited. The scenarios used consider the various economic measures that have been announced by governments as well as monetary, supervisory and macroprudential authorities around the world. However, the final magnitude of the impact of this pandemic on the Group's business, financial situation and results, which could be material, will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographical areas in which the Group operates.

The **expected losses** calculated according to the methodology provided by the Group, including macroeconomic projections, have been supplemented with additional amounts that have been considered necessary to collect the particular characteristics of specific accredited sectors or portfolios and that may not be identified in the general process. Of the complementary amounts recognized throughout the year, at the end of 2020 there remains a €244m pending allocation to specific accredited portfolios, mainly in Spain and to a lesser extent in the United States.

These lines show the evolution of the exposure of corporate banking clients to the sectors that have been considered most vulnerable in the COVID-19 pandemic environment:

EXPOSURE AT DEFAULT TO MOST VULNERABLE SECTORS (MILLIONS OF EUROS)					
	31-12-20	30-09-20[1]	30-06-20[1]	31-03-20[1]	31-12-19
Leisure [2]	9,279	9,237	9,383	8,781	8,077
Real estate sector [3]	12,806	13,247	13,686	13,405	13,150
Retailers [4]	4,982	5,073	5,427	4,821	4,390
Upstream & Oildfield services	2,413	2,229	2,682	2,558	2,431
Air transportation	965	1,111	1,061	566	580
Total	**30,445**	**30,897**	**32,239**	**30,131**	**28,628**

General note: data excluding BBVA USA and the rest of Group's companies included in the sale agreement signed with PNC for all periods.
(1) Data of Turkey as of December, 2019.
(2) Among others; includes hotels, restaurants, travel agencies and gaming.
(3) Includes real estate developers.
(4) Non-food.

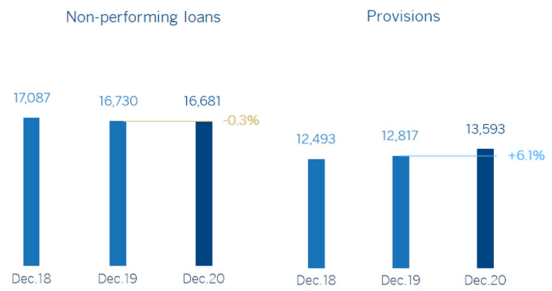
Credit risk indicators of the BBVA Group

BBVA Group's main risk indicators evolved during 2020 as described below, as a result, among other reasons, of the situation generated by the pandemic:

- **Credit risk** decreased by 4.6% (up 1.8% at constant exchange rates) during 2020. In the last quarter of the year, this metric remained almost flat, in both current and constant exchange rates, as the growth in Spain, Turkey and South America was offset by a contraction in the United States and Rest of Eurasia. Mexico's growth in the last quarter was driven by the evolution of the exchange rate.
- **The balance of non-performing loans** was lower than at the end of December of the previous year, although it increased in the last quarter of the year (up 2.7% at current exchange rates, up 2.9% at constant exchange rates), mainly because of the entries into default of the retail portfolios in Mexico.
- The **NPL ratio** stood at 4.0% at the end of December, above the end of the previous year and the end of the third quarter.
- **Loan-loss provisions** fell by 1.9% in the quarter. Compared to December 2019, they were 6.1% higher due to the provisions made in the first half of the year as a result of the negative effects of COVID-19.
- The **NPL coverage ratio** closed at 81% from 85% in the previous quarter, due to the increase in the balance of non-performing loans and with a significant improvement of 488 basis points compared to the end of 2019.

The cumulative **cost of risk** at December 31, 2020 stood at 1.51%, compared to a cumulative 1.69% at the end of September and following the strong growth registered in March related to the significant increase in the loan loss allowances in the first quarter.

NON-PERFORMING LOANS AND PROVISIONS
(MILLONS OF EUROS)



CREDIT RISK [1] (MILLIONS OF EUROS)	31-12-20	30-09-20	30-06-20	31-03-20	31-12-19
Credit risk	**421,432**	**422,868**	**446,623**	**442,648**	**441,964**
Non-performing loans	16,681	16,241	16,385	15,998	16,730
Provisions	13,593	13,859	13,998	13,748	12,817
NPL ratio (%)	**4.0**	**3.8**	**3.7**	**3.6**	**3.8**
NPL coverage ratio (%) [2]	**81**	**85**	**85**	**86**	**77**

General note: figures without considering the classification of BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC and BBVA Paraguay as Non-current Assets and Liabilities Held for Sale as of 31-12-2020, and BBVA Paraguay as Non-current Assets and Liabilities Held for Sale for the rest of periods.
(1) Include gross loans and advances to customers plus guarantees given.
(2) The NPL coverage ratio includes the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). Excluding these allowances, the NPL coverage ratio would stand at 79% as of December 31, 2020 and 74% as of December 31, 2019.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)	4Q20 [1]	3Q20	2Q20	1Q20	4Q19
Beginning balance	**16,241**	**16,385**	**15,998**	**16,730**	**17,092**
Entries	2,989	2,273	2,221	2,049	2,484
Recoveries	(1,312)	(1,183)	(1,149)	(1,366)	(1,509)
Net variation	**1,676**	**1,091**	**1,072**	**683**	**975**
Write-offs	(1,211)	(613)	(834)	(944)	(1,074)
Exchange rate differences and other	(25)	(622)	149	(471)	(262)
Period-end balance	**16,681**	**16,241**	**16,385**	**15,998**	**16,730**
Memorandum item:					
Non-performing loans	15,914	15,469	15,683	15,291	16,000
Non performing guarantees given	767	771	702	708	731

General note: figures without considering the classification of BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC and BBVA Paraguay as Non-current Assets and Liabilities Held for Sale as of 31-12-2020, and BBVA Paraguay as Non-current Assets and Liabilities Held for Sale for the rest of periods.
(1) Preliminary data.

Market risk

For futher information, see Note 7.4 of the Consolidated Financial Statements.

Structural risks

Structural interest rate risk

The aim of managing interest-rate risk is to limit the sensitivity of the balance sheets to interest rate fluctuations. BBVA carries out this work through an internal procedure following the guidelines established by the European Banking Authority (EBA), which measures the sensitivity of net interest income and economic value to determine the potential impact of a range of scenarios on the Group's different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates are of particular relevance. These assumptions are reviewed and adapted at least once a year to take into account any changes in behavior.

At the aggregate level, BBVA continues to maintain a moderate risk profile, in accordance with the established target, showing a net interest income position which would be favored by an increase in interest rates. The effective management of structural balance sheet risk has allowed it to mitigate 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 soundness and recurrence of net interest income.

By area, the main features are:

- Spain and the United States have balance sheets characterized by a high proportion of variable-rate loans in the loan portfolio (basically mortgages in Spain and corporate lending in both countries) and liability composed mainly of customer deposits. The ALCO portfolios act as hedging for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The profile of both balance sheets has remained stable during 2020. In Spain the sensitivity of the net interest income has increased in the year due the higher volume of sensitive balances (liquid short-term assets) as a result of the liquidity generated by the balance and the additional TILTRO III financing, as well as the maturity of a part of the mortgage portfolio coverage.
  In addition, following a slightly downward trend at the start of the year for European benchmark interest rates (Euribor), there was a rebound of around 20–30 basis points (depending on the maturity) in mid-March. This was

a result of an adjustment in expectations after the ECB held the marginal deposit facility rate at -0.50% when the market had discounted a fall, and an increase in the required credit spread in the light of the COVID-19 crisis. However, since May, Euribor has fallen between -35 and -45 basis points, reaching record lows, mainly due to the easing of credit spreads and the ECB's monetary stimulus measures. In the United States, base rates (Libor) have maintained a downward trend during the year (falling around 165 basis points in the main terms), in line with the Fed's rate cuts in the first quarter of the year.

- Mexico continues to show stability between the balance sheet items benchmarked at fixed and variable interest rates. In terms of assets that are most sensitive to interest rate fluctuations, the corporate portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. The ALCO portfolio is used to neutralize the longer duration of customer deposits. The sensitivity of net interest income continues to be limited and stable in 2020, considering the new interest rate scenario that emerged in March, with a downward trend in benchmark rates throughout 2020 compared to expectations at the beginning of the year. In this regard, the monetary policy rate at the end of December stood at 4.25%, which has meant a reduction of -300 basis points during 2020.
- In Turkey, the interest-rate risk (broken down into Turkish lira and US dollars) is limited. In terms of assets, the sensitivity of lending, which is mostly fixed-rate, but with relatively short maturities, and the ALCO portfolio, including inflation-linked bonds, are balanced by the sensitivity of deposits on the liability side, which are repriced in the short term. The sensitivity of net interest income on the currency balance sheets increased due to the establishment of the asset ratio in the second quarter of 2020. In relation to the benchmark rates, the strong increase since August reverted the decreases of the previous quarters, ending the year with an increase of 500 basis points above the level of December 2019.
- In South America, the risk profile for interest rates remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with a low and small variations net interest income sensitivity throughout 2020. In addition, in balance sheets with several currencies, interest-rate risk is managed for each of the currencies, showing a very low level of risk. The measures promoted by central banks have helped the downward trend of the benchmark interest rates (-250 basis points in Colombia and -200 basis points in Peru during the year) at minimum levels below that expected at the beginning of the year.

Structural foreign exchange rate risk

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's capital adequacy ratio and ensure the stability of its income statement.

BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio excess. Based on this policy, the sensitivity of the CET1 ratio to a depreciation of 10% against the euro of the main emerging-market currencies stood at -5 basis points for the Mexican peso and -2 basis points for the Turkish lira. In the case of the US dollar, the sensitivity to a depreciation of 10% against the euro is approximately +9 basis points. The transactional foreign currency risk associated with the sale of the subsidiary in the United States is managed in a way to minimize negative impacts at the level of net profit and capital ratio (after sales). At the end of December, the coverage level for expected earnings for 2021 was at levels close to 50% in the case of Turkey, 40% for Mexico, 50% for Peru and 40% for Colombia.

Structural equity risk

For futher information, see Note 7.3 of the Consolidated Financial Statements.

Liquidity and funding risk

Management of **liquidity and funding** at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing. In this context, it is important to notice that, given the nature of BBVA's business, the funding of lending activity is fundamentally carried out through the use of stable customer funds.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution **strategy**: the parent company sets the liquidity policies, but the subsidiaries are selfsufficient and responsible for managing their own liquidity (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas, and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

During of 2020, **liquidity** conditions have remained comfortable across all countries in which the BBVA Group operates. Since the beginning of March, the global crisis caused by COVID-19 had a significant impact on financial markets. The initial effects of this crisis on the Group's balance sheets have fundamentally been felt through increased drawdown of credit facilities by wholesale customers in the face of worsening funding conditions in the markets, with no significant effect in the retail world. These drawdowns were largely returned throughout the following quarters. Given this initial uncertainty, the different central banks provided a joint response through specific measures and programs to facilitate the funding of

the real economy and the provision of liquidity in the financial markets, increasing liquidity buffers in almost all geographical areas.

BBVA Group maintains a solid liquidity position in every geographical area with liquidity ratios comfortably above the minimum required:

The BBVA Group's liquidity coverage ratio (LCR) remained significantly above 100% during 2020 and stood at 149% as of December 31, 2020. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no kind of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 185%.

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, whose transposition under CRR II will become effective in June 2021, 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. At the BBVA Group, the NSFR, calculated according to the Basel requirements, stood at 127% as of December 31, 2020.

These ratios in the main geographical areas in which the Group operates are shown below:

LCR AND NSFR RATIOS (PERCETANGE. 31-12-20)

	Eurozone [1]	The United States	Mexico	Turkey	South America
LCR	173	144 [2]	196	183	All countries >100
NSFR	121	126	138	154	All countries >100

(1) Perimeter: Spain + Rest of Eurasia.

(2) Calculated according to local regulation (Fed Modified LCR).

The most relevant aspects related to the main geographical areas are the following:

- In the Eurozone, BBVA's liquidity situation remains comfortable with a high quality ample liquidity buffer that has been strengthened during the year as a result of the management measures implemented and the actions of the European Central Bank (ECB) which have led to an increase of liquidity in the system. In the wake of the COVID-19 crisis, there was initially a higher demand for lending through increased drawdowns of credit facilities by the Corporate & Investment Banking wholesale business, which was also accompanied by growth in customer deposits. Subsequently, in the following of the year there were partial repayments of the aforementioned drawdowns, while deposits have continued to grow. In addition, it is important to mention the measures implemented by the ECB in order to face the crisis, which have included different actions, such as: the expansion of asset purchase programs, in particular through the Pandemic Emergency Purchase Programme (PEPP) for €750,000m in a first tranche announced in March extended with a second tranche for a further €600,000m until June 2021, or until the ECB considers the crisis to be over and with a third tranche for €500,000m until at least the end of March 2022 ; the coordinated action by Central Banks for the provision of US dollars; a package of temporary collateral easing measures affecting eligibility for use in funding operations and the easing and improvement of the conditions for the TLTRO III program and the creation of the new program of long-term , refinancing operations without specific emergency objective (Pandemic emergency longer-term refinancing operations, PELTRO). In March and June, BBVA took part in the TLTRO III liquidity windows (with an amount drawn at the end of December of €35,032m) due to its favorable cost and maturity conditions, and repaid the corresponding part of the TLTRO II program.
- BBVA USA also maintains a strong liquidity buffer consisting of high-quality assets, which has been strengthened during 2020. As in the Eurozone, there was an increase in loans toward the end of the first quarter of 2020, mainly due to a rise in the drawing down of credit facilities by wholesale customers and the US government's stimulus program for SMEs and self-employed workers (Paycheck Protection Program). In the following quarters, there were repayments that have now brought the credit facility usage percentage back to pre-pandemic levels. In addition, deposits have grown very significantly during the year, reflecting the high level of liquidity in the system as a result of the stimulus programs established by the government and the Fed.
- At BBVA Mexico, the liquidity position has remained strong during 2020. Following the COVID-19 crisis, the lending gap increased in the first quarter of the year due to increased drawdowns of credit facilities. However in the second quarter, the success of the commercial actions and the normalization of lending growth led to a reduction in the lending gap compared to December 2019 levels. During the third and fourth quarter of the year, the reduction in the lending gap has been exacerbated, driven by a reduction in loans and a growth in deposits, despite the progressive ending of the commercial policies implemented to attract deposits, creating a comfortable position in liquidity ratios. Regarding the measures taken by Banxico over the year, in addition to reducing the monetary policy rate, it announced a reduction in the Monetary Regulation Deposit and the start of auctions of US dollars with credit institutions (swap line with the Fed) in which BBVA Mexico participated in April, in the amount of USD 1,250m, partially renewing that position from June to September for USD 700m. Likewise, it has participated in the Banxico 7 and 8 facilities (measures to direct funds to micro, small and medium-sized companies, as well as individuals affected by the pandemic).

- At Garanti BBVA, the liquidity situation remained comfortable during the 2020, with a contraction of loans and a growth of deposits in foreign currency, as well as higher growth of loans than deposits in local currency. As a result of the COVID-19 crisis, an increase in collateral requirements was seen due to the credit risk in Turkey (Credit Default Swaps) to cover derivative valuations and wholesale funding. Moreover, Turkey's regulator established the so-called asset ratio to encourage banks, to increase lending and avoid the accumulation of deposits, which caused an increase in the lending gap. This was covered by the bank's excess liquidity. Later, the asset ratio requirement was reduced in the third quarter (from 100% to 90%) and it was eliminated in December. In the face of contractionary policies, The Central Bank of the Republic of Turkey (CBRT) increased the reserve requirement rates, and during the second semester of the year the cost of lending and the base rate has progressively increased. In addition, the Credit Default Swap returns to previous levels to COVID-19 pandemic. With all this, during the year, Garanti BBVA has shown a good liquidity buffer.
- In South America, an adequate liquidity situation prevails throughout the region, helped by the support of various central banks and governments which, in order to mitigate the impact of the COVID-19 crisis, have acted by implementing measures to stimulate economic activity and provide greater liquidity in financial systems. In Argentina, US dollar deposit outflows in the banking system slowed down to show growth in the fourth quarter, although BBVA Argentina continues to maintain a strong liquidity position with comfortable liquidity ratios. In Colombia, after the adjustment of the excess liquidity carried out in the third quarter by reducing wholesale deposits, a comfortable liquidity position has been maintained, as well as BBVA Perú, where the liquidity position has been reinforced by the increase in the volume of deposits during the second quarter, as well as by the funds from the Central Bank´s support programs.

The wholesale **funding** markets in which the Group operates, after two months of great stability at the start of 2020, were followed by a strong correction as a result of the crisis of COVID-19 and the limited access to the primary market. This situation has been stabilizing, marked by the evolution of the pandemic, the vaccines development, various geopolitical events and the actions of Central Banks. Secondary market levels ended the year reaching January 2020 levels, while primary market volumes have been reactivating, reducing the issue premiums.

The main **transactions** carried out by the companies that form part of the BBVA Group in 2020 are:

- During the first quarter of 2020, BBVA, S.A. carried out two issuances of senior non-preferred debt by a total approximate amount of €1,400m and a Tier 2 issuance totaling €1,000m. In the second quarter of 2020, it issued preferred senior debt totaling €1,000m as a COVID-19 social bond, the first of its kind from a private financial institution in Europe. In the third quarter, it carried out three public issues: the first is the first green convertible bond (CoCo) ever issued by a financial institution worldwide in the amount of €1,000m; a subordinated Tier 2 debt issuance in Pounds sterling, for the amount of 300m; and the third is a preferred debt issue filed with the U.S. Securities and Exchange Commission (SEC), in two tranches over three and five years, in a total amount of USD 2,000m. On the other hand, in February 2020 a CoCo of €1,500m was amortized and in January 2020 three preferential issues were amortized in advance (For more information about these transactions, see the "Solvency" chapter of this report).
- In Mexico, a local senior issuance was successfully carried out in February for MXN 15,000m (€614m) in three tranches. Two tranches in Mexican pesos over 3 and 5 years (one for MXN 7,123m at the Interbank Equilibrium Interest Rate (TIIE) 28 + 5 basis points and another for MXN 6,000m at TIIE 28 + 15 basis points, respectively), and another tranche in US dollars over 3 years (USD 100m at 3-month Libor + 49 basis points). The purpose of this issuance was to bring forward the refinancing of maturities in the year, taking advantage of the good market conditions, as well as to strengthen the liquidity situation by offsetting the seasonal outflows of deposits in the early months of the year. In September, it carried out an international issuance of unsecured 5-year senior debt in an amount of USD 500m at a rate of 1.875%, which represents the lowest ever for a financial institution in Mexico and the lowest of any of Latin America's private financial institutions. This issue is the second under BBVA Mexico's Global Issuer Program, which has a value of up to USD 10,000m.
- In Turkey, the issues have not been fully renewed by the foreign currency gap reduction in 2020 Garanti BBVA carried out a Tier 2 issuance for TRY 750m in the first quarter. In the second quarter, Garanti BBVA partially renewed a syndicated loan of USD 699m by issuing the first green syndicated loan for a bank indexed to sustainability criteria, and in whose renovation the EBRD (European Bank for Reconstruction and Development) and the IFC (International Finance Corporation) participated. In the fourth quarter, Garanti renewed another syndicated loan, by an amount of USD 636m, in two tranches and with a maturity of 367 days (a tranche by USD 267.5m at up 2.50% Libor and another tranche by €312m at Euribor up 2.25%).
- In the United States and in South America, there have been no material issuances in 2020.

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, 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) (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.

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 euros gross per share as shareholders' distributions in relation to the Group's 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 4 of the attached Consolidated Financial Statements).

From January 1, 2021 to the date of preparation of these Consolidated 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.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some Alternative Performance Measures (APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (ESMA) guidelines, published on October 5, 2015 (ESMA/2015/1415en) as well as the statement published by the ESMA on May 20, 2020 (ESMA 32-63-972), about implications of the COVID-19 outbreak on the half-yearly financial reports. The guidelines mentioned before are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs (paragraphs 21-25).
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items (paragraphs 26-32).
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers (paragraphs 33-34).
- Do not have greater preponderance than measures directly stemming from financial statements (paragraphs 35-36).
- Are accompanied by comparatives for previous periods (paragraphs 37-40).
- Are consistent over time (paragraphs 41-44).

Reconciliation of the Financial Statements of the BBVA Group

Below is the reconciliation between the consolidated Financial Income Statements and the consolidated management income statements, shown throughout this report, for 2020 and 2019.

The main difference between them is the treatment of the results generated by the portion of the business in the United States that is subject to the sale agreement reached on November 16, 2020. As a result, in the management income statements, the results of the Group are presented by consolidating the said business for sale in continuity, compared to the treatment of the income statement of the consolidated Financial Statements in which, according to the applicable accounting regulation, and since the transaction represents a sale agreement that includes a large section of the businesses that constitute a significant geographical area for the Group (IFRS 5.32 and Appendix A), it has been considered as a “discontinued operation”. Based on this consideration, the results obtained by the business subject to the sale are presented under a single line of the income statements - "Profit (loss) after tax from discontinued operations" - (IFRS 5.33) and the income statements of the consolidated Financial Statements for the comparative periods presented have been re-expressed (IFRS 5.34).This line of the consolidated Financial Statements includes the successive goodwill impairments in the United States made in the last quarter of 2019 and the first quarter of 2020 that, in the management income statements are collected in a management margin called “United States goodwill impairment and corporate operations”.

Additionally, there is a difference between both approaches that derives from the materialization of the agreement with Allianz that, in the Financial Income Statements is included with its gross impact on the line "Gains (losses) from non-current assets and disposable groups of items classified as held for sale not qualifying as discontinued operations" and its corresponding tax effect on the line "Tax expense or income related to profit or loss from continuing operations” while, for management purposes, it has been classified as “Corporate Operation” for its net amount, being included in the same management margin mentioned above.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS. 2020 (MILLIONS OF EUROS)

Consolidated income statement		Adjustments		Management income statement
	2020		2020	
Interest and other income	22,389	3,534	25,923	Financial income
Interest expense	(7,797)	(1,325)	(9,122)	Financial expenses
NET INTEREST INCOME	**14,592**	**2,209**	**16,801**	**Net interest income**
Dividend income	137			(*)
Share of profit or loss of entities accounted for using the equity method	(39)			(*)
Fee and commission income	5,980	677	6,657	Fees and commissions income
Fee and commission expense	(1,857)	(183)	(2,040)	Fees and commissions expenses
	4,123	494	4,616	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	139			
Gains (losses) on financial assets and liabilities held for trading, net	777			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	208			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	56			
Gains (losses) from hedge accounting, net	7			
Exchange differences, net	359			
	1,546	145	1,692	Net trading income
Other operating income	492			
Other operating expense	(1,662)			
Income from insurance and reinsurance contracts	2,497			
Expense from insurance and reinsurance contracts	(1,520)			
	(95)	(40)	(135)	Other operating income and expenses
GROSS INCOME	**20,166**	**2,808**	**22,974**	**Gross income**
Administration costs	(7,799)		(10,755)	Operating expenses (**)
Personnel expense	(4,695)	(955)	(5,650)	Personnel expenses
Other administrative expense	(3,105)	(507)	(3,612)	Other administrative expenses
Depreciation and amortization	(1,288)	(205)	(1,494)	Depreciation
	11,079	**1,140**	**12,219**	**Operating income**
Provisions or reversal of provisions	(746)	2	(744)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(5,179)	(729)	(5,908)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**5,153**	**413**	**5,566**	
Impairment or reversal of impairment of investments in joint ventures and associates	(190)			
Impairment or reversal of impairment on non-financial assets	(153)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(7)			
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			
	94	(435)	(341)	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**5,248**	**(22)**	**5,225**	**Profit/(loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(1,459)	73	(1,385)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**3,789**	**51**	**3,840**	**Profit/(loss) after tax**
Profit (loss) after tax from discontinued operations	(1,729)	1,729	-	
	-	(1,780)	(1,780)	Goodwill impairment in the United States and corporate operations
PROFIT FOR THE YEAR	**2,060**	**-**	**2,060**	**Profit/(loss) for the year**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(756)**	**-**	**(756)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**1,305**	**-**	**1,305**	**Net attributable profit/(loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements
(**) Depreciations included.

CONCILIATION OF THE BBVA GROUP'S INCOME STATEMENTS. 2019 (MILLIONS OF EUROS)

Consolidated income statement		Adjustments		Management income statement
	2019		2019	
Interest and other income	27,762	5,880	33,642	Financial income
Interest expense	(11,972)	(3,546)	(15,518)	Financial expenses
NET INTEREST INCOME	**15,789**	**2,335**	**18,124**	**Net interest income**
Dividend income	153			(*)
Share of profit or loss of entities accounted for using the equity method	(42)			(*)
Fee and commission income	6,786	736	7,522	Fees and commissions income
Fee and commission expense	(2,284)	(205)	(2,489)	Fees and commissions expenses
	4,502	531	5,033	Net fees and commissions
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	186			
Gains (losses) on financial assets and liabilities held for trading, net	419			
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	143			
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	(98)			
Gains (losses) from hedge accounting, net	55			
Exchange differences, net	581			
	1,286	98	1,383	Net trading income
Other operating income	639			
Other operating expense	(1,943)			
Income from insurance and reinsurance contracts	2,890			
Expense from insurance and reinsurance contracts	(1,751)			
	(55)	(22)	(77)	Other operating income and expenses
GROSS INCOME	**21,522**	**2,941**	**24,463**	**Gross income**
Administration costs	(8,769)		(11,902)	Operating expenses (**)
Personnel expense	(5,351)	(989)	(6,340)	Personnel expenses
Other administrative expense	(3,418)	(545)	(3,963)	Other administrative expenses
Depreciation and amortization	(1,386)	(214)	(1,599)	Depreciation
	11,368	**1,193**	**12,561**	**Operating income**
Provisions or reversal of provisions	(614)	(3)	(617)	Provisions or reversal of provisions
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,552)	(521)	(4,073)	Impairment on financial assets not measured at fair value through profit or loss
NET OPERATING INCOME	**7,202**	**670**	**7,872**	
Impairment or reversal of impairment of investments in joint ventures and associates	(46)			
Impairment or reversal of impairment on non-financial assets	(128)			
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	(5)			
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	23			
	(156)	0	(155)	Other gains (losses)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**7,046**	**670**	**7,716**	**Profit/(loss) before tax**
Tax expense or income related to profit or loss from continuing operations	(1,943)	(110)	(2,053)	Income tax
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**5,103**	**560**	**5,663**	**Profit/(loss) after tax**
Profit (loss) after tax from discontinued operations	(758)	758	-	
	-	(1,318)	(1,318)	Goodwill impairment in the United States and corporate operations
PROFIT FOR THE YEAR	**4,345**	**-**	**4,345**	**Profit/(loss) for the year**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTERESTS)	**(833)**	**-**	**(833)**	**Non-controlling interests**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**3,512**	**-**	**3,512**	**Net attributable profit/(loss)**

(*) Included within the Other operating income and expenses of the Management Income Statements
(**) Depreciations included.

Below is the reconciliation between the balance sheets of the consolidated Financial Statements and those of the management as of 12-31-2020 and 12-31-2019, based on which the financial information of this report is provided. The main difference between both of them is the classification in the consolidated balance sheets of the sale transactions of BBVA Paraguay (closed on January 22) and part of the BBVA Group business in the United States (expected to close by the middle of the 2021 financial year) as Non-current Assets held for Sale[7]. On the other hand, the management balance sheets as of 12-31-2020 and 12-31-2019 are presented in continuity, being the assets and liabilities of these two transactions included in each corresponding balance sheet line.

CONCILIATION OF THE BBVA GROUP'S BALANCE SHEET. 2020 (MILLIONS OF EUROS)

	Consolidated balance sheet of the financial statements	Adjustments	Consolidated management balance sheet
	31-12-20		31-12-20
Cash, cash balances at central banks and other demand deposits	65,520	11,784	77,303
Financial assets held for trading	108,257	821	109,078
Non-trading financial assets mandatorily at fair value through profit or loss	5,198	13	5,211
Financial assets designated at fair value through profit or loss	1,117	-	1,117
Financial assets at fair value through accumulated other comprehensive income	69,440	4,976	74,416
Financial assets at amortized cost	367,668	62,592	430,260
Loans and advances to central banks and credit institutions	20,784	37	20,821
Loans and advances to customers	311,147	53,859	365,006
Debt securities	35,737	8,697	44,434
Investments in subsidiaries, joint ventures and associates	1,437	(0)	1,437
Tangible assets	7,823	807	8,629
Intangible assets	2,345	1,952	4,297
Other assets (*)	107,373	(82,944)	24,428
Total assets	**736,176**	**-**	**736,176**
Financial liabilities held for trading	86,488	98	86,587
Other financial liabilities designated at fair value through profit or loss	10,050	-	10,050
Financial liabilities at amortized cost	490,606	74,480	565,085
Deposits from central banks and credit institutions	72,806	4,707	77,513
Deposits from customers	342,661	66,460	409,122
Debt certificates	61,780	2,811	64,591
Other financial liabilities	13,358	501	13,860
Liabilities under insurance and reinsurance contracts	9,951	-	9,951
Other liabilities (**)	89,061	(74,578)	14,483
Total liabilities	**686,156**	**-**	**686,156**
Non-controlling interests	5,471	-	5,471
Accumulated other comprehensive income	(14,356)	-	(14,356)
Shareholders' funds	58,904	-	58,904
Total equity	**50,020**	**-**	**50,020**
Total liabilities and equity	**736,176**	**-**	**736,176**

(*) "Derivatives - hedge accounting", "Fair value changes of the hedged items in portfolio hedges of interest rate risk", "Joint ventures and associates", "Insurance and reinsurance assets", "Tax assets", "Other assets", and "Non-current assets and disposal groups classified as held for sale".

(**) "Derivatives - hedge accounting", "Fair value changes of the hedged items in porftolio hedges of interest rate risk", "Provisions", "Tax liabilities", "Other liabilities", and "Liabilities included in disposal groups classified as held for sale".

[7] As of 12-31-2019, only BBVA Paraguay is classified as Non-current Assets held for Sale and as of 12-31-2020, BBVA Paraguay and BBVA USA and the rest of Group's companies included in the sale agreement signed with PNC are classified under this balance sheet line.

CONCILIATION OF THE BBVA GROUP'S BALANCE SHEET. 2019 (MILLIONS OF EUROS)

	Consolidated balance sheet of the financial statements	Adjustments	Consolidated management balance sheet
	31-12-19		31-12-19
Cash, cash balances at central banks and other demand deposits	44,303	363	44,666
Financial assets held for trading	101,735	0	101,735
Non-trading financial assets mandatorily at fair value through profit or loss	5,557	-	5,557
Financial assets designated at fair value through profit or loss	1,214	-	1,214
Financial assets at fair value through accumulated other comprehensive income	61,183	2	61,186
Financial assets at amortized cost	439,162	1,268	440,430
Loans and advances to central banks and credit institutions	17,924	0	17,924
Loans and advances to customers	382,360	1,205	383,565
Debt securities	38,877	63	38,940
Investments in subsidiaries, joint ventures and associates	1,488	-	1,488
Tangible assets	10,068	9	10,077
Intangible assets	6,966	4	6,970
Other assets (*)	26,060	(1,647)	24,413
Total assets	**697,737**	**-**	**697,737**
Financial liabilities held for trading	88,680	0	88,680
Other financial liabilities designated at fair value through profit or loss	10,010	-	10,010
Financial liabilities at amortized cost	516,641	1,542	518,182
Deposits from central banks and credit institutions	54,700	22	54,722
Deposits from customers	384,219	1,467	385,686
Debt certificates	63,963	40	64,004
Other financial liabilities	13,758	13	13,771
Liabilities under insurance and reinsurance contracts	10,606	-	10,606
Other liabilities (**)	16,875	(1,542)	15,333
Total liabilities	**642,812**	**-**	**642,812**
Non-controlling interests	6,201	-	6,201
Accumulated other comprehensive income	(10,226)	-	(10,226)
Shareholders' funds	58,950	-	58,950
Total equity	**54,925**	**-**	**54,925**
Total liabilities and equity	**697,737**	**-**	**697,737**

(*) "Derivatives - hedge accounting", "Fair value changes of the hedged items in portfolio hedges of interest rate risk", "Joint ventures and associates", "Insurance and reinsurance assets", "Tax assets", "Other assets", and "Non-current assets and disposal groups classified as held for sale".

(**) "Derivatives - hedge accounting", "Fair value changes of the hedged items in porftolio hedges of interest rate risk", "Provisions", "Tax liabilities", "Other liabilities", and "Liabilities included in disposal groups classified as held for sale".

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the countries where the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Adjusted profit/ (loss) for the year

Explanation of the formula: The adjusted profit/(loss) for the year is the profit/(loss) for the year from the Group's consolidated income statement, excluding those extraordinary items that, from a management point of view are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit/(loss) for the year				
Millions of euros		Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
	+	Annualized profit/(loss) after tax from ongoing operations	3,789	5,103	5,523
	+	Annualized profit/(loss) after tax from discontinued operations	(1,729)	(758)	704
	=	Annualized profit/(loss) for the year	2,060	4,345	6,227
	-	The United States goodwill impairment	(2,084)	(1,318)	-
	-	Profit of BBVA Chile	-	-	93
	-	Net capital gains from the sale of BBVA Chile	-	-	633
	-	Net capital gain from the assurance transaction	304	-	-
	=	**Adjusted profit/(loss) for the year**	**3,840**	**5,663**	**5,501**

Adjusted net attributable profit

Explanation of the formula: The adjusted net attributable profit is the net attributable profit from the Group's consolidated income statement, excluding those extraordinary items that, from a management point of view are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit/(loss)				
Millions of euros		Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
	+	Annualized net attributable profit/(loss)	1,305	3,512	5,400
	-	The United States goodwill impairment	(2,084)	(1,318)	-
	-	Net attributable profit of BBVA Chile	-	-	64
	-	Net capital gains from the sale of BBVA Chile	-	-	633
	-	Net capital gain from the assurance transaction	304	-	-
	=	**Adjusted net attributable profit/(loss)**	**3,084**	**4,830**	**4,703**

Book value per share

The book value per share determines the value of a company on its books for each share held. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both ''shareholders' funds'' and ''accumulated other comprehensive income'' are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share					
			31-12-20	31-12-19	31-12-18
Numerator (Millions of euros)	+	Shareholders' funds	58,904	58,950	57,333
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(14,356)	(10,226)	(10,223)
Denominator (Millions of euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	14	13	47
=		**Book value per share (euros / share)**	**6.70**	**7.32**	**7.12**

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for ''shareholders' funds'', ''accumulated other comprehensive income'' and ''intangible assets''[8] are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			31-12-20	31-12-19	31-12-18
Numerator (Millions of euros)	+	Shareholders' funds	58,904	58,950	57,333
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(14,356)	(10,226)	(10,223)
	-	Intangible assets	2,345	6,966	8,314
	-	Intangible assets classified as Non-Current Assets Held for Sale	1,952	4	-
Denominator (Millions of euros)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	14	13	47
=		**Tangible book value per share (euros / share)**	**6.05**	**6.27**	**5.86**

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield

		31-12-20	31-12-19	31-12-18
Numerator (Euros)	∑ Dividends	0.16	0.26	0.25
Denominator (Euros)	Closing price	4.04	4.98	4.64
=	**Dividend yield**	**4.0%**	**5.2%**	**5.4%**

[8] For the purposes of the calculation, intangible assets classified under the non-current assets held for sale are also considered.

Adjusted earning per share

The adjusted earning per share takes the earning per share calculated in accordance to the criteria established in the IAS 33 "Earnings Per Share" and takes into account the same adjustments made in the net attributable profit to calculate the adjusted net attributable profit, previously defined in these alternative performance measures.

Non-performing loan (NPL) ratio

This is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance for customers and contingent risks. It is calculated as follows:

$$\frac{\text{Non} - \text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: ''Non-performing loans'' include those related to loans and advances to customers (gross) and those related to contingent risk, excluding the non-performing loans of credit institutions and securities. ''Total credit risk'' includes both pending and contingent risk. Their calculation is based on the headings in the first table of "Credit risk" within the "Risk management" section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio

		31-12-20	31-12-19	31-12-18
Numerator (Millions of euros)	NPLs	16,681	16,730	17,087
Denominator (Millions of euros)	Credit Risk	421,432	441,964	433,799
=	**Non-Performing Loans (NPLs) ratio**	**4.0%**	**3.8%**	**3.9%**

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via value adjustments. It is calculated as follows:

$$\frac{\text{Provisions}}{\text{Non} - \text{performing loans}}$$

Explanation of the formula: ''Non-performing loans'' include those related to lending activity and those related to contingent risk, excluding non-performing loans from credit institutions and securities. ''Provisions'' are allowances, for both loans and advances to customer and contingent risk. Their calculation is based on the headings in the first table of "Credit Risk" within the "Risk management" section of this report.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via value adjustments.

NPL coverage ratio

		31-12-20	31-12-19	31-12-18
Numerator (Millions of euros)	Provisions	13,593	12,817	12,493
Denominator (Millions of euros)	NPLs	16,681	16,730	17,087
=	**NPL coverage ratio**	**81%**	**77%**	**73%**

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions, included in the "impairment on financial assets not measured at fair value through profit or loss" line) of each unit of loans and advances to customers (gross). It is calculated as follows:

$$\frac{\text{Annualized loan} - \text{loss provisions}}{\text{Average loans and advances to customers (gross)}}$$

Explanation of the formula: ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis, to standardize the comparison between different periods. For example, loan-loss provisions for six months (180 days) are divided by 180 to obtain daily loan-loss provisions and multiplied by 365 to obtain the annualized figure. This calculation uses the calendar days of the period under consideration.

''Loans and advances to customers (gross)'' refers to the portfolio of financial assets at amortized cost of the Group's consolidated balance sheet. The average of loans and advances to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk

			31-12-20	31-12-19	31-12-18
	+	Annualized loan-loss provisions from ongoing operations	5,160	3,462	3,662
	+	Annualized loan-loss provisions from discontinued operations	729	521	222
Numerator (Millions of euros)	=	Annualized loan-loss provisions	5,889	3,983	3,884
Denominator (Millions of euros)		Average loans and advances to customers (gross)	390,868	390,494	392,037
=		**Cost of risk**	**1.51%**	**1.02%**	**0.99%**

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on "Results" section of this report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector.

Efficiency ratio

			Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
	+	Operating expenses from ongoing operations	(9,088)	(10,155)	(10,054)
	+	Operating expenses from discontinued operations	(1,668)	(1,748)	(1,648)
Numerator (Millions of euros)	=	Operating expenses	(10,755)	(11,902)	(11,702)
	+	Gross income from ongoing operations	20,166	21,522	20,936
	+	Gross income from discontinued operations	2,808	2,941	2,731
Denominator (Millions of euros)	=	Gross income	22,974	24,463	23,667
=		**Efficiency ratio**	**46.8%**	**48.7%**	**49.4%**

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: The numerator is the adjusted net attributable profit previously defined in these alternative performance measures.

''Average shareholders' funds'' are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

''Average accumulated other comprehensive income'' is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE

			Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
Numerator (Millions of euros)		Adjusted net attributable profit/(loss)	3,084	4,830	4,703
Denominator (Millions of euros)	+	Average shareholder's funds	57,626	58,888	55,885
	+	Average accumulated other comprehensive income	(12,858)	(9,921)	(9,800)
	=	**Adjusted ROE**	**6.9%**	**9.9%**	**10.2%**

Adjusted ROTE

The Adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized adjusted net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for the adjusted ROE.

''Average intangible assets'' are the intangible assets on the balance sheet, including goodwill and other intangible assets[9]. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE

			Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
Numerator (Millions of euros)		Adjusted net attributable profit/(loss)	3,084	4,830	4,703
Denominator (Millions of euros)	+	Average shareholder's funds	57,626	58,888	55,885
	+	Average accumulated other comprehensive income	(12,858)	(9,921)	(9,800)
	-	Average intangible assets	4,754	8,303	8,298
	-	Average intangible assets classified as Non-Current Asset Held for Sale	253	2	36
	=	**Adjusted ROTE**	**7.8%**	**11.9%**	**12.5%**

[9] For the purposes of the calculation, intangible assets classified under the non-current assets held for sale are also considered.

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in these alternative performance measures.

''Average total assets'' are the moving weighted average of the total assets of the Group's consolidated balance sheet at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA

		Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
Numerator (Millions of euros)	Adjusted profit/(loss) for the year	3,840	5,663	5,501
Denominator (Millions of euros)	Average total assets	729,833	692,797	678,662
	= **Adjusted ROA**	**0.53%**	**0.82%**	**0.81%**

Adjusted RORWA

The adjusted RORWA (return on risk-weighted assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average risk} - \text{weighted assetsrage total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in these alternative performance measures.

''Average risk-weighted assets'' (RWA) is the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA

		Jan.-Dec.20	Jan.-Dec.-19	Jan.-Dec.18
Numerator (Millions of euros)	Adjusted profit/(loss) for the year	3,840	5,663	5,501
Denominator (Millions of euros)	Average RWA	359,774	361,359	353,199
	= **Adjusted RORWA**	**1.07%**	**1.57%**	**1.56%**

Other customer funds

This includes off-balance sheet funds, these are, mutual funds, pension funds and other off-balance sheet funds.

Explanation of the formula: It is the period-end sum on a given date of the mutual funds, pension funds and other off-balance sheet funds; as displayed in the table on "Balance sheet and business activity" section of this report.

Relevance of its use: This metric is generally used in the banking sector, as apart from on-balance sheet funds, financial institutions manage other types of customer funds, such as mutual funds, pension funds and other off-balance sheet funds.

Other customer funds

Millions of euros		31-12-20	31-12-19	31-12-18
+	Mutual funds	64,869	68,639	61,393
+	Pension Funds	36,215	36,630	33,807
+	Other off-balance sheet funds	1,863	2,534	2,914
=	**Other customer funds**	**102,947**	**107,803**	**98,114**

Appendix

Companies excluded from the sale agreement of the BBVA subsidiary in the United States

Hereafter the income statement and the balance sheet as of December 31, 2020 and 2019 of the companies of the United States subsidiary excluded from the sale agreement reached with PNC[10] is presented.

INCOME STATEMENTS OF THE COMPANIES EXCLUDED FROM THE SALE AGREEMENT OF THE BBVA SUBSIDIARY IN THE UNITED STATES (MILLIONS OF EUROS)

	2020	2019
Net interest income	**76**	**60**
Net fees and commissions	182	139
Net trading income	59	58
Other operating income and expenses	47	50
Gross income	**364**	**307**
Operating expenses	(193)	(201)
Personnel expenses	(129)	(134)
Other administrative expenses	(62)	(62)
Depreciation	(3)	(5)
Operating income	**170**	**105**
Impairment on financial assets not measured at fair value through profit or loss	(47)	(30)
Provisions or reversal of provisions	(6)	0
Other gains (losses)	-	(0)
Profit/(loss) before tax	**118**	**76**
Income tax	(18)	(10)
Profit/(loss) for the year	**100**	**66**
Non-controlling interests	-	-
Net attributable profit/(loss)	**100**	**66**

SUMMARIZED BALANCE SHEETS OF THE COMPANIES EXCLUDED FROM THE SALE AGREEMENT OF THE BBVA SUBSIDIARY IN THE UNITED STATES (MILLIONS OF EUROS)

	31-12-20	31-12-19
Cash, cash balances at central banks and other demand deposits	5,854	2,613
Financial assets designated at fair value	970	277
Of which: Loans and advances	153	161
Financial assets at amortized cost	5,376	6,650
Of which: Loans and advances to customers	5,109	6,475
Inter-area positions	-	-
Tangible assets	10	14
Other assets	94	50
Total assets/liabilities and equity	**12,304**	**9,604**
Financial liabilities held for trading and designated at fair value through profit or loss	803	163
Deposits from central banks and credit institutions	845	945
Deposits from customers	4,756	3,895
Debt certificates	105	391
Inter-area positions	4,943	3,471
Other liabilities	305	233
Economic capital allocated	548	505

[10] For more information about the agreement, see the chapter "Highlights" of this report.

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				
Date of general meeting	**% physically present**	**% present by proxy**	**% distance voting**		**Total**
			Electronic vote	Other	
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.

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 Consolidated Non-Financial Information Statement of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries 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 Consolidated (hereinafter NFIS) for the year ended 31th December 2020, of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter the Parent Company) and subsidiaries (hereinafter the Group) which forms part of the 2020 consolidated Group's Directors' Report.

The consolidated Directors' Report includes additional information to that required by prevailing mercantile legislation governing non- financial information that has not been subject of our assurance work. 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 consolidated Directors' Report.

Directors' responsibilities

The Board of Directors of the Parent Company is responsible for the preparation and presentation of the NFIS included in the Group'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 Group'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 Parent Company'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.

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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 Group 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 Group 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 Group 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 Consolidated of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries 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 consolidated 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

BBVA
Creando Oportunidades

Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report as of and for the three months ended March 31, 2021

BBVA Group

Limited Review Report on Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries

(Together with the Condensed Interim Consolidated Financial Statements and Interim Consolidated Management Report of Banco Bilbao Vizcaya Argentaria, S.A. and Subsidiaries for the period from 1 January to March 31, 2021)

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

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

Limited Review on the Condensed Interim Consolidated 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.
commissioned by its Board of Directors

REPORT ON THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

Introduction

We have carried out a limited review of the accompanying condensed interim consolidated financial statements (the "interim financial statements") of Banco Bilbao Vizcaya Argentaria, S.A. (the "Bank") and subsidiaries which, along with the Bank, form the Banco Bilbao Vizcaya Argentaria Group (the "Group"), which comprise the condensed consolidated balance sheet as of March 31, 2021, the condensed consolidated income statement, the consolidated statement of recognized income and expense, the consolidated statement of changes in equity, the condensed consolidated statement of cash flows and the accompanying notes to the condensed interim consolidated financial statements corresponding to the three-month period then ended. Pursuant to article 12 of Royal Decree 1362/2007 the Directors of the Bank are responsible for the preparation of these interim financial statements in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting" as adopted by the European Union. Our responsibility is to express a conclusion on these interim financial statements based on our limited review.

Scope of Review

We conducted our limited review in accordance with International Standard on Review Engagements 2410, "Review of Interim Financial Information Performed by the Independent Auditor of the Entity". A limited review of interim financial statements consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A limited review is substantially less in scope than an audit conducted in accordance with prevailing legislation regulating the audit of accounts in Spain and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion on the accompanying interim financial statements.

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Entered into the Spanish Official Register of Auditors with number S0702, and the Spanish Institute of Registered Auditors' list of companies with reference No. 10. Reg. Mer Madrid, T. 11.961, F. 90, Sec. 8, H. M-188.007, Inscrip. 9.
Tax identification number (NIF): B-78510153

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

Conclusion

Based on our limited review, which can under no circumstances be considered an audit, nothing has come to our attention that causes us to believe that the accompanying interim financial statements for the three-month period ended March 31, 2021 have not been prepared, in all material respects, in accordance with International Accounting Standard (IAS) 34 "Interim Financial Reporting", as adopted by the European Union, for the preparation of condensed interim financial statements, pursuant to article 12 of Royal Decree 1362/2007.

Emphasis of Matter

We draw your attention to the accompanying note 1, which states that these interim financial statements do not include all the information required in complete consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the European Union. The accompanying interim financial statements should therefore be read in conjunction with the Group's consolidated annual accounts for the year ended December 31, 2020. This matter does not modify our conclusion.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

The accompanying interim consolidated management report for the three-month period ended March 31, 2021 contains such explanations as the Directors of the Bank consider relevant with respect to the significant events that have taken place in this period and their effect on the interim financial statements, as well as the disclosures required by article 15 of Royal Decree 1362/2007. The interim consolidated management report is not an integral part of the interim financial statements. We have verified that the accounting information contained therein is consistent with the interim financial statements for the three-month period ended March 31, 2021. Our work is limited to the verification of the interim consolidated management report within the scope described in this paragraph and does not include a review of information other than that obtained from the accounting records of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries.

Paragraph on Other Matters

This report has been prepared at the request of the Bank's Board of Directors in relation to the publication of the quarterly financial report voluntarily prepared within the framework of article 120 of Royal Legislative Decree 4/2015 of October 23, 2015, which approves the Revised Securities Market Law, enacted by Royal Decree 1362/2007 of October 19, 2007.

KPMG Auditores, S.L.

(Signed on original in Spanish)

Luis Martín Riaño

April 30, 2021

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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INTERIM CONSOLIDATED MANAGEMENT REPORT

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020

CONDENSED CONSOLIDATED BALANCE SHEETS (Millions of Euros)

	Notes	March 2021	December 2020 (*)
Cash, cash balances at central banks and other demand deposits	8	54,950	65,520
Financial assets held for trading	9	101,050	108,257
Non-trading financial assets mandatorily at fair value through profit or loss	10	5,488	5,198
Financial assets designated at fair value through profit or loss	11	1,110	1,117
Financial assets at fair value through other comprehensive income	12	72,771	69,440
Financial assets at amortized cost	13	363,754	367,668
Derivatives - hedge accounting		1,696	1,991
Fair value changes of the hedged items in portfolio hedges of interest rate risk		33	51
Joint ventures and associates	14	1,416	1,437
Insurance and reinsurance assets		294	306
Tangible assets	15	7,703	7,823
Intangible assets	16	2,297	2,345
Tax assets	17	16,385	16,526
Other assets	18	2,193	2,513
Non-current assets and disposal groups classified as held for sale	19	88,564	85,987
TOTAL ASSETS		**719,705**	**736,176**

LIABILITIES AND EQUITY (Millions of Euros)

	Notes	March 2021	December 2020 (*)
Financial liabilities held for trading	9	81,253	86,488
Financial liabilities designated at fair value through profit or loss	11	9,714	10,050
Financial liabilities at amortized cost	20	475,813	490,606
Derivatives - hedge accounting		2,524	2,318
Liabilities under insurance and reinsurance contracts	21	10,325	9,951
Provisions	22	5,971	6,141
Tax liabilities	17	2,202	2,355
Other liabilities	18	3,540	2,802
Liabilities included in disposal groups classified as held for sale	19	77,653	75,446
TOTAL LIABILITIES		**668,994**	**686,156**
SHAREHOLDERS' FUNDS		**60,033**	**58,904**
Capital	24	3,267	3,267
Share premium		23,992	23,992
Other equity		31	42
Retained earnings	25	31,799	30,508
Other reserves	25	(231)	(164)
Less: treasury shares		(35)	(46)
Profit or loss attributable to owners of the parent		1,210	1,305
Less: Interim dividends		-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**26**	**(14,718)**	**(14,356)**
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	**27**	**5,396**	**5,471**
TOTAL EQUITY		**50,711**	**50,020**
TOTAL EQUITY AND TOTAL LIABILITIES		**719,705**	**736,176**

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

	Notes	March 2021	December 2020 (*)
Loan commitments given	28	135,927	132,584
Financial guarantees given	28	11,146	10,665
Other commitments given	28	35,896	36,190

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendix are an integral part of the condensed interim consolidated financial statements as of and for the three-month period between January 1 and March 31, 2021.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Condensed consolidated income statements for the corresponding three-month period between January 1 and March 31, 2021 and 2020

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	March 2021	March 2020 (*)
Interest and other income	29	5,483	6,425
Interest expense	29	(2,033)	(2,402)
NET INTEREST INCOME		**3,451**	**4,024**
Dividend income	30	6	5
Share of profit or loss of entities accounted for using the equity method		(6)	(8)
Fee and commission income	31	1,609	1,668
Fee and commission expense	31	(476)	(544)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	32	122	64
Gains (losses) on financial assets and liabilities held for trading, net	32	114	(39)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	32	120	16
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	32	153	236
Gains (losses) from hedge accounting, net	32	(25)	16
Exchange differences, net	32	99	252
Other operating income	33	142	133
Other operating expense	33	(388)	(351)
Income from insurance and reinsurance contracts	34	757	782
Expense from insurance and reinsurance contracts	34	(522)	(475)
GROSS INCOME		**5,155**	**5,778**
Administration costs	35	(1,996)	(2,132)
Depreciation and amortization	36	(309)	(345)
Provisions or reversal of provisions	37	(151)	(300)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	38	(923)	(2,164)
NET OPERATING INCOME		**1,776**	**837**
Impairment or reversal of impairment of investments in joint ventures and associates		-	1
Impairment or reversal of impairment on non-financial assets	39	-	(22)
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	40	(18)	(9)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		**1,759**	**807**
Tax expense or income related to profit or loss from continuing operations		(489)	(204)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		**1,270**	**603**
Profit (loss) after tax from discontinued operations	19	177	(2,224)
PROFIT (LOSS) OF THE PERIOD		**1,447**	**(1,621)**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**27**	**237**	**172**
ATTRIBUTABLE TO OWNERS OF THE PARENT		**1,210**	**(1,792)**

	March 2021	March 2020 (*)
EARNINGS (LOSSES) PER SHARE (Euros)	**0.17**	**(0.29)**
Basic earnings (losses) per share from continued operations	0.14	0.05
Diluted earnings (losses) per share from continued operations	0.14	0.05
Basic earnings (losses) per share from discontinued operations	0.03	(0.33)
Diluted earnings (losses) per share from discontinued operations	0.03	(0.33)

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendix are an integral part of the condensed interim consolidated financial statements as of and for the three-month period between January 1 and March 31, 2021.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Consolidated statements of recognized income and expense for the corresponding three-month period between January 1 and March 31, 2021 and 2020.

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)

	March 2021	March 2020 (*)
PROFIT RECOGNIZED IN INCOME STATEMENT	**1,447**	**(1,621)**
OTHER RECOGNIZED INCOME (EXPENSE)	**(593)**	**(2,925)**
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**151**	**(345)**
Actuarial gains (losses) from defined benefit pension plans	(9)	181
Non-current assets and disposal groups held for sale	(6)	-
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	159	(614)
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	3	161
Income tax related to items not subject to reclassification to income statement	4	(73)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	**(744)**	**(2,580)**
Hedge of net investments in foreign operations (effective portion)	**(40)**	**620**
Valuation gains (losses) taken to equity	(40)	620
Transferred to profit or loss	-	-
Other reclassifications	-	-
Foreign currency translation	**(234)**	**(3,373)**
Translation gains (losses) taken to equity	(234)	(3,374)
Transferred to profit or loss	-	1
Other reclassifications	-	-
Cash flow hedges (effective portion)	**(392)**	**378**
Valuation gains (losses) taken to equity	(392)	378
Transferred to profit or loss	-	-
Transferred to initial carrying amount of hedged items	-	-
Other reclassifications	-	-
Debt securities at fair value through other comprehensive income	**(678)**	**(952)**
Valuation gains (losses) taken to equity	(592)	(896)
Transferred to profit or loss	(87)	(57)
Other reclassifications	-	-
Non-current assets and disposal groups held for sale	**417**	**703**
Valuation gains (losses) taken to equity	373	703
Transferred to profit or loss	44	-
Other reclassifications	-	-
Entities accounted for using the equity method	**4**	**(11)**
Income tax relating to items subject to reclassification to income statements	**178**	**56**
TOTAL RECOGNIZED INCOME/EXPENSE	**853**	**(4,546)**
Attributable to minority interest (non-controlling interests)	**5**	**(175)**
ATTRIBUTABLE TO THE PARENT COMPANY	**848**	**(4,371)**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendix are an integral part of the condensed interim consolidated financial statements as of and for the three-month period between January 1 and March 31, 2021.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Consolidated statements of changes in equity for the three-month period between January 1 and March 31, 2021 and 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

March 2021	Capital (Note 24)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income (Note 26)	Non-controlling interest		Total
												Accumulated other comprehensive income (Note 27)	Other (Note 27)	
Balances as of January 1, 2021 (*)	**3,267**	**23,992**	**-**	**42**	**30,508**	**-**	**(164)**	**(46)**	**1,305**	**-**	**(14,356)**	**(6,949)**	**12,421**	**50,020**
Total income/expense recognized	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,210**	**-**	**(361)**	**(232)**	**237**	**853**
Other changes in equity	**-**	**-**	**-**	**(12)**	**1,292**	**-**	**(67)**	**11**	**(1,305)**	**-**	**(1)**	**-**	**(80)**	**(162)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	-	-	-	-	-	-	-	-	(83)	(83)
Purchase of treasury shares	-	-	-	-	-	-	-	(159)	-	-	-	-	-	(159)
Sale or cancellation of treasury shares	-	-	-	-	16	-	-	170	-	-	-	-	-	186
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	1,373	-	(67)	-	(1,305)	-	(1)	-	-	-
Increase/Reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(16)	-	-	-	-	-	-	-	-	-	(16)
Other increases or (-) decreases in equity	-	-	-	4	(97)	-	-	-	-	-	-	-	3	(90)
Balances as of March 31, 2021	**3,267**	**23,992**	**-**	**31**	**31,799**	**-**	**(231)**	**(35)**	**1,210**	**-**	**(14,718)**	**(7,181)**	**12,577**	**50,711**

(*) Balances as of December 31, 2020 as originally reported in the consolidated Financial Statements for the year 2020.

The accompanying Notes and Appendix are an integral part of the condensed interim consolidated financial statements as of and for the three-month period between January 1 and March 31, 2021.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Consolidated statements of changes in equity for the three-month period between January 1 and March 31, 2021 and 2020 (continued)

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

March 2020 (*)	Capital (Note 24)	Share Premium	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	Treasury shares	Profit or loss attributable to owners of the parent	Interim dividends	Accumulated other comprehensive income (Note 26)	Non-controlling interest: Accumulated other comprehensive income (Note 27)	Non-controlling interest: Other (Note 27)	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 (see Note 1.3)	-	-	-	-	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	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,792)**	**-**	**(2,579)**	**(347)**	**172**	**(4,546)**
Other changes in equity	**-**	**-**	**-**	**(15)**	**1,287**	**-**	**(38)**	**26**	**(3,512)**	**1,084**	**-**	**-**	**(37)**	**(1,206)**
Issuances of common shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuances of preferred shares	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Issuance of other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Period or maturity of other issued equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Conversion of debt on equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Common Stock reduction	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Dividend distribution	-	-	-	-	(1,063)	-	(3)	-	-	-	-	-	(37)	(1,102)
Purchase of treasury shares	-	-	-	-	-	-	-	(331)	-	-	-	-	-	(331)
Sale or cancellation of treasury shares	-	-	-	-	(1)	-	-	357	-	-	-	-	-	356
Reclassification of financial liabilities to other equity instruments	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Reclassification of other equity instruments to financial liabilities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Transfers between total equity entries	-	-	-	-	2,462	-	(34)	-	(3,512)	1,084	-	-	-	-
Increase or (-) reduction of equity due to business combinations	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Share based payments	-	-	-	(19)	-	-	-	-	-	-	-	-	-	(19)
Other increases or (-) decreases in equity	-	-	-	4	(111)	-	(2)	-	-	-	-	-	-	(109)
Balances as of March 31, 2020	**3,267**	**23,992**	**-**	**41**	**30,675**	**-**	**(158)**	**(36)**	**(1,792)**	**-**	**(12,805)**	**(5,918)**	**11,907**	**49,174**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

(**) Balances as of December 31, 2019 as originally reported in the consolidated Financial Statements for the year 2019.

The accompanying Notes and Appendix are an integral part of the condensed interim consolidated financial statements as of and for the three-month period between January 1 and March 31, 2021.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

BBVA

Condensed consolidated statements of cash flows for the three-month period between January 1 and March 31, 2021 and 2020

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Euros)

	March 2021	March 2020 (*)
CASH FLOW FROM OPERATING ACTIVITIES (1)	**(8,970)**	**9,206**
Profit for the period	**1,447**	**(1,621)**
Adjustments to obtain the cash flow from operating activities	**1,991**	**5,744**
Depreciation and amortization	309	345
Other adjustments	1,682	5,399
Net increase/decrease in operating assets/liabilities	**(12,101)**	**5,915**
Financial assets/liabilities held for trading	2,025	(1,222)
Non-trading financial assets mandatorily at fair value through profit or loss	(278)	(809)
Other financial assets/liabilities designated at fair value through profit or loss	(484)	39
Available-for-sale financial assets	(3,659)	(3,494)
Loans and receivables / Financial liabilities at amortized cost	(10,789)	12,324
Other operating assets/liabilities	1,084	(923)
Collection/Payments for income tax	**(306)**	**(832)**
CASH FLOWS FROM INVESTING ACTIVITIES (2)	**94**	**(101)**
Tangible assets	(5)	(29)
Intangible assets	(118)	(109)
Investments in joint ventures and associates	14	24
Subsidiaries and other business units	3	-
Non-current assets/liabilities held for sale	200	9
Other settlements/collections related to investing activities	-	6
CASH FLOWS FROM FINANCING ACTIVITIES (3)	**(1,147)**	**(1,774)**
Dividends	-	(1,065)
Subordinated liabilities	(968)	(563)
Common stock amortization/increase	-	-
Treasury stock acquisition/disposal	27	25
Other items relating to financing activities	(207)	(170)
EFFECT OF EXCHANGE RATE CHANGES (4)	**443**	**(2,090)**
NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (1+2+3+4)	**(9,580)**	**5,241**
CASH OR CASH EQUIVALENTS AT BEGINNING OF THE PERIOD	**76,888**	**44,303**
CASH OR CASH EQUIVALENTS AT END OF THE PERIOD INCLUDING COMPANIES HELD FOR SALE IN THE USA	**67,308**	**49,544**

COMPONENTS OF CASH AND EQUIVALENT AT END OF THE PERIOD (Millions of Euros)

	Notes	March 2021	March 2020 (*)
Cash on hand	8	5,970	5,934
Cash balances at central banks	8	44,549	39,117
Other demand deposits	8	4,431	4,492
Less: Bank overdraft refundable on demand		-	-
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE PERIOD		**54,950**	**49,544**
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED AS NON-CURRENT ASSETS AND DISPOSABLE GROUPS CLASSIFIED AS HELD FOR SALE IN THE UNITED STATES	**19**	**12,358**	**-**

(*) Presented solely and exclusively for comparison purposes (see Note 1.3).

The accompanying Notes and Appendix are an integral part of the condensed interim consolidated financial statements as of and for the three-month period between January 1 and March 31, 2021.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

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Notes to the condensed interim consolidated financial statements as of and for the corresponding three-month period between January 1 and March 31, 2021 and 2020

1. Introduction, basis for the presentation of the condensed interim consolidated financial statements and other information

1.1 Introduction

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter "the Bank" or "BBVA") 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 inspection at the Bank's registered address (Plaza San Nicolás, 4, Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates 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 separate financial statements, the Bank is required to prepare consolidated financial statements comprising all consolidated subsidiaries of the Group.

The consolidated Financial Statements of the BBVA Group for the year ended December 31, 2020 were approved by the shareholders at the Annual General Meeting ("AGM") on April 20, 2021.

1.2 Basis for the presentation of the condensed interim consolidated financial statements

The BBVA Group's condensed interim consolidated financial statements (hereinafter, the "consolidated Financial Statements") as of and for the corresponding three-month period between January 1 and March 31, 2021 are presented in accordance with the International Accounting Standard "Interim Financial Reporting" ("IAS 34") and have been approved by the Board of Directors at its meeting held on April 29, 2021. In accordance with IAS 34, the interim financial information is prepared solely for the purpose of updating the last annual consolidated Financial Statements, focusing on new activities, events and circumstances that occurred during the period without duplicating the information previously published in those consolidated Financial Statements.

Therefore, the accompanying consolidated Financial Statements do not include all information required by a complete set of consolidated Financial Statements prepared in accordance with International Financial Reporting Standards endorsed by the European Union (hereinafter, "EU-IFRS"), consequently for an appropriate understanding of the information included in them, they should be read together with the consolidated Financial Statements of the Group as of and for the year ended December 31, 2020.

The aforementioned annual consolidated Financial Statements were prepared in accordance with the EU-IFRS applicable as of December 31, 2020, considering the Bank of Spain 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 accompanying consolidated Financial Statements were prepared applying principles of consolidation, accounting policies and valuation criteria, which, as described in Note 2, are the same as those applied in the consolidated Financial Statements of the Group as of and for the year ended December 31, 2020, taking into consideration the new Standards and Interpretations that became effective from January 1, 2021 (see Note 2.1), so that they present fairly the Group's consolidated equity and financial position as of March 31, 2021, together with the consolidated results of its operations and the consolidated cash flows generated by the Group during the three-month period ended March 31, 2020.

The consolidated Financial Statements and explanatory notes were prepared on the basis of the accounting records kept by the Bank and each of the other entities in the Group. They include the adjustments and reclassifications required to harmonize the accounting policies and valuation criteria used by the entities in the Group.

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

The amounts reflected in the accompanying consolidated Financial Statements are presented in millions of euros, unless it is more appropriate to use smaller units. Therefore, some items that appear without a balance in these consolidated Financial Statements are due to how the 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 totals 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.

When determining the information to disclose about various items of the consolidated financial statements, the Group, in accordance with IAS 34, has taken into account their materiality in relation to the consolidated financial statements.

1.3 Comparative information

The information included in the accompanying consolidated Financial Statements and the explanatory notes relating to December 31, and March 31, 2020, is presented for the purpose of comparison with the information for March 31, 2021.

Agreement for the sale of BBVA's U.S. subsidiary to PNC Financial Service Group

As mentioned in Note 3, in 2020 BBVA reached an agreement to sell its entire stake in 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. As required by IFRS 5 "Non-current assets held for sale and discontinued operations", the balances of assets and liabilities corresponding to such 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" and "Liabilities included in disposal groups classified as held for sale" respectively, from the condensed consolidated balance sheet as of March 31, 2021. Similarly, as required by the aforementioned IFRS 5, the results generated by these companies for the first three months of 2021 are presented in the heading "Profit (loss) after taxes from discontinued operations" of the condensed consolidated income statement for such year, and in the heading "Non-current assets and disposal groups classified as held for sale" of the condensed consolidated statements of recognized income and expense for such year. Additionally, the results corresponding to the first three months of 2020 have been reclassified, to facilitate the comparison between years, to that same section of the respective condensed consolidated income statements and condensed consolidated statements of recognized income and expense for that period. Finally, in the condensed consolidated statements of cash flows, the balances corresponding to cash and cash equivalents have been reclassified to the heading "Total cash and cash equivalents classified as non-current assets and disposal groups classified as held for sale" as of March 31, 2021 and 2020.

Note 19 includes the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020, the condensed consolidated income statements and the condensed consolidated cash flow statements of the companies for sale in the United States as of and for the first three months of 2021 and 2020.

1.4 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, led 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 (see Note 6.2).

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 Group (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. The BBVA Group has taken these pronouncements into consideration when preparing these consolidated financial statements (see Note 6.1)

The main impacts of COVID-19 pandemic in the BBVA Group's consolidated Financial Statements are detailed in the following explanatory notes:

- Note 1.5 includes information on the consideration of the COVID-19 pandemic in the estimates made.
- Note 4 mentions the amendment of the Group's shareholder remuneration policy, in accordance with the recommendation issued by the European Central Bank, 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 6.1 details the main risks associated with the pandemic as well as the impacts that have occurred both in the activity and in the consolidated financial statements for the first three months of 2021.
- Note 6.2 includes information related to the initiatives carried out by the Group to help the most affected clients, jointly with the corresponding governments. Likewise, it contains, among others, information with regard to the number of operations and the amount corresponding to payment deferrals' measures, both public and private, granted by the Group worldwide.

1.5 Responsibility for the information and for the estimates made

The information contained in the BBVA Group's consolidated Financial Statements is the responsibility of the Group's Directors.

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

- Loss allowances on certain financial assets (see Notes 6, 12 and 13).
- The assumptions used to quantify certain provisions (see Notes 21 and 22) and for the actuarial calculation of post-employment benefit liabilities and other commitments (see Note 23).
- The useful life and impairment losses of tangible and intangible assets (see Notes 15, 16 and 19).
- The valuation of goodwill and price allocation of business combinations (see Note 16).
- The fair value of certain unlisted financial assets and liabilities (see Note 7).
- 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 1.4). 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 have been made on the basis of the best available information on the matters analyzed, as of March 31, 2021. 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 consolidated income statement.

During the three-month period ended on March 31, 2021 there have been no significant changes in the estimates made at the end of the 2020 financial year, other than those indicated in these consolidated Financial Statements.

1.6 Related-party transactions

The information related to these transactions is presented in Note 53 of the consolidated financial statements of the Group for the year ended December 31, 2020.

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the regular course of their business. None of these transactions are considered significant and the transactions are carried out under normal market conditions.

1.7 Separate interim financial statements

The separate financial statements of the parent company of the Group (Banco Bilbao Vizcaya Argentaria, S.A.) are prepared under Spanish regulations (Circular 4/2017 of the Bank of Spain, as amended thereafter, and following other regulatory requirements of financial information applicable to it).

Appendix I shows the condensed interim financial statements of Banco Bilbao Vizcaya Argentaria, S.A. as of and for the three-month period ended March 31, 2021.

2. Principles of consolidation, accounting policies, measurement bases applied and recent IFRS pronouncements and interpretations

The accounting policies and methods applied for the preparation of the accompanying consolidated Financial Statements do not differ significantly to those applied in the consolidated Financial Statements of the Group for the year ended December 31, 2020 (Note 2), except for the entry into force of new standards and interpretations in the year 2021.

2.1 Standards and interpretations that became effective in the first three months of 2021

In addition to the mentioned in Note 1.3, the following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC") became effective on or after January 1, 2021:

IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 - Modifications - IBOR reform

On August 27, 2020, the IASB issued the second phase of the IBOR reform that involves the introduction of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements reflect the economic effects of the IBOR reform.

These modifications focus on accounting for financial instruments, once a new risk-free benchmark has been introduced (Risk Free Rate, hereinafter "RFR"). The modifications introduce the accounting relief for changes in the cash flows of financial instruments directly caused by the IBOR reform if they take place in a context of "economic equivalence", by updating the effective interest rate of the instrument. Additionally, it introduces a series of reliefs to the hedging requirements so as not to have to interrupt certain hedging relationships when the new benchmark is introduced. However, similar to the Phase 1 amendments (which entered into force in 2020), the Phase 2 amendments do not provide for exceptions to the measurement requirements applicable to hedged items and hedging instruments in accordance with IFRS 9 or IAS 39. Thus, once the new benchmark has been implemented, the hedged items and hedging instruments must be measured according to the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in profit or loss.

The IBOR transition is considered to be a complex initiative, which affects BBVA Group in different geographical areas and business lines, as well as in a multitude of products, systems and processes. The main risks to which the Group is exposed due to the transition are; (1) risk of litigation related to the products and services offered by the Group; (2) legal risks derived from changes in the documentation required for existing operations; (3) financial and accounting risks, derived from market risk models and from the measurement, hedging, cancellation and recognition of the financial instruments associated with the benchmark indices; (4) price risk, derived from how changes in the indices could impact the pricing mechanisms of certain instruments; (5) operational risks, as the reform may require changes to the Group's IT systems, business reporting infrastructure, operational processes and controls, and (6) behavioral risks derived from the potential impact of customer communications during the transition period, which could lead to customer complaints, regulatory penalties or reputational impact.

BBVA Group has a significant number of financial assets and liabilities referenced to IBOR rates, especially Euribor, which are used, among others, in loans, deposits, debt issuances and financial derivatives. Furthermore, although the exposure to Eonia is lower in the banking book, this benchmark interest rate is used in financial derivatives in the trading book, as well as in the collateral agreements, and most are booked in Spain. In the case of LIBOR, the USD is the most relevant currency for both cash products and financial derivatives in the banking book and the trading book. Other LIBOR currencies (CHF, GBP and JPY) have a much lower exposure.

Therefore, BBVA Group has established an IBOR transition program, provided with a robust governance structure by means of an Executive Steering Committee, with representation from senior management of the affected areas, which reports directly to the Group's Global Leadership Team. At the local level, each geography has defined a local governance structure with the participation of senior management. The coordination between geographies is realized through the Project Management Office (PMO) and the Global Working Groups that incorporate a multi-geographic and transversal view on the areas of Legal, Risk, Regulatory, Engineering, Finance and Accounting. The project also involves both Corporate Assurance of the different geographies and business lines and Global Corporate Assurance of the Group.

The IBOR transition project within BBVA Group takes into account the different approaches and timings of transition to the new RFRs when evaluating different risks associated with de reform, as well as defining the lines of action to mitigate them. BBVA is aligned with the Good Practices issued by the ECB that outline how banks can better structure their governance, identify related risks and create contingent action plans and documentation in relation to the transition of reference rates.

A relevant aspect of this transition is its impact on contracts referenced to LIBOR and Eonia maturing after December 31, 2021 (when most indices disappeared) and June 30, 2023 (in the case of dollar LIBOR except 1-week and 2-month). In this regard, in the case of the Eonia, BBVA is carrying out the novation of the contracts maturing after 2021 (it should be noted that these exposures are immaterial in the Group and mostly against clearing houses) and has already begun, proactively, the renegotiation of collateral contracts to adapt them to the operations against clearing houses already migrated last July. The Group already has new fallbacks in place which incorporate the €STR as a replacement rate, as well as language to incorporate this benchmark as the main reference rate in new contracts. In the case of LIBOR, BBVA Group has identified the stock of contracts maturing after December 31, 2021 and June 30, 2023

(in the case of dollar LIBOR except 1-week and 2-month) and is working on the implementation of tools/systems that will allow the stock to be migrated to solutions such as those proposed by ISDA (Group entities are already adhered to the ISDA protocol) or in bilateral negotiations. Likewise, BBVA Group continues to work on adapting all its systems and processes to deal with alternative Risk Free Rates, such as SOFR and SONIA. In this sense, BBVA is already operating in both derivative products and loans with Risk Free Rates indices. On the other hand, the non-issuance of new contracts with LIBOR rates with expiration beyond 2021 is promoted.

In the case of EURIBOR, the European authorities have encouraged amendments of its methodology so that it complies with the requirements of the European Regulation on Benchmarks. BBVA actively participates in various working groups, including the EURO RFR WG which works specifically, amongst others, on the definition of fallbacks in contracts, in anticipation of an option to change the index in the future.

Additionally, a large communication and training campaign is being carried out both for the Group's internal staff and for clients, in order to have a good understanding and understanding of the project.

Amendments to IFRS 4 Insurance Contracts

The amendment to IFRS 4 includes a deferral in the temporary exception option regarding the application of IFRS 9 for entities whose business model is predominantly an insurance model until January 1, 2023, aligning it with the entry into force of the IFRS 17 Insurance Contracts rule. This amendment entered into force on January 1, 2021, although it has had no impact on the Group since the Bank does not take the option.

2.2 Standards and interpretations issued but not yet effective as of March 31, 2021

At the date of preparation of these consolidated Financial Statements, new International Financial Reporting Standards and Interpretations thereof had been published that were not mandatory as of March 31, 2021. Although in some cases the International Accounting Standards Board ("IASB") allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.

IFRS 17 – Insurance Contracts

IFRS 17 establishes the principles for account insurance contracts. This new standard supersedes IFRS 4, by introducing deep changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability between entities.

Unlike IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for the purposes of their recognition and measurement, determining the units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), annual cohorts and their possibility of becoming onerous.

Regarding the measurement model, the new standard contemplates several methods, being the General Model (Building Block Approach) the method that will be applied by default for the valuation of insurance contracts, unless the conditions are given to apply any of the two other methods: the Variable Fee Approach, and the Simplified Model (Premium Allocation Approach). With the implementation of IFRS 17, the valuation of insurance contracts will be based on a model that will use updated assumptions at each balance sheet date.

The General Model requires entities to value insurance contracts for the total of:

- fulfilment cash flows, which comprise the estimation of future cash flows discounted to reflect the time value of money, the financial risk associated with future cash flows, and a risk adjustment for non-financial risk;

- and the contractual service margin, which represents the expected unearned benefit from the insurance contracts, which will be recognized in the entity's income statement as the service is provided in the future, instead of being recognized at the time of the estimation.

The amounts recognized in the income statement shall be classified into insurance revenue, insurance service expenses and insurance finance income or expenses. Insurance revenue and insurance service expenses shall exclude any investment components. Insurance revenue shall be recognized over the period the entity provides insurance coverage.

An entity shall apply IFRS 17 for annual reporting periods beginning on or after January 1, 2023 (with at least one year comparative information); however, the endorsement by the European Commission is still pending.

Since 2019, the Group maintains a project to implement IFRS 17 in order to harmonize the criteria in the Group and with the participation of all involved areas and countries.

Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors

In February 2020 the IASB issued several amendments to different IAS with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the Financial Statements. With respect to the modification introduced by the IASB on the definition of "Materiality" included in IAS 1 and IAS 8, the purpose followed by the regulator is to clarify what is considered material for inclusion in the financial statements. The new definition of materiality is as follows: "Information is material if its omission, inaccuracy or concealment could reasonably be expected to influence the decisions that the main users of financial information make based on the financial statements" This new definition of materiality, incorporates the reference to the concealment of information which equates to the omission or inappropriate expression of financial information. Likewise, the amendments introduce clarifications to distinguish between accounting estimate and accounting policy.

These modifications will come into effect on January 1, 2023, although no significant impact is expected on BBVA's Financial Statements.

3. BBVA Group

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

The following information is detailed in the Appendices to the consolidated Financial Statements of the Group for the year ended December 31, 2020:

- Appendix I shows relevant information related to the consolidated subsidiaries and structured entities.
- Appendix II shows relevant information related to investments in subsidiaries, joint ventures and associates accounted for using the equity method.
- Appendix III shows the main changes and notification of investments and divestments in the BBVA Group.
- Appendix IV shows fully consolidated subsidiaries with more than 10% owned by non-Group shareholders.

The BBVA Group's activities are mainly located in Spain, Mexico, South America, and Turkey, with an active presence in other areas of Europe and Asia (see Note 5).

Significant transactions in the first three months of 2021

Divestitures

Sale of the BBVA Group's stake in Paraguay

On January 22, 2021 and once the mandatory authorizations were obtained, BBVA completed the sale of its direct and indirect shareholding of 100% of the capital stock of Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay") in favor of Banco GNB Paraguay S.A., a subsidiary of the Gilinski Group. The total amount received by BBVA amounts to approximately 250 million US dollars (approximately 210 million euros). The operation has generated a capital loss net of taxes of approximately 9 million euros. Likewise, this operation has a positive impact on the Common Equity Tier 1 ("fully loaded") of the BBVA Group of approximately 6 basis points, which is reflected in the capital base of the BBVA Group in the first three months of 2021.

Significant transactions in 2020

Divestitures

Agreement for the sale of BBVA's U.S. subsidiary to PNC Financial Service Group

On November 15, 2020, BBVA reached an agreement with 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 US dollars. The price will be fully paid in cash.

It is expected that the transaction will result in a positive impact on BBVA Group's Common Equity Tier 1 ratio (fully loaded) of approximately 294 basis points and positive results (net of taxes) of approximately 580 million euros (calculated at an exchange rate 1.20 EUR /USD). During the year ended December 31, 2020, approximately 300 million euros has been recognized for the entities to be disposed of (corresponding to the results generated by the companies held for sale, from the signing of the operation to the end of the year, and which are included in the consolidated Financial Statements as of December 31, 2020), as well as an approximately positive impact of 9 basis points of Common Equity Tier I (fully loaded).

The closing of the transaction is subject to obtaining regulatory authorizations from the competent authorities. It is estimated that the closing of the transaction will take place in mid-2021.

Note 19 includes the condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020, the condensed consolidated income statements and the condensed consolidated cash flow statements of the companies for sale in the United States as of and for the first three months of 2021 and 2020.

Alliance bancassurance with Allianz, Compañía de Seguros y Reaseguros, S.A.

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in order to develop the non-life insurance business in Spain, excluding the health insurance line of the business.

On December 14, 2020, once the required authorizations had been obtained, BBVA completed the operation and announced the transfer to Allianz, Compañía de Seguros y Reaseguros, S.A. of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A., for which it received 274 million euros, without taking into account a variable part of the price (up to 100 million euros depending on certain objectives and planned milestones). This operation had a profit net of taxes of 304 million euros and a positive impact on the fully loaded CET1 of the BBVA Group of 7 basis points recorded in the consolidated Financial Statements as of December 31, 2020.

4. Shareholder remuneration system

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 the results for the years 2019 and 2020, excluding the distributions corresponding to the financial year 2021, until September 30, 2021, when the ECB will reassess the economic situation. BBVA's intention is to reestablish its Group shareholder remuneration policy announced on February 1, 2017, once the recommendation ECB/2020/62 is repealed and there are no additional restrictions or limitations of application.

The Annual General Meeting of BBVA held on April 20, 2021, approved, under item 3 of the Agenda, the cash distribution in the amount of €0.059 gross per share against the share premium account as shareholder remuneration in relation to the Group's result in the 2020 financial year for an amount equal to €0.059 (€0.0478 net of withholding tax) per BBVA share, paid to shareholders on April 29, 2021 (see Note 41).

5. Operating segment reporting

Operating segment reporting represents a basic tool for monitoring and managing the different activities of the BBVA Group. In preparing the information by operating segment, the starting point is the lowest-level units, which are aggregated in accordance with the organizational structure determined by the Group's Management to create higher-level units and, finally, the reportable operating segments themselves.

At the end of the three-month period between January 1 and March 31, 2021, the structure of the information by operating segments reported by the BBVA Group differs from that presented at the end of the 2020 financial year, mainly as a consequence of the exclusion of the United States as an operating segment, as a result of the sale agreement reached with PNC (see Note 3). The core of the business in the United States excluded from this agreement, together with those of the old segment "Rest of Eurasia" has become a new segment called "Rest of business".

Due to the agreement reached to sell the entire stake of the Group in 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 balance sheet items of the companies for sale and the gains and losses generated by them have been classified in accordance with IFRS 5 "Non-current assets held for sale and discontinued operations" (see Note 19).

The BBVA Group's operating segments and the agreements reached are summarized below:

- Spain

  Includes mainly the banking and insurance business that the Group carries out in Spain, including the results of the new company that emerged from the bancassurance agreement reached with Allianz at the end of 2020 (see Note 3).

- Mexico

  Includes banking and insurance businesses in this country as well as the activity that BBVA Mexico carries out through its branch in Houston.

- Turkey

  Reports the activity of Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.

- South America

  It mainly includes the banking and insurance activity carried out in the region. The information for this operating segment includes BBVA Paraguay for data on results, activity, balance sheet and relevant management indicators for 2020; data which is not included for 2021 since the sale agreement was completed in January 2021 (see Note 3).

- Rest of business

  It mainly incorporates the wholesale activity carried out in Europe, excluding Spain, and the United States with regard to the New York branch, as well as the institutional business that the Group develops in the United States through its broker-dealer BBVA Securities Inc. It also incorporates the banking business developed through the five BBVA branches located in Asia.

Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function, management of structural exchange rate positions; portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds for employee commitments; goodwill and other intangible assets, as well as the financing of such asset portfolios. It also includes the results of the participation in the venture capital fund Propel Venture Partners. Additionally, and until the mandatory authorizations are received and the sales agreement with PNC mentioned above is completed, the results obtained by the Group's businesses in the United States included in such agreement are to be presented in a single line under the heading "Profit (loss) after tax from discontinued operations" in the income statement.

The accompanying Interim Consolidated Management Report presents the condensed consolidated income statements and the condensed consolidated balance sheets by operating segments in more detail.

6. Risk management

The principles and risk management policies, as well as tools and procedures established and implemented in the Group as of March 31, 2021 do not differ significantly from those included in Note 7 in the consolidated Financial Statements of the Group for the year ended December 31, 2020.

6.1 Risk associated with the coronavirus pandemic (COVID-19)

The COVID-19 (coronavirus) pandemic has affected and is expected to continue to adversely affect the world economy, having led many of the countries in which the Group operates to economic recession in 2020. This recession is expected to be followed by high but uneven activity growth across sectors and geographies in 2021. Among other challenges, the countries in which the Group operates have experienced widespread increases in unemployment levels and declines in production, while public debt has significantly increased due to the support and spending measures implemented by authorities. Furthermore, an increase in loan losses by both companies and individuals is expected, which has so far been slowed down by the impact of government and sector support measures, including bank payment deferrals and direct aid measures. In addition, volatility in the financial markets may continue, affecting exchange rates and the value of assets and investments, all of which has adversely affected the Group's results in 2020 and is expected to continue to affect them in the future.

Furthermore, the Group has been and may continue to be affected by the specific measures or recommendations adopted by authorities in the banking sector, such as variations in reference interest rates, the relaxation of prudential requirements, the suspension of dividend payments, the deferral of monthly installments for certain loans and the implementation of credit lines with public guarantees, especially to companies and self-employed individuals, as well as any changes in financial assets purchase programs by the ECB. Although as of March 31, 2021, a large part of the payment deferrals granted due to the COVID-19 pandemic have already expired and, therefore, it has been possible to observe the payment behavior for many customers, there are still transactions in force that will first be largely payable before the end of the first semester of 2021. Hence, as of March 31, 2021, it is not possible to know the payment behavior for these customers since it cannot yet be assured that economic conditions will improve during that period.

Since the outbreak of the COVID-19 pandemic, the Group has experienced a decline in its activity. For instance, the granting of new loans to individuals has decreased since mobility restriction measures were approved in certain countries in which the Group operates. In

addition, the Group faces various 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 further increase in non-performing loans and risk-weighted assets, as well as a negative impact on the Group's financing cost and its access to financing (especially in an environment where credit ratings are affected). As of March 31, 2021, 8% of the Group's exposure is placed in the sectors identified as most vulnerable to the current environment, which are leisure, residential real estate, commercial real estate, non-food retailers and air transportation.

Additionally, in several of the countries in which the Group operates, including Spain, the Group has temporarily closed a significant number of its branches and reduced opening hours to the public, and the teams which provide central services have been working remotely. Despite the fact these measures have been partially reversed, it is unclear how long it will take before they can be fully reversed due to the persistence of the COVID-19 pandemic. Furthermore, 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 the lower availability of certain resources could, in some cases, make it more difficult for the Group to maintain the required service levels. In addition, the widespread use of remote work has increased the risks related to cybersecurity, as the use of non-corporate networks has increased.

Therefore, the COVID-19 pandemic has had an adverse effect since its inception in March 2020 on the Group's results and capital base.

6.2 Credit risk

The banks are a key part of the solution to the COVID-19 crisis. Specifically, BBVA, has activated support initiatives with a focus on the most affected customers, regardless of whether they are companies, SMEs, self-employed workers or private individuals. The following are just some of those initiatives:

- In Spain, support for SMEs, self-employed workers and companies through lines of credit and lines guaranteed by the Official Credit Institute (ICO, for its acronym in Spanish), extended until June 30, 2021, (loans with grace periods up to 24 months and 72 month period, 96 months for the credit account) and for individual customers extended until March 31, 2021 with grace periods on loans to affected individuals (up to 9 month in first mortgage and up to 6 months in consumer lending) and payment deferrals of 3 months for citizens in social rental housing under from the Social Housing Fund. Additionally, the publication of Royal Decree Law 5/2021, of March 12, on extraordinary measures to support business solvency in response to the COVID-19 pandemic, will mean the adoption of new support measures with public guarantees, for companies and self-employed workers. The Code of Good Practices is pending approval by the Government which subsequently will be voluntary by financial institutions.
- In the United States, flexibility in the repayment of loans for small businesses and for consumer finance and has eliminated some fees and commissions for individual customers.
- In Mexico, grace periods up to 4 months on various credit products, fixed payment plan to reduce monthly credit card charges and suspension of Point of Sale (POS) fees to support retailers with lower turnover, as well as different support plans aimed at each situation for larger business customers.
- In Turkey, delay until May 31, 2021 of loan repayments, interests and amortizations without any penalty.
- In South America, Argentina has provided micro-SMEs and SMEs access to credit facilities to purchase teleworking equipment, funding facilities for payroll payments and the possibility of refinancing the unpaid credit card balances in 9 instalments; Colombia has frozen the repayment of loans for up to six months for credits until June 30, 2021, and is offering financing with government guarantee for SMEs; and in Peru, several measures were approved to support the SMEs and customers with consumer loans or credit cards, including extending the payment term and reducing instalments by up to 40%.

The amount of payment deferrals and the financing granted with public guarantees given at a Group level, as well as the number of customers, as of March 31, 2021 and December 31, 2020 are as follows:

Amount of payment deferrals and financing with public guarantees as of March 31, 2021 and December 31, 2020 (Millions of Euros)

	Payment deferrals				Financing with public guarantees			
	Existing	Completed	Total	Number of customers	Total	Number of customers	Total payment deferrals and guarantees	(%) credit investment
March 2021	5,446	21,860	27,306	2,763,853	16,648	255,785	43,954	12.9%
December 2020	6,536	21,868	28,405	2,779,964	16,053	249,458	44,458	12.9%

Amount of payment deferrals and financing with public guarantees by concept as of March 31, 2021 and December 31, 2020 (Millions of Euros)

	Payment deferrals						Financing with public guarantees	
	Existing		Completed		Total			
	March 2021	December 2020	March 2021	December 2020	March 2021	December 2020	March 2021	December 2020
Group	**5,446**	**6,536**	**21,860**	**21,868**	**27,306**	**28,405**	**16,648**	**16,053**
Customers	3,888	4,503	14,338	14,550	18,226	19,052	1,296	1,235
Of which: Mortgages	*3,324*	*3,587*	*7,826*	*7,471*	*11,150*	*11,059*	*1*	*1*
SMEs	713	1,023	4,640	4,743	5,353	5,766	10,898	10,573
Non-financial corporations	802	961	2,721	2,397	3,524	3,358	4,439	4,232
Other	42	50	161	179	203	229	15	13

Amount of payment deferrals by stages as of March 31, 2021 and December 31, 2020 (Millions of Euros)

	Stage 1		Stage 2		Stage 3		Total	
	March 2021	December 2020	March 2021	December 2020	March 2021	December 2020	March 2021	December 2020
Group	**16,742**	**18,602**	**8,215**	**7,736**	**2,349**	**2,066**	**27,306**	**28,405**
Customers	11,106	12,336	5,205	4,997	1,915	1,719	18,226	19,052
Of which: Mortgages	6,857	7,347	3,150	2,844	1,144	867	11,150	11,059
SMEs	3,617	4,147	1,393	1,327	344	292	5,353	5,766
Non-financial corporations	1,842	1,903	1,591	1,399	90	56	3,524	3,358
Other	178	216	26	13	-	-	203	229

The payment deferral measures for bank customers in the different countries in which the Group operates (such as those included in Royal Decree Law 11/2020, as well as in the CECA-AEB agreement to which BBVA has adhered in Spain) result in the temporary suspension, total or partial, of the contractual obligations with a deferral for a specific period of time.

Regarding the classification of exposures according to their credit risk, the Group 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, the Group 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, they have been classified in Stage 2 or Stage 3. 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 accounting treatment of singular transactions, that is to say, not covered by the general frameworks described, as well as that of the payment deferrals that expire and may require additional support is in accordance with the updated evaluation of the customer's credit quality and the characteristics of the solution granted.

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 foreclosure of the guarantee is taken into account.

The public guarantees granted in the different geographies in which the Group operates 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.

Additional adjustments to expected loss measurement

In addition to what is described on individualized and collective estimates of expected losses and macroeconomic estimates, the Group may supplement the expected losses, if it deems it necessary, to collect the effects that may not be included, either by considering additional risk drivers or by 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 or materialize.

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. In order to

incorporate those effects that are not included in the impairment models, there are management adjustments to the expected losses which amount to 316 million euros in Spain as of March 31, 2021 (223 million euros as of December 31, 2020). This variation is driven by the use of 57 million euros in the period, as well as the need of an additional provision given the possibility of new extensions in the financing granted or agreements aimed at ensuring business viability.

Maximum credit risk exposure

In accordance with IFRS 7 "Financial Instruments: Disclosures", the BBVA Group's credit risk exposure by headings in the balance sheets as of March 31, 2021 and December 31, 2020 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to guarantee the fulfillment of payment obligations. The details are broken down by the nature of the financial instruments:

Maximum credit risk exposure (Millions of Euros)

	Notes	March 2021	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**69,386**			
Debt securities	9	24,171			
Equity instruments	9	11,518			
Loans and advances	9	33,697			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,488**			
Loans and advances to customers	10	758			
Debt securities	10	317			
Equity instruments	10	4,414			
Financial assets designated at fair value through profit or loss	**11**	**1,110**			
Derivatives (trading and hedging)		**46,305**			
Financial assets at fair value through other comprehensive income		**72,845**			
Debt securities		71,562	71,270	292	-
Equity instruments	12	1,255	-	-	-
Loans and advances to credit institutions	12	28	28	-	-
Financial assets at amortized cost		**376,020**	**328,883**	**32,180**	**14,957**
Loans and advances to central banks		5,472	5,472	-	-
Loans and advances to credit institutions		11,515	11,492	19	4
Loans and advances to customers		322,866	275,918	32,015	14,933
Debt securities		36,166	36,000	145	21
Total financial assets risk		**571,154**	**-**	**-**	**-**
Total loan commitments and financial guarantees		**182,969**	**168,099**	**13,947**	**922**
Loan commitments given	28	135,927	126,165	9,533	228
Financial guarantees given	28	11,146	9,508	1,356	283
Other commitments given	28	35,896	32,426	3,058	411
Total maximum credit exposure		**754,123**			

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Maximum credit risk exposure (Millions of Euros)

	Notes	December 2020	*Stage 1*	*Stage 2*	*Stage 3*
Financial assets held for trading		**68,075**			
Debt securities	9	23,970			
Equity instruments	9	11,458			
Loans and advances	9	32,647			
Non-trading financial assets mandatorily at fair value through profit or loss		**5,198**			
Loans and advances to customers	10	709			
Debt securities	10	356			
Equity instruments	10	4,133			
Financial assets designated at fair value through profit or loss	**11**	**1,117**			
Derivatives (trading and hedging)		**46,302**			
Financial assets at fair value through other comprehensive income		**69,537**			
Debt securities		68,404	67,995	410	-
Equity instruments	12	1,100	-	-	-
Loans and advances to credit institutions	12	33	33	-	-
Financial assets at amortized cost		**379,857**	**334,552**	**30,607**	**14,698**
Loans and advances to central banks		6,229	6,229	-	-
Loans and advances to credit institutions		14,591	14,565	20	6
Loans and advances to customers		323,252	277,998	30,581	14,672
Debt securities		35,785	35,759	6	20
Total financial assets risk		**570,084**			
Total loan commitments and financial guarantees		**179,440**	**165,726**	**12,682**	**1,032**
Loan commitments given	28	132,584	124,104	8,214	265
Financial guarantees given	28	10,665	9,208	1,168	290
Other commitments given	28	36,190	32,414	3,300	477
Total maximum credit exposure		**749,524**			

The changes during the period between January 1 and March 31, 2021 and the year ended December 31, 2020 of impaired financial assets (financial assets and guarantees given) are as follows:

Changes in impaired financial assets and guarantees given (Millions of Euros)

	March 2021	December 2020
Balance at the beginning	**15,478**	**16,770**
Additions	1,916	9,533
Decreases (*)	(925)	(5,024)
Net additions	**991**	**4,509**
Amounts written-off	(794)	(3,603)
Exchange differences and other	(36)	(968)
Discontinued operations	-	(1,230)
Balance at the end	**15,639**	**15,478**

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

Loss allowances

Below are the changes during the period between January 1 and March 31, 2021 and the year ended December 31, 2020 in the loss allowances recognized on the accompanying consolidated balance sheets to cover the estimated loss allowances in loans and advances of financial assets at amortized cost:

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

	March 2021	December 2020
Balance at the beginning of the period	**(12,141)**	**(12,427)**
Increase in loss allowances charged to income	(2,566)	(9,274)
Stage 1	(608)	(1,699)
Stage 2	(629)	(2,169)
Stage 3	(1,330)	(5,407)
Decrease in loss allowances charged to income	1,643	4,381
Stage 1	508	1,485
Stage 2	425	1,077
Stage 3	710	1,818
Transfer to written-off loans, exchange differences and other	857	4,056
Transfer to discontinued operations	-	1,123
Closing balance	**(12,207)**	**(12,141)**

7. Fair value of financial instruments

The criteria and valuation methods used to calculate the fair value of financial assets as of March 31, 2021 do not differ significantly from those included of Note 8 of the consolidated Financial Statements for the year ended December 31, 2020.

The techniques and unobservable inputs used for the valuation of the financial instruments classified in the fair value hierarchy as Level 3, do not significantly differ from those detailed in Note 8 of the consolidated Financial Statements for the year 2020.

The effect on the consolidated income statements and on the consolidated equity, resulting from changing the main assumptions used in the valuation of Level 3 financial instruments for other reasonably possible assumptions, does not differ significantly from that detailed in Note 8 of the consolidated Financial statements for the year 2020.

Below is a comparison of the carrying amount of the Group's financial instruments in the accompanying consolidated balance sheets and their respective fair values as of March 31, 2021 and December 31, 2020:

Fair value and carrying amount (Millions of Euros)

		March 2021		December 2020	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	8	54,950	54,950	65,520	65,520
Financial assets held for trading	9	101,050	101,050	108,257	108,257
Non-trading financial assets mandatorily at fair value through profit or loss	10	5,488	5,488	5,198	5,198
Financial assets designated at fair value through profit or loss	11	1,110	1,110	1,117	1,117
Financial assets at fair value through other comprehensive income	12	72,771	72,771	69,440	69,440
Financial assets at amortized cost	13	363,754	368,827	367,668	374,267
Hedging derivatives		1,696	1,696	1,991	1,991
LIABILITIES					
Financial liabilities held for trading	9	81,253	81,253	86,488	86,488
Financial liabilities designated at fair value through profit or loss	11	9,714	9,714	10,050	10,050
Financial liabilities at amortized cost	20	475,813	477,002	490,606	491,006
Hedging derivatives		2,524	2,524	2,318	2,318

The following table shows the financial instruments in the accompanying consolidated balance sheets, broken down by the measurement technique used to determine their fair value as of March 31, 2021 and December 31, 2020:

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Fair Value of financial Instruments by Levels (Millions of Euros)

	March 2021			December 2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS-						
Cash, cash balances at central banks and other demand deposits	**54,794**	**-**	**156**	**65,355**	**-**	**165**
Financial assets held for trading	**30,830**	**66,784**	**3,437**	**32,555**	**73,856**	**1,847**
Loans and advances	1,108	29,395	3,194	2,379	28,659	1,609
Debt securities	13,053	11,049	69	12,790	11,123	57
Equity instruments	11,448	20	49	11,367	31	60
Derivatives	5,220	26,320	125	6,019	34,043	121
Non-trading financial assets mandatorily at fair value through profit or loss	**4,069**	**346**	**1,074**	**3,826**	**381**	**992**
Loans and advances	204	-	553	210	-	499
Debt securities	-	289	28	4	324	28
Equity instruments	3,864	56	493	3,612	57	465
Financial assets designated at fair value through profit or loss	**952**	**159**	**-**	**939**	**178**	**-**
Debt securities	952	159	-	939	178	-
Financial assets at fair value through other comprehensive income	**62,823**	**9,382**	**566**	**60,976**	**7,866**	**598**
Loans and advances	28	-	-	33	-	-
Debt securities	61,676	9,347	465	59,982	7,832	493
Equity instruments	1,120	35	101	961	34	105
Financial assets at amortized cost	**33,819**	**15,888**	**319,120**	**35,196**	**15,066**	**324,005**
Hedging derivatives	**46**	**1,642**	**8**	**120**	**1,862**	**8**
LIABILITIES-						
Financial liabilities held for trading	**25,163**	**54,171**	**1,919**	**27,587**	**58,045**	**856**
Deposits	8,412	28,222	1,443	8,381	23,495	621
Trading derivatives	6,140	25,928	477	7,402	34,046	232
Other financial liabilities	10,611	21	-	11,805	504	3
Financial liabilities designated at fair value through profit or loss	**-**	**8,249**	**1,465**	**-**	**8,558**	**1,492**
Customer deposits	-	873	-	-	902	-
Debt certificates	-	2,515	1,465	-	3,038	1,492
Other financial liabilities	-	4,861	-	-	4,617	-
Financial liabilities at amortized cost	**94,943**	**236,364**	**145,695**	**90,839**	**255,278**	**144,889**
Derivatives – Hedge accounting	**44**	**2,451**	**29**	**53**	**2,250**	**15**

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

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

	Notes	March 2021	December 2020
Cash on hand		5,970	6,447
Cash equivalent balances at central banks (*)		44,549	53,079
Other financial assets		4,431	5,994
Total	**7**	**54,950**	**65,520**

(*) The variation is mainly due to a decrease in the balances of BBVA, S.A. in Bank of Spain

9. Financial assets and liabilities held for trading

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

	Notes	March 2021	December 2020
ASSETS			
Derivatives (*)		31,665	40,183
Equity instruments	6.2	11,518	11,458
Debt securities	6.2	24,171	23,970
Loans and advances	6.2	33,697	32,647
Total assets	**7**	**101,050**	**108,257**
LIABILITIES			
Derivatives (*)		32,544	41,680
Short positions		10,632	12,312
Deposits		38,077	32,496
Total liabilities	**7**	**81,253**	**86,488**

(*) The variation is mainly due to the evolution of derivatives in BBVA, S.A.

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

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

	Notes	March 2021	December 2020
Equity instruments	6.2	4,414	4,133
Debt securities	6.2	317	356
Loans and advances to customers	6.2	758	709
Total	**7**	**5,488**	**5,198**

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)

	Notes	March 2021	December 2020
ASSETS			
Debt securities	6.2 / 7	1,110	1,117
LIABILITIES			
Customer deposits		873	902
Debt certificates issued		3,979	4,531
Other financial liabilities: Unit-linked products		4,861	4,617
Total liabilities	**7**	**9,714**	**10,050**

12. Financial assets at fair value through other comprehensive income

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

	Notes	March 2021	December 2020
Equity instruments	6.2	1,255	1,100
Debt securities		71,488	68,308
Loans and advances to credit institutions	6.2	28	33
Total	**7**	**72,771**	**69,440**
Of which: loss allowances of debt securities		*(74)*	*(97)*

13. Financial assets at amortized cost

Financial assets at amortized cost (Millions of Euros)

	Notes	March 2021	December 2020
Debt securities		**36,108**	**35,737**
Loans and advances to central banks		**5,458**	**6,209**
Loans and advances to credit institutions		**11,505**	**14,575**
Loans and advances to customers		**310,683**	**311,147**
Government		18,923	19,391
Other financial corporations		8,823	9,817
Non-financial corporations		137,157	136,424
Other		145,780	145,515
Total	**7**	**363,754**	**367,668**
Of which: impaired assets of loans and advances to customers (*)		*14,933*	*14,672*
Of which: loss allowances of loans and advances (*)		*(12,207)*	*(12,141)*
Of which: loss allowances of debt securities		*(58)*	*(48)*

(*) See Note 6.2

14. Investments in joint ventures and associates

Joint ventures and associates (Millions of Euros)

	March 2021	December 2020
Joint ventures	151	149
Associates	1,265	1,288
Total	**1,416**	**1,437**

15. Tangible assets

Tangible assets. Breakdown by type (Millions of Euros)

	March 2021	December 2020
Property, plant and equipment	**7,490**	**7,601**
For own use	**7,195**	**7,311**
Land and Buildings	4,393	4,380
Work in Progress	47	52
Furniture, Fixtures and Vehicles	5,498	5,515
Right to use assets	3,065	3,061
Accumulated depreciation	(5,400)	(5,275)
Impairment	(409)	(422)
Leased out under an operating lease	**295**	**290**
Assets leased out under an operating lease	345	345
Accumulated depreciation	(50)	(54)
Impairment	-	-
Investment property	**214**	**222**
Building rental	175	198
Other	4	4
Right to use assets	133	123
Accumulated depreciation	(46)	(42)
Impairment	(52)	(60)
Total	**7,703**	**7,823**

16. Intangible assets

Intangible assets (Millions of Euros)

	March 2021	December 2020
Goodwill	896	910
Other intangible assets	1,401	1,435
Total	**2,297**	**2,345**

The composition of the balance of this caption of the accompanying condensed consolidated balance sheets, according to the nature of the items that comprise them, is shown below:

Other intangible assets (Millions of Euros)

	March 2021	December 2020
Computer software acquisition expense	1,190	1,202
Other intangible assets with an infinite useful life	9	12
Other intangible assets with a definite useful life	202	221
Total	**1,401**	**1,435**

17. Tax assets and liabilities

Tax assets and liabilities (Millions of Euros)

	March 2021	December 2020
Tax assets		
Current tax assets	942	1,199
Deferred tax assets	15,443	15,327
Total tax assets	**16,385**	**16,526**
Tax liabilities		
Current tax liabilities	361	545
Deferred tax liabilities	1,841	1,809
Total tax liabilities	**2,202**	**2,355**

18. Other assets and liabilities

Other assets and liabilities: (Millions of Euros)

	March 2021	December 2020
ASSETS		
Inventories	517	572
Transactions in progress	81	160
Accruals	859	756
Other items	736	1,025
Total	**2,193**	**2,513**
LIABILITIES		
Transactions in progress	61	75
Accruals	1,603	1,584
Other items	1,875	1,144
Total	**3,540**	**2,802**

19. Non-current assets and disposal groups classified as held for sale

Non-current assets and disposal groups classified as held for sale. Breakdown by items (Millions of Euros)

	March 2021	December 2020
Foreclosures and recoveries	1,384	1,398
Other assets from tangible assets	501	480
Companies held for sale (*)	87,381	84,792
Accrued amortization (**)	(93)	(89)
Impairment losses	(609)	(594)
Total non-current assets and disposal groups classified as held for sale	**88,564**	**85,987**
Companies held for sale (*)	77,653	75,446
Total liabilities included in disposal groups classified as held for sale	**77,653**	**75,446**

(*) The balance corresponds mainly to the sale of the stake in BBVA USA (see Note 3).

(**) Corresponds to the accumulated depreciation of assets before their classification as "Non-current assets and disposal groups classified as held for sale".

Assets and liabilities from discontinued operations

As mentioned in Note 1.3 and 3, in 2020 the agreement for the sale of the BBVA subsidiary in the United States was announced. The assets and liabilities corresponding to the companies for sale were reclassified to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" of the condensed consolidated balance sheet as of March 31, 2021 and December 31, 2020; and the earnings of these companies as of March 31, 2021 and 2020 were classified

under the heading "Profit (loss) after tax from discontinued operations" of the accompanying condensed consolidated income statements (see Note 1.3).

The condensed consolidated balance sheets as of March 31, 2021 and December 31, 2020, and the condensed consolidated income statements and the condensed consolidated statements of cash flows for the first three months of 2021 and 2020 are provided below:

Condensed consolidated balance sheets of the companies held for sale in the United States subsidiary for the periods ended March 31, 2021 and December 31, 2020

CONDENSED ASSETS (Millions of Euros)

	March 2021	December 2020
Cash, cash balances at central banks and other demand deposits	12,358	11,368
Financial assets held for trading	736	821
Non-trading financial assets mandatorily at fair value through profit or loss	15	13
Financial assets at fair value through other comprehensive income	4,918	4,974
Financial assets at amortized cost	64,589	61,558
Derivatives - hedge accounting	8	9
Tangible assets	827	799
Intangible assets	2,032	1,949
Tax assets	362	360
Other assets	1,477	1,390
Non-current assets and disposal groups classified as held for sale	15	16
TOTAL ASSETS	**87,337**	**83,257**

CONDENSED LIABILITIES (Millions of Euros)

	March 2021	December 2020
Financial liabilities held for trading	100	98
Financial liabilities at amortized cost	76,623	73,132
Derivatives - hedge accounting	1	2
Provisions	163	157
Tax liabilities	223	201
Other liabilities	543	492
TOTAL LIABILITIES	**77,653**	**74,082**

ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS) (Millions of Euros)

	March 2021	December 2020
Actuarial gains (losses) on defined benefit pension plans	(71)	(66)
Hedge of net investments in foreign operations (effective portion)	(432)	(432)
Foreign currency translation	1,223	801
Hedging derivatives. Cash flow hedges (effective portion)	222	250
Fair value changes of debt instruments measured at fair value through other comprehensive income	58	70
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**1,000**	**622**

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Condensed consolidated income statements of companies held for sale in the United States subsidiary for the periods ended March 31, 2021 and 2020

CONDENSED INCOME STATEMENTS (Millions of Euros)

	March 2021	March 2020
Interest and other income	595	722
Interest expense	(37)	(190)
NET INTEREST INCOME	**558**	**532**
Dividend income	1	1
Fee and commission income	163	181
Fee and commission expense	(48)	(48)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(2)	24
Gains (losses) on financial assets and liabilities held for trading, net	29	41
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	1	1
Gains (losses) from hedge accounting, net	(1)	7
Exchange differences, net	(4)	(23)
Other operating income	5	5
Other operating expense	(16)	(17)
GROSS INCOME	**687**	**706**
Administration costs	(387)	(388)
Depreciation and amortization	(47)	(52)
Provisions or reversal of provisions	4	(13)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(24)	(411)
NET OPERATING INCOME	**233**	**(158)**
Impairment or reversal of impairment on non-financial assets	-	(2,084)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(1)	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	1	-
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	**232**	**(2,242)**
Tax expense or income related to profit or loss from continuing operations	(55)	18
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	**177**	**(2,224)**
Profit (loss) after tax from discontinued operations	-	-
PROFIT (LOSS) FOR THE PERIOD	**177**	**(2,224)**
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	**-**	**-**
ATTRIBUTABLE TO OWNERS OF THE PARENT	**177**	**(2,224)**

Condensed consolidated statements of cash flows of companies held for sale in the United States subsidiary for the periods ended March 31, 2021 and 2020

CONDENSED STATEMENTS OF CASH FLOWS (Millions of Euros)

	March 2021	March 2020
A) CASH FLOWS FROM OPERATING ACTIVITIES	531	(1,051)
B) CASH FLOWS FROM INVESTING ACTIVITIES	(29)	(29)
C) CASH FLOWS FROM FINANCING ACTIVITIES	(15)	(18)
D) EFFECT OF EXCHANGE RATE CHANGES	503	112
(INCREASE/DECREASE) NET CASH AND CASH EQUIVALENTS (A+B+C+D)	**990**	**(986)**

20. Financial liabilities at amortized cost

20.1 Breakdown of the balance

Financial liabilities measured at amortized cost (Millions of Euros)

	Notes	March 2021	December 2020
Deposits		405,187	415,467
Deposits from central banks		50,156	45,177
Demand deposits		133	163
Time deposits and other		42,232	38,274
Repurchase agreements		7,791	6,740
Deposits from credit institutions		23,967	27,629
Demand deposits		10,251	7,196
Time deposits and other		8,938	16,079
Repurchase agreements		4,779	4,354
Customer deposits		331,064	342,661
Demand deposits		260,988	266,250
Time deposits and other		69,298	75,666
Repurchase agreements		778	746
Debt certificates		57,418	61,780
Other financial liabilities		13,208	13,358
Total	**7**	**475,813**	**490,606**

The amount recorded in Deposits from central banks - Time deposits includes the provisions of the TLTRO III facilities of the European Central Bank, mainly BBVA S.A. amounting to €38,692 and €35,032 million as of March 31, 2021 and December 31, 2020, respectively.

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 condensed consolidated income statements and amounts to €88 million and €23 million as of March 31, 2021 and 2020 (see Note 29.1).

20.2 Debt certificates

Debt certificates (Millions of Euros)

	March 2021	December 2020
In Euros	**37,962**	**42,462**
Promissory bills and notes	655	860
Non-convertible bonds and debentures	14,363	14,538
Covered bonds (*)	11,502	13,274
Hybrid financial instruments (**)	417	355
Securitization bonds	2,362	2,538
Wholesale funding	370	2,331
Subordinated liabilities	8,293	8,566
Convertible perpetual certificates	4,500	4,500
Non-convertible preferred stock	-	159
Other non-convertible subordinated liabilities	3,793	3,907
In foreign currencies	**19,454**	**19,318**
Promissory bills and notes	1,100	1,024
Non-convertible bonds and debentures	8,465	8,691
Covered bonds (*)	219	217
Hybrid financial instruments (**)	1,172	455
Securitization bonds	3	4
Wholesale funding	1,091	1,016
Subordinated liabilities	7,404	7,911
Convertible perpetual certificates	1,709	1,633
Non-convertible preferred stock	-	35
Other non-convertible subordinated liabilities	5,695	6,243
Total	**57,418**	**61,780**

(*) Including mortgage-covered bonds.

(**) Corresponds to structured note issuance whose underlying risk is different from the underlying risk of the derivative.

Most of the foreign currency issues are denominated in U.S. dollars.

20.3 Other financial liabilities

Other financial liabilities (Millions of Euros)

	March 2021	December 2020
Lease liabilities	2,623	2,674
Creditors for other financial liabilities	2,943	2,408
Collection accounts	2,623	3,276
Creditors for other payment obligations	5,019	5,000
Total	**13,208**	**13,358**

21. Assets and liabilities under insurance and reinsurance contracts

As of March 31, 2021 and December 31, 2020, the balance under the heading "Assets under reinsurance and insurance contracts" in the accompanying condensed consolidated balance sheets amounted to €294 million and €306 million, respectively.

Liabilities under insurance and reinsurance contracts (Millions of Euros)

	March 2021	December 2020
Mathematical reserves	9,018	8,731
Provision for unpaid claims reported	667	672
Provisions for unexpired risks and other provisions	641	548
Total	**10,325**	**9,951**

22. Provisions

Provisions. Breakdown by concepts (Millions of Euros)

	March 2021	December 2020
Provisions for pensions and similar obligations	4,144	4,272
Other long term employee benefits	41	49
Provisions for taxes and other legal contingencies	625	612
Provisions for contingent risks and commitments	739	728
Other provisions (*)	423	479
Total	**5,971**	**6,141**

(*) Provisions or contingencies individually no significant, for various concepts in different geographies.

23. Pension and other post-employment commitments

The Group sponsors defined-contribution plans for the majority of its active employees, with the plans in Spain and Mexico being the most significant. Most of the defined benefit plans are for individuals already retired, and are closed to new employees, the most significant being those in Spain, Mexico and Turkey. In Mexico, the Group provides post-retirement medical benefits to a closed group of employees and their family members, both active service and in retirees.

The amounts relating to post-employment benefits charged to the profit and loss account and other comprehensive income are as follows:

Condensed consolidated income statement impact (Millions of Euros)

	Notes	March 2021	March 2020
Interest expense	29.2	5	6
Personnel expense		30	32
Defined contribution plan expense	35.1	19	20
Defined benefit plan expense	35.1	11	11
Provisions , net	37	103	106
Total: expense (income)		**138**	**143**

24. Capital

As of March 31, 2021 and December 31, 2020, BBVA's share capital 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-entry accounts. All of the Bank´s 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 capital.

25. Retained earnings and other reserves

Retained earnings and other reserves (Millions of Euros)

	March 2021	December 2020
Retained earnings	31,799	30,508
Other reserves	(231)	(164)
Total	**31,568**	**30,344**

26. Accumulated other comprehensive income

Accumulated other comprehensive income (Millions of Euros)

	March 2021	December 2020
Items that will not be reclassified to profit or loss	**(2,670)**	**(2,815)**
Actuarial gains (losses) on defined benefit pension plans	(1,480)	(1,474)
Non-current assets and disposal groups classified as held for sale	(71)	(65)
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1,100)	(1,256)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	(19)	(21)
Items that may be reclassified to profit or loss	**(12,048)**	**(11,541)**
Hedge of net investments in foreign operations (effective portion)	(97)	(62)
Of which: Mexican peso	(450)	(362)
Of which: Turkish lira	369	317
Of which: other exchanges	(17)	(18)
Foreign currency translation	(14,229)	(14,185)
Of which: US Dollar	(10)	(16)
Of which: Mexican peso	(5,026)	(5,220)
Of which: Turkish lira	(5,202)	(4,960)
Of which: Argentine peso	(1,201)	(1,247)
Of which: Venezuela Bolívar	(1,858)	(1,860)
Of which: other exchanges	(932)	(882)
Hedging derivatives. Cash flow hedges (effective portion)	(360)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income	1,580	2,069
Non-current assets and disposal groups classified as held for sale (*)	1,071	644
Share of other recognized income and expense of investments in subsidiaries, joint ventures and associates	(13)	(17)
Total	**(14,718)**	**(14,356)**

(*) Corresponds mainly to BBVA S.A.

The balances recognized under these headings are presented net of tax.

27. Non-controlling interest

Non-controlling interests: breakdown by subgroups (Millions of Euros)

	March 2021	December 2020
Garanti BBVA	3,589	3,692
BBVA Peru	1,171	1,171
BBVA Argentina	438	416
BBVA Colombia	69	70
BBVA Venezuela	69	65
Other entities	59	56
Total	**5,396**	**5,471**

Profit attributable to non-controlling interests (Millions of Euros)

	March 2021	March 2020
Garanti BBVA	196	133
BBVA Peru	34	35
BBVA Argentina	1	2
BBVA Colombia	2	-
BBVA Venezuela	3	-
Other entities	1	2
Total	**237**	**172**

28. Commitments and guarantees given

Commitments and guarantees given (Millions of Euros)

	Notes	March 2021	December 2020
Loan commitments given	6.2	135,927	132,584
Financial guarantees given	6.2	11,146	10,665
Other commitments given	6.2	35,896	36,190
Total	**6.2**	**182,969**	**179,440**

29. Net interest income

29.1 Interest and other income

Interest and other income. Breakdown by origin (Millions of Euros)

	March 2021	March 2020
Financial assets held for trading	262	420
Financial assets designated at fair value through profit or loss	1	1
Financial assets at fair value through other comprehensive income	389	367
Financial assets at amortized cost	4,407	5,283
Insurance activity	312	308
Adjustments of income as a result of hedging transactions	(37)	(23)
Other income (*)	150	70
Total	**5,483**	**6,425**

(*) As of March 31, 2021 the amount includes accrued interest following TLTRO III transactions (see Note 20.1).

29.2 Interest expense

Interest expense. Breakdown by origin (Millions of Euros)

	Notes	March 2021	March 2020
Financial liabilities held for trading		330	213
Financial liabilities designated at fair value through profit or loss		17	18
Financial liabilities at amortized cost		1,475	1,955
Adjustments of expense as a result of hedging transactions		(112)	(67)
Insurance activity		241	225
Cost attributable to pension funds	23	5	6
Other expense		76	51
Total		**2,033**	**2,402**

30. Dividend income

Dividend income. Breakdown by heading (Millions of Euros)

	March 2021	March 2020
Non-trading financial assets mandatorily at fair value through profit or loss	3	1
Financial assets at fair value through other comprehensive income	3	4
Total	**6**	**5**

31. Fee and commission income and expense

Fee and commission income. Breakdown by origin (Millions of Euros)

	March 2021	March 2020
Bills receivables	5	10
Demand accounts	100	91
Credit and debit cards and ATMs	560	609
Checks	31	41
Transfers and other payment orders	150	158
Insurance product commissions	56	39
Loan commitments given	54	46
Other commitments and financial guarantees given	88	92
Asset management	292	289
Securities fees	95	99
Custody securities	37	38
Other fees and commissions	140	158
Total	**1,609**	**1,668**

Fee and commission expense. Breakdown by origin (Millions of Euros)

	March 2021	March 2020
Demand accounts	1	2
Credit and debit cards	295	359
Transfers and other payment orders	26	23
Commissions for selling insurance	12	13
Custody securities	11	15
Other fees and commissions	130	132
Total	**476**	**544**

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

32. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)

	March 2021	March 2020
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	122	64
Financial assets at amortized cost	5	2
Other financial assets and liabilities	117	62
Gains (losses) on financial assets and liabilities held for trading, net	114	(39)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	120	16
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	153	236
Gains (losses) from hedge accounting, net	(25)	16
Subtotal gains (losses) on financial assets and liabilities	**483**	**292**
Exchange differences, net	99	252
Total	**581**	**544**

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)

	March 2021	March 2020
Debt instruments	149	191
Equity instruments	763	(1,935)
Trading derivatives and hedge accounting	(694)	1,799
Loans and advances to customers	46	56
Customer deposits	32	-
Other	187	181
Total	**483**	**292**

33. Other operating income and expense

Other operating income (Millions of Euros)

	March 2021	March 2020
Gains from sales of non-financial services	68	73
Hyperinflation adjustment	38	21
Other operating income	36	39
Total	**142**	**133**

Other operating expense (Millions of Euros)

	March 2021	March 2020
Change in inventories	32	35
Contributions to guaranteed banks deposits funds	105	107
Hyperinflation adjustment	134	88
Other operating expense	118	121
Total	**388**	**351**

34. Income and expense from insurance and reinsurance contracts

Income and expense from insurance and reinsurance contracts (Millions of Euros)

	March 2021	March 2020
Income from insurance and reinsurance contracts	757	782
Expense from insurance and reinsurance contracts	(522)	(475)
Total	**236**	**307**

35. Administration costs

35.1 Personnel expense

Personnel expense (Millions of Euros)

	Notes	March 2021	March 2020
Wages and salaries		909	971
Social security costs		169	180
Defined contribution plan expense	23	19	20
Defined benefit plan expense	23	11	11
Other personnel expense		77	90
Total		**1,184**	**1,272**

35.2 Other administrative expense

Other administrative expense. Breakdown by main concepts (Millions of Euros)

	March 2021	March 2020
Technology and systems	289	281
Communications	41	43
Advertising	51	61
Property, fixtures and materials	98	115
Taxes other than income tax	109	101
Surveillance and cash courier services	41	43
Other expense	183	216
Total	**812**	**860**

36. Depreciation and amortization

Depreciation and amortization (Millions of Euros)

	March 2021	March 2020
Tangible assets	187	211
For own use	108	124
Right-of-use assets	78	87
Investment properties and other	1	1
Intangible assets	122	134
Total	**309**	**345**

37. Provisions or reversal of provisions

Provisions or reversal of provisions (Millions of Euros)

	Notes	March 2021	March 2020
Pensions and other post-employment defined benefit obligations	23	103	106
Commitments and guarantees given		11	18
Pending legal issues and tax litigation		41	158
Other provisions		(4)	18
Total		**151**	**300**

38. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)

	March 2021	March 2020
Financial assets at fair value through other comprehensive income - Debt securities	(3)	43
Financial assets at amortized cost (*)	927	2,121
Of which: recovery of written-off assets	*(91)*	*(89)*
Total	**923**	**2,164**

(*) As of March 31, 2020, the amount includes mainly the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic.

39. Impairment or reversal of impairment on non-financial assets

Impairment or reversal of impairment on non-financial assets (Millions of Euros)

	March 2021	March 2020
Tangible assets	(3)	26
Intangible assets	3	-
Others	-	(4)
Total	**-**	**22**

40. Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)

	March 2021	March 2020
Gains on sale of real estate	(12)	19
Impairment of non-current assets held for sale	(17)	(28)
Gains (losses) on sale of investments classified as non-current assets held for sale (*)	11	-
Total	**(18)**	**(9)**

(*) The variation in year 2021 is mainly due to the transfer of half plus one share to BBVA Allianz Seguros y Reaseguros, S.A. (see Note 3).

41. Subsequent events

On April 13, 2021, BBVA informed the employees' legal representatives about its intention to initiate a procedure for collective redundancies within BBVA, S.A. in Spain, which will affect both the headquarters and the branch network.

The Annual General Meeting of BBVA held on April 20, 2021, approved, under item 3 of the Agenda, the cash distribution in the amount of €0.059 gross (€0.0478 net of withholding tax) per share against the share premium account as shareholder remuneration in relation to the Group's result in the 2020 financial year, paid to shareholders on April 29, 2021 (see Note 4).

From April 1, 2021 to the date of preparation of these condensed interim consolidated Financial Statements, no subsequent events requiring disclosure in these condensed interim consolidated Financial Statements have taken place that significantly affect the Group's earnings or its consolidated equity position.

42. Explanation added for translation into English

These accompanying condensed interim consolidated Financial Statements are presented on the basis of IFRS, as adopted by the European Union. Certain accounting practices applied by the Group that conform to EU-IFRS may not conform to other generally accepted accounting principles.

Appendices

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I. Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A.

BBVA, S.A. - Condensed balance sheets (Millions of Euros)

ASSETS	March 2021	December 2020(*)
Cash, cash balances at central banks and other demand deposits	30,927	44,107
Financial assets held for trading	83,199	87,677
Non-trading financial assets mandatorily at fair value through profit or loss	435	409
Financial assets at fair value through other comprehensive income	40,156	37,528
Financial assets at amortized cost	224,528	225,914
Derivatives - hedge accounting	844	1,011
Fair value changes of the hedged items in portfolio hedges of interest rate risk	33	51
Joint ventures, associates and unconsolidated subsidiaries	18,368	18,380
Tangible assets	3,829	3,915
Intangible assets	835	840
Tax assets	12,387	12,764
Other assets	2,504	2,837
Non-current assets and disposal groups classified as held for sale	10,431	9,978
TOTAL ASSETS	**428,476**	**445,411**

LIABILITIES	March 2021	December 2020(*)
Financial liabilities held for trading	66,992	69,514
Financial liabilities designated at fair value through profit or loss	2,866	3,267
Financial liabilities at amortized cost	315,561	331,189
Hedging derivatives	1,947	1,510
Provisions	4,367	4,449
Tax liabilities	1,088	1,071
Other liabilities	2,163	1,543
TOTAL LIABILITIES	**394,985**	**412,543**
SHAREHOLDERS' FUNDS	**34,842**	**33,992**
Capital	3,267	3,267
Share premium	23,992	23,992
Other equity	21	34
Retained earnings	6,567	8,859
Other reserves	42	31
Less: Treasury shares	(20)	(9)
Profit or loss of the period	972	(2,182)
Less: Interim dividends	-	-
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	**(1,352)**	**(1,124)**
TOTAL EQUITY	**33,491**	**32,867**
TOTAL EQUITY AND TOTAL LIABILITIES	**428,476**	**445,411**

MEMORANDUM	March 2021	December 2020(*)
Loan commitments given	82,226	80,959
Financial guarantees given	9,455	8,745
Other commitments given	25,725	25,711

(*) Presented for comparison.

Translation of the Interim Consolidated Financial Statements originally issued in Spanish and prepared in accordance with IAS 34, as adopted by the European Union. In the event of a discrepancy, the Spanish-language version prevails.

APPENDIX I. Condensed balance sheets and income statements of Banco Bilbao Vizcaya Argentaria, S.A.

BBVA, S.A. - Condensed income statements (Millions of Euros)

	March 2021	March 2020(*)
Interest income	1,076	1,197
Interest expense	(227)	(348)
NET INTEREST INCOME	**849**	**849**
Dividend income	240	683
Fee and commission income	573	567
Fee and commission expense	(94)	(100)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	61	13
Gains (losses) on financial assets and liabilities held for trading, net	119	320
Gains (losses) on on-trading financial assets mandatorily at fair value through profit or loss	42	(16)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	43	(99)
Gains (losses) from hedge accounting, net	(20)	12
Exchange differences, net	8	(80)
Other operating income	42	37
Other operating expense	(36)	(39)
GROSS INCOME	**1,826**	**2,147**
Administration costs	(909)	(924)
Depreciation and amortization	(160)	(165)
Provisions or reversal of provisions	(157)	(240)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss	(183)	(664)
NET OPERATING INCOME	**418**	**154**
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	(33)	(303)
Impairment or reversal of impairment on non-financial assets	4	(26)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	1	-
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	174	(12)
OPERATING PROFIT BEFORE TAX	**563**	**(186)**
Tax expense or income related to profit or loss from continuing operations	(61)	143
PROFIT (LOSS) FROM CONTINUING OPERATIONS	**502**	**(44)**
Profit from discontinued operations , net	471	(1,472)
PROFIT (LOSS)	**972**	**(1,515)**

(*) Presented for comparison purposes only.

This Appendix is an integral part of Note 1.7 of the condensed interim consolidated financial statements corresponding to the three-month period ended March 31, 2021.

BBVA

Creating Opportunities

January-March 2021

1Q21

BBVA

take care of yourself, take care of others

We face the challenges from a **solid capital and liquidity position** reinforced by the sale agreement of our subsidiary in the United States

CET1 *fully-loaded (*)*	LCR / NSFR
14.58%	**151% / 127%**

(*) Pro-forma: including the positive impact from the sale of BBVA USA.

We have held the **AGM**, where shareholders strongly supported

Distribution of **€5.9 cents / share** from the share premium account

***Possibility of up to a **10% buyback of the ordinary shares**, after the closing of the sale of BBVA USA

*Subject to the approval of the requested regulatory authorizations

We support the **community** to protect the health and well-being of all

COVID-19 Social Response Plan

+€35M

Donated by BBVA for the fight against the **pandemic**

+3.5M

beneficiaries

+€11M Donated by **customers and employees**

We offer financial support to our **customers** to overcome the pandemic and to help them throughout the recovery

Committed with our **Purpose**, "to bring the age of opportunities to everyone", **and with our values**

Customer comes **first**

We **think big**

We are **one team**

GALLUP EXCEPTIONAL WORKPLACE AWARD

2021 WINNER

We help improve the **financial health** of our customers through:

/ **Tools** for digital **advice**

BBVA SPAIN APP

- First entity to provide information on net worth
- It incorporates **virtual tools** to help households save with a new function that improves **energy efficiency**

/ The acquisition de **financial knowledge and skills**

2008-2020. FINANCIAL EDUCATION GLOBAL PLAN

€91.4M investment

29.2M beneficiaries

We support our **clients transition** toward a **sustainable future**

Pledge 2025

To mobilize €100Billion

Mobilized* **€50,155M**

Community investment*

Mobilized €142.2M

Beneficiaries **+12M**

*Data as of December 2020

NET ZERO

We are carbon **neutral** in direct **CO_2** emissions and we commit to net zero emissions by 2050

CARBON PHASE OUT

Our objective is to reduce to **zero** our **exposure** to **carbon**-related activities

GLOBAL FINANCE

BBVA, the **best investment bank** in the world for **sustainable** finance

We create opportunities together

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BBVA Group main data

BBVA GROUP MAIN DATA (CONSOLIDATED FIGURES)

	31-03-21	Δ %	31-03-20	31-12-20
Balance sheet (millions of euros)				
Total assets	719,705	(1.4)	730,087	736,176
Loans and advances to customers (gross) [1]	322,866	(3.3)	333,845	323,252
Deposits from customers [1]	331,064	4.0	318,347	342,661
Total customer funds [1]	437,979	5.6	414,786	445,608
Total equity	50,711	3.1	49,174	50,020
Income statement (millions of euros)				
Net interest income	3,451	(14.2)	4,024	14,592
Gross income	5,155	(10.8)	5,778	20,166
Operating income	2,850	(13.6)	3,300	11,079
Net attributable profit/(loss)	1,210	n.s.	(1,792)	1,305
Net attributable profit or (loss) excluding discontinued and corporate operations [2]	1,033	139.4	431	2,729
The BBVA share and share performance ratios				
Number of shares (million)	6,668	-	6,668	6,668
Share price (euros)	4.43	51.8	2.92	4.04
Earning per share (euros) [3]	0.17	n.s.	(0.29)	0.14
Adjusted earning per share (euros) [2][3]	0.14	193.0	0.05	0.35
Book value per share (euros)	6.80	4.8	6.49	6.70
Tangible book value per share (euros)	6.15	6.5	5.78	6.05
Market capitalization (millions of euros)	29,512	51.8	19,440	26,905
Yield (dividend/price; %) [4]	3.6		8.9	4.0
Significant ratios (%)				
Adjusted ROE (net attributable profit or (loss)/average shareholders' funds +/- average accumulated other comprehensive income) [2]	9.3		3.6	6.1
Adjusted ROTE (net attributable profit or (loss)/average shareholders' funds excluding average intangible assets +/- average accumulated other comprehensive income) [2]	9.8		3.8	6.5
Adjusted ROA (Profit or (loss) for the year/average total assets) [2]	0.81		0.39	0.54
Adjusted RORWA (Profit or (loss) for the year/average risk-weighted assets - RWA) [2]	1.73		0.78	1.16
Efficiency ratio	44.7		42.9	45.1
Cost of risk [5]	1.17		2.54	1.55
NPL Ratio [5]	4.3		4.0	4.2
NPL coverage ratio [5]	81		83	82
Capital adequacy ratios (%)				
CET1 fully-loaded	11.88		10.84	11.73
CET1 phased-in [6]	12.20		11.08	12.15
Total ratio phased-in [6]	16.16		15.39	16.46
Other information				
Number of clients (million)	79.8	1.9	78.3	80.6
Number of shareholders	869,378	(0.8)	876,785	879,226
Number of employees	122,021	(3.2)	126,041	123,174
Number of branches	7,254	(5.7)	7,694	7,432
Number of ATMs	30,747	(4.7)	32,275	31,000

General note: the results generated by BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC are presented in a single line of the Group's Income Statements as "Profit/(loss) after tax from discontinued operations".

(1) Excluding the assets and liabilities figures from BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC classified as non-current assets and liabilities held for sale (NCA&L) since 31-12-20. The figures related to "Loans and advances to customers (gross)", "Deposits from customers" and "Total customer funds", including BBVA USA, would stand at 395,911 millions of euros, 385,050 millions of euros and 481,488 millions of euros, respectively, as of 31-03-20.

(2) Excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as of 31-03-21, 31-12-20 and 31-03-20 and the net capital gain from the bancassurance operation with Allianz as of 31-12-20.

(3) Adjusted by additional Tier 1 instrument remuneration.

(4) Calculated by dividing shareholder remuneration over the last twelve months by the closing price of the period.

(5) Excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC.

(6) Phased-in ratios include the temporary treatment on the impact of IFRS 9, calculated in accordance with Article 473 bis amendments of the Capital Requirements Regulation (CRR), introduced by the Regulation (EU) 2020/873.

Highlights

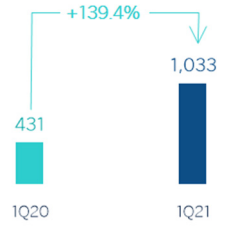
COVID-19 pandemic

- The COVID-19 pandemic has affected and is expected to continue to adversely affect the **world economy**, leading many countries in which the Group operates into economic recession. This recession is expected to be followed by a high level of activity, but uneven by sectors and geographical areas in 2021.

Results

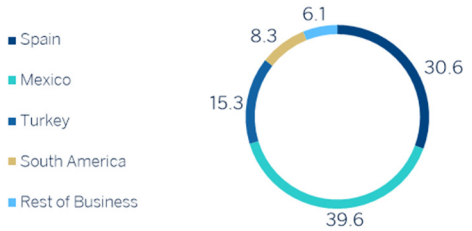
- The Group's net attributable profit for the first three months of 2021, **excluding the results from discontinued operations** (i.e. without considering the results generated by the Group's businesses in the United States subject to the agreement with PNC), amounted to €1,033m, with a year-on-year growth of 139.4%.
- The BBVA Group generated a **net attributable profit** of €1,210m during the first three months of 2021, which compares very positively with the accumulated losses in March 2020, when the outbreak of the pandemic resulted in strong provisions for impairment on financial assets, as well as the goodwill impairment in the United States amounting to €-2,084m.
- Despite the complex environment and at constant exchange rates, the good performance in commissions and fees, the evolution of net trading income (NTI) and lower provisions for impairment on financial assets are noteworthy.

NET ATTRIBUTABLE PROFIT (1)
(MILLIONS OF EUROS)



(1) Excluding profit after tax from discontinued operations, which includes the goodwill impairment in the United States in 1Q20, amounting to €-2,084m.

NET ATTRIBUTABLE PROFIT BREAKDOWN (1)
(PERCENTAGE. 1Q21)



(1) Excludes the Corporate Center.

Business areas

- BBVA Group's business areas reporting **structure** differs from the one presented at the end of 2020, mainly as a consequence of the disappearance of the United States as a business area, derived from the sale agreement reached with PNC. Most of the businesses in the United States excluded from this agreement, together with those of the former business area "Rest of Eurasia", constitute a new area called "Rest of business". Further detail on this new reporting structure can be found in the "Business areas introduction" on this report.
- On April 13, 2021, BBVA informed the employees' legal representatives about its intention to initiate a procedure for collective redundancies within BBVA, S.A. in Spain, which will affect both the central services and the branch network.

Balance sheet and business activity

- The figure for **loans and advances to customers** (gross) registered a slight decrease of 0.1%, mainly as a result of Spain´s deleveraging.
- **Customer funds** fell by 1.7%, due to the performance of customer deposits, which contracted by 3.4% in the quarter.

Liquidity

- The availability of substantial **liquidity** buffers in each of the geographical areas in which the BBVA Group operates and their management, have allowed, once again, internal and regulatory ratios to be maintained well above the minimums required.

Solvency

- BBVA's **CET1 fully-loaded** ratio stood at 11.88% at the end of March 2021, within the Group's management target which is to maintain the ratio between 11.5% and 12.0%, increasing the distance to the minimum requirement (currently at 8.59%) to 329 basis points. This ratio does not include the positive impact of the sale of BBVA USA and other companies in the United States with activities related to this banking business, which according to the current estimate and taking as a reference the capital level as of March 2021, would place the CET1 fully-loaded ratio at 14.58%.

CAPITAL AND LEVERAGE RATIOS
(PERCENTAGE AS OF 31-03-21)

Annual General Meeting

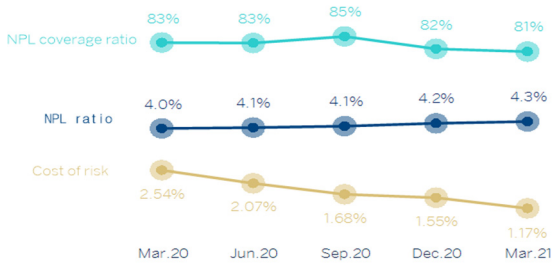
- On April 20, 2021, BBVA Group held its **Annual General Meeting** in a fully-remote format, in light of the exceptional circumstances brought about by the COVID-19 pandemic and in order to protect the health and safety of shareholders, employees and all other individuals involved. With respect to **shareholder's remuneration**, on April 29, 2021, BBVA distributed a cash amount of €0.059 per share from BBVA's share premium account, as approved by the **Annual General Meeting** held on April 20, 2021. In addition, and with the aim of effectively implementing a repurchase program of ordinary shares, BBVA has approved the **reduction of the outstanding share capital** up to a maximum of 10% through the **redemption of own shares** purchased by BBVA and by any mechanism for the purpose of being redeemed, being subject the aforementioned repurchase program to the provisions of the legislation or regulation in force, as well as the share price, among other factors.

Risk management

- The calculation of **expected credit losses** accumulated in the first quarter of 2021 incorporates:
  - The update of the forward-looking information in the IFRS 9 models in order to reflect the circumstances created by the COVID-19 pandemic.
  - The granting of relief measures and guarantee lines or public guarantee facilities for customers affected by the pandemic, as well as the option to grant lending with a public guarantee facility. In addition, quantitative management adjustments are included in order to take into account issues that might imply a potential impairment which due to its nature is not included in the model and which will be assigned to specific operations in case this impairment materializes (e.g, sectors and collectives more affected by the crisis).

- The behaviour of the main **credit risk indicators** of the Group, excluding the balances of discontinued operations, at the end of the first quarter of 2021 were:
  - The NPL ratio stood at 4.3%.
  - The NPL coverage ratio closed at 81%.
  - The cumulative cost of risk at the end of March stood at 1.17%.

NPL(1) AND NPL COVERAGE(1) RATIOS AND COST OF RISK(1) (PERCENTAGE)

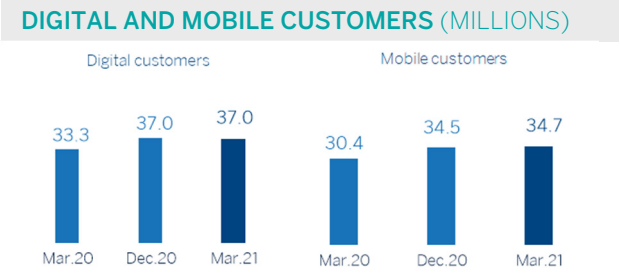


(1) Excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC

Security, business continuity and support measures taken by BBVA

From the outset, BBVA has adopted a series of measures to support its main stakeholders. The main **business continuity** measures taken are:

- In order to serve **customers**, and since financial services are legally considered an essential service in most of the countries in which the Group operates, BBVA maintains its **branch network operational**, with dynamic management considering the evolution of the pandemic and activity. In addition, **digital channels** have been reinforced, given the increasing preference of customers for these channels. The data indicates that the COVID-19 crisis is accelerating digitization: At Group level, excluding the United States, and in cumulative terms, digital sales (measured in units) stood at 67.8% in December 2020, and at 69.5% at the end of March 2021. Also, at the end of the first quarter of 2021, BBVA's digital customers, excluding the United States, accounted for 64.7% of the total and customers operating with the bank through their mobile phones accounted for 60.7% across the entire Group.



General note: March 2021 data excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC.

- With **employees,** recommendations from health authorities have been followed, including taking an early stance on promoting working from home. The priority for BBVA is to protect the health of the employees, customers and society in general. The crisis is being handled dynamically; adapting the procedures in each geographical area which the Group is present 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.
- In terms of **cybersecurity**, the increase in remote work and digital transactions as a result of the coronavirus crisis has led to an increase in the risk of cyber attacks. To ensure data and corporate information protection, BBVA has established the appropriate measures and continues to strengthen its prevention and monitoring efforts, thus mitigating the possible associated risks.
- The banks are a key part of the solution to the COVID-19 crisis and BBVA will continue to **support its customers** throughout the pandemic and also during the recovery phase.

Pronouncements of regulatory bodies and supervisors

- With the aim of **mitigating** the impact of COVID-19, various European and international bodies made pronouncements during 2020 aimed at allowing greater flexibility in the implementation of the accounting and prudential frameworks. The BBVA Group has taken these pronouncements into consideration which remain in force as of March 31, 2021.
- In addition, the European Commission published a specific consultation in January 2021, on the bank **crisis management and deposit insurance framework** of the European Union. The results of this consultation will be included in the Commission work in order to make this framework more consistent and solid. The consultation is focused on three legislative texts of the EU: the Bank Recovery and Resolution Directive (BRRD), the Single Resolution Mechanism Regulation (SRMR) and the Deposit Guarantee Scheme Directive (DGSD).

Group information

Macro and industry trends

The **global economy** is being strongly affected by the COVID-19 pandemic. Supply, demand and financial factors caused an unprecedented fall in GDP in the first half of 2020. Underpinned by strong fiscal and monetary policy measures, as well as greater control over the spread of the virus, global growth rebounded significantly in the second half of the year. Global GDP, however, fell by around 3.3% in 2020.

Although the pandemic is likely to continue to adversely affect activity in the short term, the process of economic recovery is expected to continue. According to BBVA Research, **global GDP** will expand by around 5.9% in 2021 and 4.8% in 2022, in line with the expected accelerated rollout of the Coronavirus vaccine, and the gradual lifting of restrictions and economic stimulus measures. In this regard, the strong fiscal stimuli announced in the United States at the end of 2020 and the beginning of 2021, as well as the sustained accommodative stance of monetary conditions by the Federal Reserve (hereinafter the Fed) and other major central banks, have reinforced the global economy's prospects for recovery; this recovery will be led by the United States, where GDP could grow around 6.2% in 2021 and 5.1% in 2022, according to BBVA Research estimates. That being said, various epidemiological, financial, economic and geopolitical factors are contributing to the exceptionally high uncertainty.

With regard to the **banking system**, in an environment in which much of the economic activity has been at a standstill for several months, the services it provides have played an essential role. There are two main reasons for this: first, the banks have ensured the proper functioning of collections and payments for households and companies, thereby contributing to the maintenance of economic activity; second, the granting of new credit or the renewal of existing credit has reduced the impact of the economic slowdown on household and business incomes. 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 the main source of funding for most companies.

In terms of **profitability,** European and Spanish banks have deteriorated from the outset of the crisis, 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. Furthermore, the accumulation of capital by banks since the previous crisis and the current very low interest-rate environment in which we have been since several years, will continue to put pressure on bank profitability. Nevertheless, the banks are facing this situation from a position of strength and with solvency that has been constantly increasing since the 2008 crisis, with reinforced capital and liquidity buffers and, therefore, with a greater capacity to lend.

Europe

In the Eurozone, **activity** remains weak so far this year, limited by restrictions on activity adopted to curb new outbreaks of the virus and still-slow vaccine rollout. The lifting of some restrictions, along with recovery in global demand, should continue to support both the manufacturing and exports sectors, which could partially offset the fall in activity in the consumer and service sectors during the first half of 2021.

In terms of **GDP** growth, following a fall of 6.8% in 2020, BBVA Research still expects recovery to gain substantial momentum throughout this year, underpinned by the vaccine rollout, the European recovery fund (NGEU) and, more recently, by stronger global recovery, which will benefit from the United States' aforementioned fiscal stimulus. As a result, GDP could grow around 4.5% in 2021 and 4.9% in 2022 in the Eurozone as a whole. Furthermore, national expansionary fiscal policies, the extension of support measures to the most affected sectors and support from the European Central Bank (ECB) should avoid more-persistent negative effects.

With regard to the **banking system**, the ECB's immediate objective is to maintain favorable financial conditions. At its March meeting, the ECB kept principal financial operations interest rates, credit easing interest rates and deposit facility interest rates unchanged at 0.00%, 0.25% and -0.50% respectively and announced a significant increase in asset purchases under the Pandemic Emergency Purchase Program (PEPP) for the second quarter of 2021. However, BBVA Research considers that the PEPP provision (€1.85 trillion) is large enough to comfortably increase purchases over the coming months without the ECB having to increase its provision.

Spain

In terms of **GDP** growth, the Spanish economy contracted by 10.8% in 2020. This year, despite the uncertainty in early 2021, BBVA Research predicts that the economy will gain traction in the coming months, recording higher growth rates from the second quarter onward and, thereafter, traction will be favored by an international environment of ambitious fiscal policies (especially in the United States), by the arrival of European recovery funds and by progress in the vaccine rollout in Spain and the rest of the EU. Growth is therefore expected to stand at 5.5% at year-end. BBVA Research predicts that accelerated economic activity from the second half of this year onward will lead to GDP growth of 7% in 2022. The main risks surrounding this scenario are linked to the pace of vaccine rollout and the pandemic, the impact of the crisis on employment and production capacity, and slow implementation projects relating to the NGEU program.

Regarding the **banking system**, according to the latest Bank of Spain data available, the total volume of lending to the private sector recovered by 2.6% in 2020 as a result of growth in new business lending transactions since April, within the framework of the public guarantee programs launched by the government to combat COVID-19. This trend was sustained in January 2021, recording year-on-year growth of 2.1% compared to January 2020. Asset quality indicators continued to improve (the NPL ratio stood at 4.51% at year-end, and 4.54% in January 2021). Profitability entered negative ground throughout 2020 as a whole (ROE -1.4%) due to the increase in provisions as a result of the COVID-19 crisis and, more importantly, due to the extraordinary negative results recorded in the first half of the year associated with the deterioration of goodwill in some entities. Spanish entities maintained comfortable levels of capital adequacy and liquidity, allowing them to weather the low-interest-rate environment, which has kept profitability under pressure from a more robust position than in the previous crisis.

Mexico

GDP **growth** contracted 8.5% in 2020, slightly better than expected, due to better-than-projected economic activity in the second half of 2020 and, in particular, due to higher growth in the United States driven by the aforementioned fiscal package; this will help the economy to grow higher than was initially expected throughout 2021, but will not yet reach pre-pandemic activity levels. By 2021, BBVA Research predicts that the Mexican economy will grow by 4.7%. This growth will be driven by foreign demand, while consumption and investment components will recover more slowly. By 2022, the economy will moderate to 2.8%, influenced by slow recovery in investment and uncertainties surrounding domestic policies. In terms of inflation, upward surprises in the first months of 2020 led Banxico to stop the cycle of benchmark rate reductions, and BBVA Research now predicts that the central bank will keep the interest rate unchanged at 4% for the rest of this year. The next change in benchmark interest rates will depend on the Fed's next move.

With regard to the **banking system**, based on data from the National Banking and Securities Commission (CNBV, by its acronym in Spanish) as of February 2021, loans decreased by 2.0% and an increase was observed only in the mortgage portfolio, while total deposits increased 10.0% year-on-year. The NPL ratio increased year-on-year (20.5% in February 2021, reaching a ratio of 2.44%) and capital indicators remain comfortable.

Turkey

In Turkey, GDP **growth** reached 1.8% in 2020. Leading indicators for the first quarter of 2021 indicate robust economic activity. Despite the upward revision in global GDP growth forecasts and sound current momentum, BBVA Research is maintaining the previous GDP growth forecasts (5% for 2021 and 4.5% for 2022), based mainly on improvements in the most recent data, which will be offset by uncertainties surrounding domestic economic policies, the tightening of financial conditions and restrictive measures persisting in order to curb the pandemic.

With regard to the banking system, the central bank (CBRT) raised the base rate by 200 percentage points in March to 19%. BBVA Research predicts that CBRT will start cutting rates gradually toward the end of 3Q21, and that it will close the year at around 16%. Inflation estimates have been adjusted to 15% by the end of 2021.

Based on data as of February 2021, the total volume of credit in the **banking system** increased 28.4% year-on-year (up 36.5% in Turkish lira and up 18.5% in foreign exchange), while deposits increased 27.3% year-on-year. These growth rates include the effect of inflation. The NPL ratio stood at 4.02% at the close of February 2021.

Argentina

With regard to **growth**, following a contraction of 9.9% in 2020, BBVA Research predicts that the economy will recover to 7% in 2021 and 3% in 2022. Indicators available for the first quarter of 2021 suggest that consumption and investment are recovering, but employment will recover very slowly, which will impact private consumption. Growth is not free from risks such as a new wave of COVID-19 infections or slow vaccine rollout, although factors such as improved soy prices and increased allocations for Special Drawing Rights (SDRs) by the International Monetary Fund (hereinafter IMF) increase the government's room for maneuver. Argentina is likely to reach an agreement with the IMF to refinance its external debt from October. Inflation closed the year at 36% and BBVA Research still predicts that it will stand at around 50% by the end of 2021.

In the **banking system**, the positive trend for both lending and deposit growth continued in January 2021, with growth of 34.0% and 57.8% respectively. Both were influenced by high inflation. The NPL ratio, however, fell slightly to 3.8% in January 2021.

Colombia

Growth data indicate that Colombia's contraction in activity reached 6.8% in 2020 and, for the next two years, BBVA Research predicts a partial recovery of 5.5% in 2021 and 4.8% in 2022. This improvement could be limited by the effect of new outbreaks of COVID-19, by new restrictions on movement and by the effect of the announced fiscal reform, which could affect consumption and investment. Furthermore, consumption will continue to be hindered by the negative effect on employment, particularly in the formal sector of the economy, which will not recover to pre-pandemic levels until 2023. Inflation remained low in the first few months of the year and BBVA Research predicts that it will converge to 2.9% by year-end. The Central Bank kept the benchmark interest rate unchanged at 1.75%, and BBVA Research believes it will remain unchanged for the rest of the year, with a new cycle of gradual increases next year.

Total lending in the **banking system** grew 3.4% year-on-year at the end of January 2021, due to growth in the commercial portfolio driven by government-approved letters of credit and guarantee programs during the pandemic. The system's NPL ratio as of January 2021 was 5.18%. Total deposits increased by 12.6% year-on-year in the same period.

Peru

With regard to **growth**, the Peruvian economy contracted 11.1% in 2020, as it was hit hard by the pandemic, particularly in the first half of the year. In the first months of 2021, the effects of the new wave of COVID-19 infections have resulted in new restrictions that could impact activity, albeit to a lesser extent. BBVA Research predicts activity will expand to 10% in 2021 followed by growth of 4.8% in 2022. Public and private consumer spending will be key to recovery this year, as will be recovery in the mining industry influenced by the rise in copper prices. Activity dynamics this year, however, will be subject to uncertainty relating to the electoral process, which could also impact infrastructure plans scheduled for 2022. With regard to inflation, BBVA Research predicts that this will stand at 2.3% at the end of the year, within the target set by the central bank, which lowered the monetary policy rate to an all-time low of 0.25%. BBVA Research estimates that this interest rate level will remain throughout the year and predicts that the first increase to the benchmark rate will not occur until the first half of 2022.

The **banking system** showed high year-on-year growth rates for lending and deposits (up +14.0% and +25.4% respectively, at the end of December 2020), due to the strong momentum of the *Plan Reactiva Perú*; the system showed lower profitability levels due to the current crisis (ROE: 2.25% as of February 2021) but with contained NPLs (NPL ratio: 3.42% as of February 2021) due to the payment deferrals applied.

INTEREST RATES (PERCENTAGE)

	31-03-21	31-12-20	30-09-20	30-06-20	31-03-20
Official ECB rate	0.00	0.00	0.00	0.00	0.00
Euribor 3 months (1)	(0.54)	(0.54)	(0.49)	(0.38)	(0.42)
Euribor 1 year (1)	(0.49)	(0.50)	(0.41)	(0.15)	(0.27)
USA Federal rates	0.25	0.25	0.25	0.25	0.25
TIIE (Mexico)	4.00	4.25	4.25	5.00	6.50
CBRT (Turkey)	19.00	17.00	10.25	8.25	9.75

(1) Calculated as the month average.

Foreign exchanges continued showing volatility during the first quarter of 2021. The macroeconomic expectations improvement in the United States caused by new fiscal stimuli and a good rate of vaccination has contrasted with the evolution in other geographical areas. The aforementioned has favored the U.S. dollar, which has appreciated 4.7% against the euro. The Mexican peso, after a good behaviour in the last part of the quarter, registered an appreciation of 1.5% against the euro. Besides, the Turkish lira closes the quarter with a 6.3% depreciation against the euro, having been harmed in March by instability caused by the shifts in the central bank. As to other foreign exchanges, Chilean peso and Peruvian sol have appreciated against the euro 1.6% and 0.8% respectively, while the Argentine peso and Colombian peso depreciated by 4.2% and 3.9% respectively

For information on the BBVA Group's exchange rate risk management policies, see the "Risk Management" chapter of this report.

EXCHANGE RATES (EXPRESSED IN CURRENCY/EURO)

	Year-end exchange rates			Average exchange rates	
	31-03-21	Δ % on 31-03-20	Δ % on 31-12-20	1Q21	Δ % on 1Q20
U.S. dollar	1.1725	(6.6)	4.7	1.2048	(8.5)
Mexican peso	24.0506	8.8	1.5	24.5272	(9.9)
Turkish lira	9.7250	(25.9)	(6.3)	8.9156	(24.4)
Peruvian sol	4.4119	(14.9)	0.8	4.4105	(14.9)
Argentine peso (1)	107.8211	(34.5)	(4.2)	-	-
Chilean peso	858.40	8.0	1.6	872.59	1.5
Colombian peso	4,381.53	1.6	(3.9)	4,284.18	(9.0)

(1) According to IAS 29 "Financial information in hyperinflationary economies", the year-end exchange rate is used for the conversion of the Argentina income statement.

Results

The Group's net attributable profit generated during the first three months of 2021, **excluding the results from discontinued operations** (i.e. excluding the results generated by the Group's business in the United States included in the sale agreement with PNC), amounted to €1,033m, a year-on-year growth of 139.4%. Taking into account the result from discontinued operations, the BBVA Group generated a **net attributable profit** of €1,210m at the end of the first quarter of 2021, which contrasts very positively with the losses accumulated in March 2020, when the outbreak of the pandemic resulted in strong provisions for impairment on financial assets, as well as in the goodwill impairment in the United States of €-2,084m.

Despite the complex environment and at constant exchange rates, the good performance in fees, the evolution of net trading income (NTI) and the lower provisions for impairment on financial assets are noteworthy.

CONSOLIDATED INCOME STATEMENT: QUARTERLY EVOLUTION (MILLIONS OF EUROS)

	2021	2020			
	1Q	4Q	3Q	2Q	1Q
Net interest income	**3,451**	**3,477**	**3,553**	**3,537**	**4,024**
Net fees and commissions	1,133	1,042	1,023	934	1,124
Net trading income	581	175	357	470	544
Other operating income and expenses	(11)	(147)	46	(80)	86
Gross income	**5,155**	**4,547**	**4,980**	**4,862**	**5,778**
Operating expenses	(2,304)	(2,264)	(2,163)	(2,182)	(2,477)
Personnel expenses	(1,184)	(1,186)	(1,124)	(1,113)	(1,272)
Other administrative expenses	(812)	(766)	(725)	(754)	(860)
Depreciation	(309)	(312)	(315)	(316)	(345)
Operating income	**2,850**	**2,282**	**2,817**	**2,679**	**3,300**
Impairment on financial assets not measured at fair value through profit or loss	(923)	(901)	(706)	(1,408)	(2,164)
Provisions or reversal of provisions	(151)	(139)	(88)	(219)	(300)
Other gains (losses)	(17)	(82)	(127)	(103)	(29)
Profit/(loss) before tax	**1,759**	**1,160**	**1,895**	**950**	**807**
Income tax	(489)	(337)	(515)	(273)	(204)
Profit/(loss) after tax from continued operations	**1,270**	**823**	**1,380**	**678**	**603**
Profit/(loss) after tax from discontinued operations [1]	177	302	73	120	(2,224)
Corporate operations [2]	-	304	-	-	-
Profit/(loss) for the year	**1,447**	**1,430**	**1,454**	**798**	**(1,621)**
Non-controlling interests	(237)	(110)	(312)	(162)	(172)
Net attributable profit/(loss)	**1,210**	**1,320**	**1,141**	**636**	**(1,792)**
Of which:					
Discontinued operations	**177**	**302**	**73**	**120**	**(2,224)**
Corporate operations	**-**	**304**	**-**	**-**	**-**
Net attributable profit excluding discontinued and corporate operations	**1,033**	**713**	**1,068**	**516**	**431**
Earning per share (euros) [3]	**0.17**	**0.18**	**0.16**	**0.08**	**(0.29)**
Earning per share excluding discontinued and corporate operations [3]	**0.14**	**0.09**	**0.15**	**0.06**	**0.05**

General note: the results generated by BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC are presented in a single line as "Profit/(loss) after tax from discontinued operations".

(1) Profit/(loss) after tax from discontinued operations includes the goodwill impairment in the United States registered in the first quarter of 2020 for an amount of €2,084m.

(2) Include the net capital gain from the sale to Allianz the half plus one share of the company created to jointly develop the non-life insurance business in Spain, excluding the health insurance line.

(3) Adjusted by additional Tier 1 instrument remuneration.

CONSOLIDATED INCOME STATEMENT (MILLIONS OF EUROS)

	1Q21	Δ %	Δ % at constant exchange rates	1Q20
Net interest income	**3,451**	**(14.2)**	**(2.3)**	**4,024**
Net fees and commissions	1,133	0.8	10.0	1,124
Net trading income	581	6.8	16.1	544
Other operating income and expenses	(11)	n.s.	n.s.	86
Gross income	**5,155**	**(10.8)**	**0.2**	**5,778**
Operating expenses	(2,304)	(7.0)	1.8	(2,477)
Personnel expenses	(1,184)	(6.9)	1.7	(1,272)
Other administrative expenses	(812)	(5.6)	4.0	(860)
Depreciation	(309)	(10.7)	(3.3)	(345)
Operating income	**2,850**	**(13.6)**	**(1.0)**	**3,300**
Impairment on financial assets not measured at fair value through profit or loss	(923)	(57.3)	(52.4)	(2,164)
Provisions or reversal of provisions	(151)	(49.6)	(47.8)	(300)
Other gains (losses)	(17)	(41.4)	(42.1)	(29)
Profit/(loss) before tax	**1,759**	**117.9**	**183.2**	**807**
Income tax	(489)	139.7	212.3	(204)
Profit/(loss) after tax from continued operations	**1,270**	**110.5**	**173.4**	**603**
Profit/(loss) after tax from discontinued operations [1]	177	n.s.	n.s.	(2,224)
Profit/(loss) for the year	**1,447**	**n.s.**	**n.s.**	**(1,621)**
Non-controlling interests	(237)	37.8	85.8	(172)
Net attributable profit/(loss)	**1,210**	**n.s.**	**n.s.**	**(1,792)**
Of which:				
Discontinued operations	**177**	**n.s.**	**n.s.**	**(2,224)**
Net attributable profit excluding discontinued operations	**1,033**	**139.4**	**206.5**	**431**
Earning per share (euros) [2]	**0.17**			**(0.29)**
Earning per share excluding discontinued operations [2]	**0.14**			**0.05**

General note: the results generated by BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC are presented in a single line as "Profit/(loss) after tax from discontinued operations".

(1) Profit/(loss) after tax from discontinued operations includes the goodwill impairment in the United States registered in the first quarter of 2020 for an amount of €2,084 m.

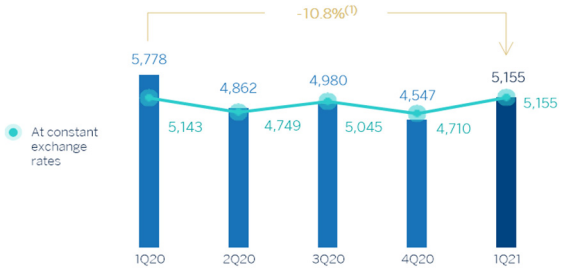
(2) Adjusted by additional Tier 1 instrument remuneration.

Unless expressly indicated otherwise, to better understand the changes under the main headings of the Group's income statement, the year-on-year percentage changes provided below refer to **constant exchange rates**.

Gross income

Gross income showed year-on-year growth of 0.2%, underpinned by good performance in fees and NTI, which more than offset the negative evolution of net interest income. Conversely, the other operating income and expenses line recorded a loss of €11m, which contrasts negatively with last year's positive results due to the higher negative adjustment for inflation in Argentina in this line in the first quarter of 2021.

GROSS INCOME (MILLIONS OF EUROS)

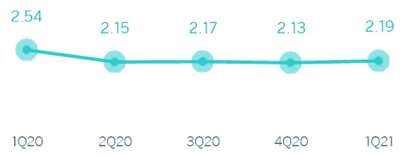


(1) At constant exchange rates: +0.2%.

Net interest income showed a year-on-year decline of 2.3%, impacted by the low interest rate environment.

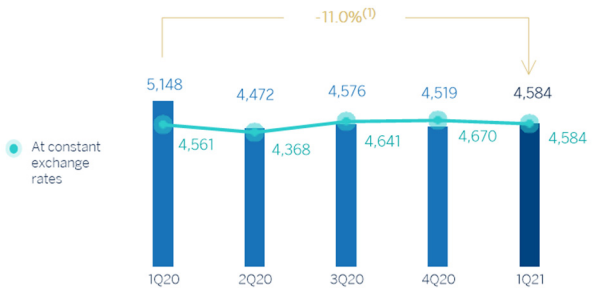
Net fees and commissions showed good performance in all geographic areas, except for Rest of Business, which compares positively with the first quarter of 2020 (up 10.0%), as this line was barely affected by the outbreak of the COVID-19 pandemic.

NET INTEREST INCOME/ATAS[1] (PERCENTAGE)



(1) Excluding BBVA USA and the rest of the Group's companies in the United States included in the sale agreement signed with PNC.

NET INTEREST INCOME PLUS NET FEES AND COMMISSIONS (MILLIONS OF EUROS)



(1) At constant exchange rates: +0.5%.

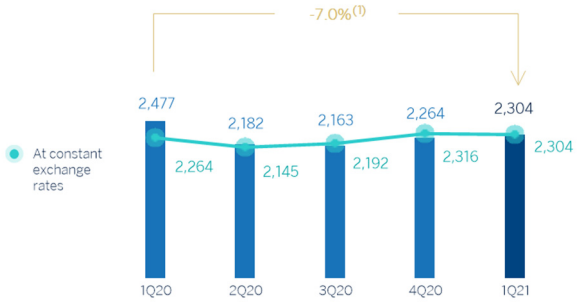
NTI recorded excellent performance in all areas, with the exception of Mexico, where it fell slightly. For the Group as a whole, NTI recorded a year-on-year growth of 16.1%.

The **other operating income and expenses** line recorded a fall of €-11m at the end of March 2021, compared to the positive results of €86m in the same period last year, due to the higher adjustment for hyperinflation in Argentina and the lower contribution of the insurance business in Spain and Mexico.

Operating income

Operating expenses increased 1.8% compared to the first quarter of 2020, showing an increase in all areas except for Spain and Rest of Business. Expenses remained controlled in the Corporate Center.

OPERATING EXPENSES (MILLIONS OF EUROS)

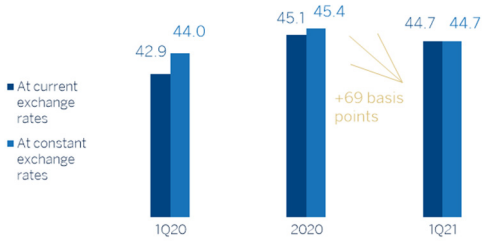


(1) At constant exchange rates: +1.8%.

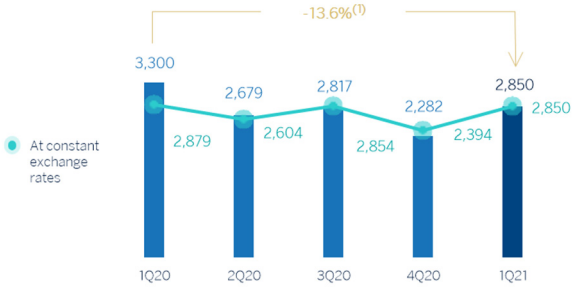
As a result, the **efficiency** ratio stood at 44.7% as of March 31, 2021, with a slight increase compared to the ratio achieved a year earlier (44.0%), though it still remains low.

The performance of gross income and expenses led to a negative **operating income** variation of **-**1.0% year-on-year.

EFFICIENCY RATIO (PERCENTAGE)



OPERATING INCOME (MILLIONS OF EUROS)

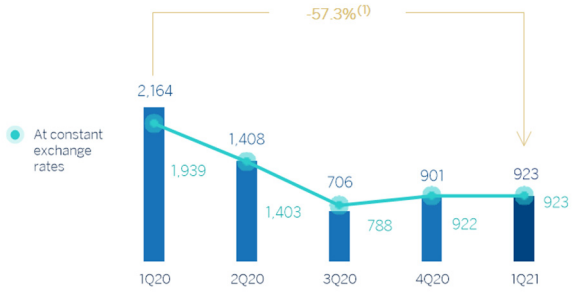


(1) At constant exchange rates: -1.0%.

Provisions and other

At the end of March 2021, impairment on financial assets not measured at fair value through profit and loss (**impairment on financial assets)** was significantly below the figure recorded in the previous year (down 52.4%), mainly due to the negative impact of the worsening macroeconomic scenario in March 2020 as a result of the outbreak of the COVID-19 pandemic.

IMPAIRMENT ON FINANCIAL ASSETS (MILLIONS OF EUROS)



(1) At constant exchange rates: -52.4%.

Provisions or reversal of provisions (hereinafter provisions) closed the first quarter of 2021 with a negative net balance of €151m, 47.8% lower than the loss recorded in March last year, mainly due to higher provisions in Spain in the first quarter of last year.

The **other gains (losses)** line closed March 2021 with a negative balance of €17m, 42.1% below the previous year.

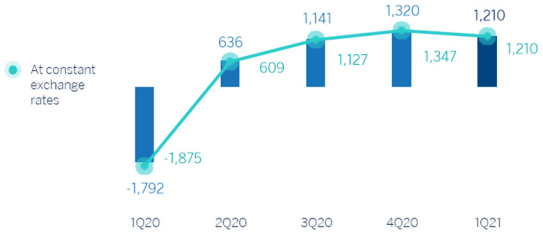
Results

As a result, the BBVA Group generated profit/(loss) after tax from **continued operations** of €1,270m between January and March 2021, representing a year-on-year change of +173.4%.

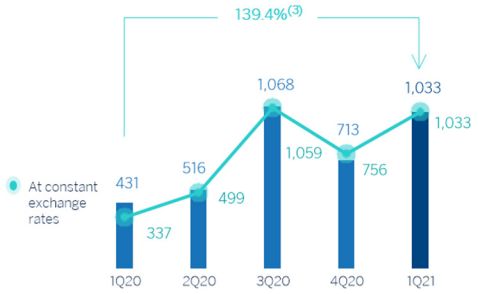
For its part, the results generated by the Group's businesses in the United States, included in the sale agreement with PNC and classified as **discontinued operations**, generated €177m, which compares very positively with the losses of €2,224m last year, which included the impact of the goodwill impairment in the country. As previously mentioned, these results are recorded in the Corporate Center under the results from discontinued operations line.

The Group's **net attributable profit** in the first quarter of 2021 therefore amounted to €1,210m. **Excluding the results from discontinued operations**, net attributable profit stood at €1,033m, representing year-on-year growth of 206.5%.

NET ATTRIBUTABLE PROFIT (MILLIONS OF EUROS)



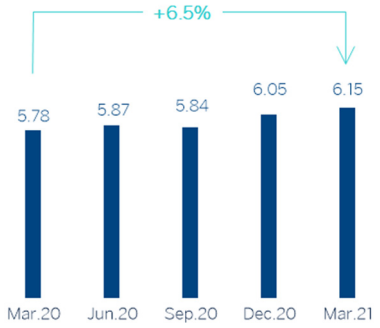
NET ATTRIBUTABLE PROFIT EXCLUDING DISCONTINUED OPERATIONS(1) AND CORPORATE OPERATIONS(2) (MILLIONS OF EUROS)



(1) Results generated by BBVA USA and the rest of Group´s companies in the United States included in the sale agreement signed with PNC. These results include the goodwill impairment in the United States in 1Q20 amounting to €-2,084m.
(2) Net profit before tax from the sale to Allianz of half plus one share of the company created to jointly promote non-life insurance business in Spain, excluding the health insurance line.
(3) At constant exchange rates: +206.5%.

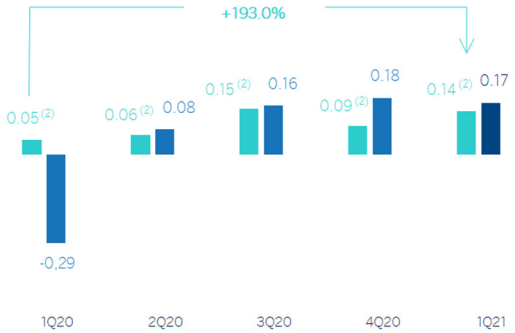
Net attributable profit, in millions of euros, accumulated at the close of March 2021 for the various business areas that comprise the Group was as follows: 381 in Spain, 493 in Mexico, 191 in Turkey, 104 in South America and 75 in Rest of Business.

TANGIBLE BOOK VALUE PER SHARE AND DIVIDENDS (1) (EUROS)



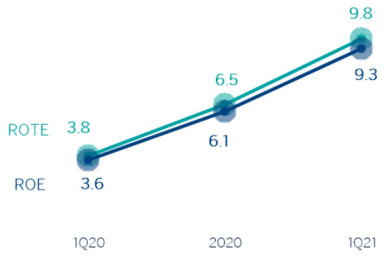
(1) Replenishing dividends paid in the period.

EARNING PER SHARE (1) (EUROS)



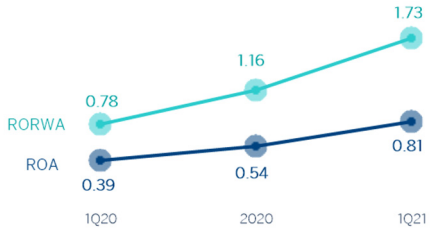
(1) Adjusted by additional Tier 1 instrument remuneration.
(2) Excluding discontinued and corporate operations.

ROE AND ROTE (1) (PERCENTAGE)



(1) Ratios excluding profit after tax from discontinued operations in 1Q20, 2020 and 1Q21 and the net capital gain from the bancassurance operation with Allianz in 2020.

ROA AND RORWA (1) (PERCENTAGE)



(1) Ratios excluding profit after tax from discontinued operations in 1Q20, 2020 and 1Q21 and the net capital gain from the bancassurance operation with Allianz in 2020.

Balance sheet and business activity

The most relevant aspects related to the **evolution** of the Group's balance sheet and business activity as of March 31, 2021, are summarized below:

- **Loans and advances to customers** (gross) registered a slight decrease of 0.1%, mainly as a result of Spain´s deleveraging.
- **Customer funds** fell by 1.7%, due to the performance of customer deposits, which contracted by 3.4% in the quarter, even though the positive performance (up 3.9%) of other customer funds, i.e. mutual funds, pension funds and other off-balance sheet funds, did not offset this decline.
- Regarding the assets and liabilities of BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC, as the accounting regulation applied indicates, they are classified, respectively, as **non-current assets and liabilities held for sale**, inside the other assets/other liabilities line of the consolidated BBVA Group balance sheet as of 31-03-2021 and 31-12-2020. For management purposes, to make the information comparable, the assets and liabilities of BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC are classified, respectively, in the other assets/other liabilities line of BBVA Group consolidated Balance sheet as of 31-03-20.

CONSOLIDATED BALANCE SHEET (MILLIONS OF EUROS)

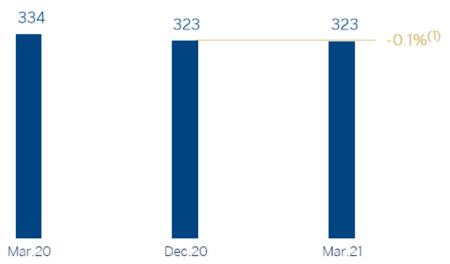
	31-03-21	Δ %	31-12-20	31-03-20
Cash, cash balances at central banks and other demand deposits	54,950	(16.1)	65,520	44,853
Financial assets held for trading	101,050	(6.7)	108,257	125,269
Non-trading financial assets mandatorily at fair value through profit or loss	5,488	5.6	5,198	5,079
Financial assets designated at fair value through profit or loss	1,110	(0.6)	1,117	1,175
Financial assets at fair value through accumulated other comprehensive income	72,771	4.8	69,440	55,038
Financial assets at amortized cost	363,754	(1.1)	367,668	374,496
Loans and advances to central banks and credit institutions	16,963	(18.4)	20,784	18,821
Loans and advances to customers	310,683	(0.1)	311,147	321,543
Debt securities	36,108	1.0	35,737	34,132
Investments in subsidiaries, joint ventures and associates	1,416	(1.4)	1,437	1,440
Tangible assets	7,703	(1.5)	7,823	8,424
Intangible assets	2,297	(2.0)	2,345	2,518
Other assets	109,165	1.7	107,373	111,796
Total assets	**719,705**	**(2.2)**	**736,176**	**730,087**
Financial liabilities held for trading	81,253	(6.1)	86,488	112,712
Other financial liabilities designated at fair value through profit or loss	9,714	(3.3)	10,050	8,641
Financial liabilities at amortized cost	475,813	(3.0)	490,606	458,852
Deposits from central banks and credit institutions	74,123	1.8	72,806	65,566
Deposits from customers	331,064	(3.4)	342,661	318,347
Debt certificates	57,418	(7.1)	61,780	61,588
Other financial liabilities	13,208	(1.1)	13,358	13,351
Liabilities under insurance and reinsurance contracts	10,325	3.8	9,951	9,593
Other liabilities	91,889	3.2	89,061	91,114
Total liabilities	**668,994**	**(2.5)**	**686,156**	**680,913**
Non-controlling interests	5,396	(1.4)	5,471	5,989
Accumulated other comprehensive income	(14,718)	2.5	(14,356)	(12,805)
Shareholders' funds	60,033	1.9	58,904	55,990
Total equity	**50,711**	**1.4**	**50,020**	**49,174**
Total liabilities and equity	**719,705**	**(2.2)**	**736,176**	**730,087**
Memorandum item:				
Guarantees given	43,110	(0.4)	43,294	45,478

LOANS AND ADVANCES TO CUSTOMERS (MILLIONS OF EUROS)

	31-03-21	Δ %	31-12-20	31-03-20
Public sector	**18,895**	**(2.4)**	**19,363**	**21,799**
Individuals	**144,523**	**0.2**	**144,304**	**145,350**
Mortgages	91,438	0.0	91,428	93,046
Consumer	30,082	1.7	29,571	29,623
Credit cards	11,721	(2.5)	12,016	11,667
Other loans	11,282	(0.1)	11,289	11,013
Business	**144,516**	**(0.3)**	**144,912**	**152,154**
Non-performing loans	**14,933**	**1.8**	**14,672**	**14,542**
Loans and advances to customers (gross)	**322,866**	**(0.1)**	**323,252**	**333,845**
Allowances [1]	(12,183)	0.6	(12,105)	(12,302)
Loans and advances to customers	**310,683**	**(0.1)**	**311,147**	**321,543**

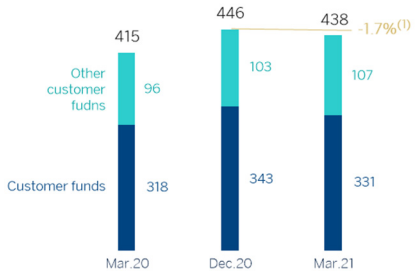
(1) Allowances include the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). As of March 31, 2021, December 31, 2020 and March 31, 2020 the remaining amount was €334m, €363m and €418m, respectively.

LOANS AND ADVANCES TO CUSTOMERS (GROSS. BILLIONS OF EUROS)



(1) At constant exchange rates: +0.5%.

CUSTOMER FUNDS (BILLIONS OF EUROS)



(2) At constant exchange rates: -1.4%.

CUSTOMER FUNDS (MILLIONS OF EUROS)

	31-03-21	Δ %	31-12-20	31-03-20
Deposits from customers	**331,064**	**(3.4)**	**342,661**	**318,347**
Current accounts	260,988	(2.0)	266,250	239,373
Time deposits	69,144	(8.6)	75,610	78,918
Other deposits	932	16.3	801	57
Other customer funds	**106,916**	**3.9**	**102,947**	**96,438**
Mutual funds and investment companies	67,828	4.6	64,869	59,507
Pension funds	37,189	2.7	36,215	34,853
Other off-balance sheet funds	1,899	1.9	1,863	2,078
Total customer funds	**437,979**	**(1.7)**	**445,608**	**414,786**

Solvency

Capital base

At the end March 2021, BBVA's **fully-loaded CET1** ratio stood at 11.88%, within the range of the Group's management objective to maintain a ratio of between 11.5% and 12.0%, increasing the distance from the minimum requirement (currently in 8.59%) to 329 basis points. This ratio includes the positive effect of closing the sale of BBVA Paraguay by approximately 6 basis points. However, this ratio does not include the positive impact of the sale of BBVA USA and other companies in the United States with activities related to this banking business, which, according to the current estimate and taking the capital level of March 2021 as a reference, would place the fully-loaded CET1 ratio at 14.58%.

During the quarter, the fully-loaded CET1 ratio has increased by 15 basis points, mainly driven by the high organic capital generation (up 17 basis points net of accrued dividends and remuneration of AT1 instruments). Moreover, the impacts derived from the market evolution (down 13 basis points mostly related to the valuation of the portfolio at fair value) and those derived from the consideration of the *Targeted Review of Internal Models* (TRIM) carried out by the European Central Bank on the low default portfolio (which net of the release of the prudential buffer accrued in 2020 for this purpose, has had an impact of approximately -9 basis points), have been partially offset by the positive impact from the sale of BBVA Paraguay and the activity performance during the quarter in some geographical areas.

Fully-loaded **risk-weighted assets** (RWA) grew during the quarter by approximately €1,800m, including the effect of exchange rates, the sale of BBVA Paraguay and the aforementioned impact of the TRIM review on the low default portfolio.

Fully-loaded **additional Tier 1 capital (AT1)** stood at 1.62% at the end of March 2021. In this respect, in January 2021, early redemption options were implemented for two preferential issuances, issued by BBVA International Preferred, Caixa Sabadell Preferents and Caixa Terrassa Societat de Participacions Preferents, for £31m, €90m and €75m respectively. On April 14, BBVA executed the early redemption of an issuance of preferred securities that can be converted into BBVA ordinary shares (Contingent Convertible bonds, also known as CoCos) dating from 2016 for €1,000m and a coupon of 8.875%. It should be noted that this issuance did not need to be refinanced due to the Group's current capital strength. As of March 31, 2021, this issuance is no longer considered in the Group's capital adequacy ratios.

The **fully-loaded Tier 2 ratio** stood at 2.25% on March 31. BBVA Uruguay issued the first sustainable bond on the Uruguayan financial market in February for USD 15m at an initial interest rate of 3.854%.

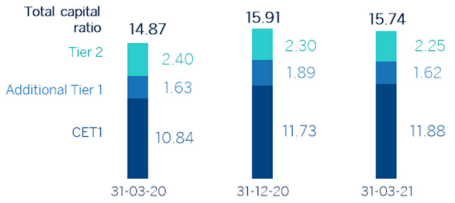
The **phased-in CET1** ratio stood at 12.20% at the end of March 2021, taking into account the transitional treatment of the IFRS 9 standard. **AT1** stood at 1.61% and **Tier 2** at 2.34%, resulting in a **total capital adequacy ratio** of 16.16%.

In regards to **shareholder remuneration**, a cash amount of €0.059 per share was distributed from BBVA's share premium account on April 29, 2021, as approved by the General Shareholders' Meeting on April 20, 2021.

SHAREHOLDER STRUCTURE (31-03-2021)

	Shareholders		Shares	
Number of shares	**Number**	**%**	**Number**	**%**
Up to 500	356,931	41.1	66,867,844	1.0
501 to 5,000	403,495	46.4	703,337,365	10.5
5,001 to 10,000	58,193	6.7	409,802,697	6.1
10,001 to 50,000	45,687	5.3	874,377,516	13.1
50,001 to 100,000	3,301	0.4	224,600,541	3.4
100,001 to 500,000	1,483	0.2	268,505,348	4.0
More than 500,001	288	0.0	4,120,395,269	61.8
Total	**869,378**	**100.0**	**6,667,886,580**	**100.0**

FULLY-LOADED CAPITAL RATIOS (PERCENTAGE)



CAPITAL BASE (MILLIONS OF EUROS)

	CRD IV phased-in			CRD IV fully-loaded		
	31-03-21 (1) (2)	31-12-20	31-03-20	31-03-21 (1) (2)	31-12-20	31-03-20
Common Equity Tier 1 (CET 1)	43,234	42,931	40,854	42,092	41,345	39,986
Tier 1	48,955	49,597	46,974	47,818	48,012	45,981
Tier 2	8,294	8,547	9,757	7,959	8,101	8,852
Total Capital (Tier 1 + Tier 2)	**57,249**	**58,145**	**56,731**	**55,778**	**56,112**	**54,833**
Risk-weighted assets	**354,342**	**353,273**	**368,666**	**354,433**	**352,622**	**368,839**
CET1 (%)	12.20	12.15	11.08	11.88	11.73	10.84
Tier 1 (%)	13.82	14.04	12.74	13.49	13.62	12.47
Tier 2 (%)	2.34	2.42	2.65	2.25	2.30	2.40
Total capital ratio (%)	**16.16**	**16.46**	**15.39**	**15.74**	**15.91**	**14.87**

(1) As of March 31, 2021, the difference between the phased-in and fully-loaded ratios arises from the temporary treatment of certain capital items, mainly of the impact of IFRS 9, to which the BBVA Group has adhered voluntarily (in accordance with article 473bis of the CRR and the subsequent amendments introduced by the Regulation (EU) 2020/873).

(2) Preliminary data.

With regard to **MREL** (Minimum Requirement for own funds and Eligible Liabilities) requirements, BBVA issued preferred senior debt for an amount of €1,000m in March 2021 with the aim of strengthening the eligible liabilities for compliance with the MREL ratio and mitigating the loss of eligibility of two senior preferred and one senior non-preferred issuances issued during 2017 that matures in one year. The term of the operation is 6 years with an early redemption option in the fifth year and a coupon of 0.125%, the lowest coupon paid on such a product in BBVA's history, implying practically a zero share premium thanks to the high demand of 1.5 times oversubscription.

The Group estimates that, following the entry into force of Regulation (EU) No. 2019/877 of the European Parliament and of the Council of May 20, 2020 (which, among other matters, establishes the MREL in terms of RWAs and sets new maturities and transition periods, which the Group believes will apply to its MREL requirement), the current structure of own funds and eligible liabilities enables compliance with its MREL requirement.

Finally, the Group's leverage ratio maintained a solid position, at 6.5% fully-loaded (6.7% phased-in). These figures include the effect of the temporary exclusion of certain positions with the central bank provided for in the "CRR-Quick fix".

Ratings

In the first four months of 2021, BBVA's rating has continued to demonstrate its stability and all rating agencies have continued to maintain BBVA's rating in category A. On March 31, 2021, the agency DBRS confirmed both BBVA's A (high) rating and its stable outlook.

The following table shows the credit ratings granted by rating agencies.

RATINGS

Rating agency	Long term (1)	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's	A3	P-2	Stable
Standard & Poor's	A-	A-2	Negative

(1) Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A- rating respectively, to BBVA's long term deposits.

Risk management

Credit risk

The local authorities of the countries in which the Group operates initiated **economic support measures** in 2020, after the outbreak of the pandemic, including the granting of relief measures in terms of temporary payments deferrals for customers affected by the pandemic, as well as the **granting of loans**, especially to companies and SMEs, with public guarantees.

These measures are supported by the rules issued by the authorities of the geographical areas where the Group operates as well by certain **industry agreements** and should help to ease the temporary liquidity needs of the customers. The classification of the customers' credit quality and the calculation of the expected credit loss, once the credit quality of those customers have been reviewed under the new circumstances, will depend on the effectiveness of these relief measures. In any case, the incorporation of public guarantees is considered to be a mitigating factor in the estimation of the expected credit losses.

For the purposes of classifying exposures based on their credit risk, the Group has maintained a rigorous application of IFRS 9 at the time of the granting of the moratoriums and has reinforced the procedures to monitor credit risk both during their validity and upon their expiration. In this sense, **additional indicators** have been introduced to identify the significant increase in risk that may have occurred in some operations or a set of them and, where appropriate, proceed to classify it in the corresponding risk stage.

Likewise, the indications provided by the European Banking Authority (EBA) have been taken into account, to not consider as refinancing the moratoriums that meet a series of requirements, without prejudice to keeping the exposure classified in the corresponding risk stage or its consideration as refinancing if it was previously so classified.

In relation to the temporary payment deferrals for customers affected by the pandemic, since the beginning BBVA has worked on an **anticipation plan** with the goal of mitigating as much as possible the impact of these measures in the Group, due to the high concentration of its maturities over time. As of March 31, 2021, the payment deferrals granted by the Group amounted to €5,446m[1].

Calculation of expected losses due to credit risk

To respond to the circumstances generated by the global COVID-19 pandemic in the macroeconomic environment, characterized by a high level of uncertainty regarding its intensity, duration and speed of recovery, **forward-looking information has been updated** in the IFRS 9 models to incorporate the best information available at the date of publication of this report. The estimation of the expected losses has been calculated for the different geographical areas in which the Group operates, with the best information available for each of them, considering both the macroeconomic perspectives and the effects on specific portfolios, sectors or specific accredited. The scenarios used consider the various economic measures that have been announced by governments as well as monetary, supervisory and macroprudential authorities around the world. However, the final magnitude of the impact of this pandemic on the Group's business, financial situation and results, which could be material, will depend on future and uncertain events, including the intensity and persistence over time of the consequences derived from the pandemic in the different geographical areas in which the Group operates.

The **expected losses** calculated according to the methodology provided by the Group, including macroeconomic projections, have been supplemented with quantitative management adjustments in order to include issues that might imply a potential impairment which due to its nature is not included in the model and which will be assigned to specific operations in case this impairment materializes (e.g, sectors and collectives more affected by the crisis).

As of March 31, 2021, in order to incorporate those aspects not included in the impairment models, there are **management adjustments** to the expected losses amounting to €316m in Spain. As of December 31, 2020 this concept amounted to €223m. The variation is due to the use of €57m during the period, as well as an additional allowance given the possibility that new extensions in the financing granted or agreements in order to ensure business viability materialize.

The evolution of the exposure of corporate banking clients to the sectors that have been considered most vulnerable in the COVID-19 pandemic environment is shown below:

[1] It excludes BBVA USA and the rest of Group´s companies in the United States included in the sale agreement signed with PNC.

EXPOSURE AT DEFAULT TO MOST VULNERABLE SECTORS (MILLIONS OF EUROS)

	31-03-21	31-12-20	30-09-20	30-06-20	31-03-20
Leisure (1)	9,221	9,279	9,237	9,383	8,781
Real estate sector (2)	12,717	12,806	13,247	13,686	13,405
Retailers (3)	4,826	4,982	5,073	5,427	4,821
Air transportation	938	965	1,111	1,061	566
Total	**27,702**	**28,032**	**28,668**	**29,557**	**27,573**

General note: data excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC for all periods.

(1) Among others; includes hotels, restaurants, travel agencies and gaming.

(2) Includes real estate developers.

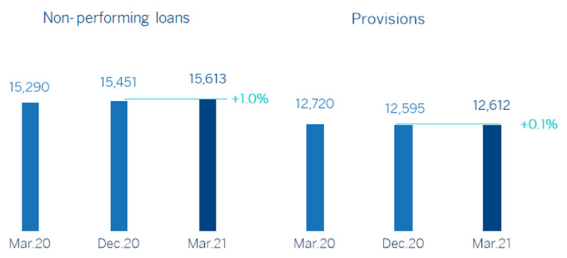
(3) Retailers non-food.

Credit risk indicators of BBVA Group

BBVA Group's main risk indicators, excluding the balances from discontinued operations, (i.e. BBVA excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC), have evolved as follows during the first quarter of 2021, as a result, among other reasons, of the situation generated by the pandemic:

- **Credit risk** has remained almost flat, down 0.4% (down 0.3% at constant exchange rates) during the first three months of 2021, as the decline in the activity in Spain and South America, influenced by the sale of Paraguay, has been partially offset by the activity increase in the rest of the geographical areas.
- **The balance of non-performing loans** increased slightly with respect to the end of December 2020 (up 1.0% at current exchange rates, up 1.3% at constant exchange rates). By geographical areas, it grew in Spain and Turkey, and to a lesser extent in Argentina and Peru, offset by the good performance of the retail segment in Mexico.
- As a result of the aforementioned, the **NPL ratio** stood at 4.3% at the end of March, 6 basis points above the end of December.
- **Loan-loss provisions** remained flat (up 0.1%).
- The **NPL coverage ratio** fell 74 basis points to 81% during the quarter.
- The cumulative **cost of risk** as of 31-03-2021 stood at 1.17%, falling 38 basis points compared to the end of 2020.

NON-PERFORMING LOANS AND PROVISIONS
(MILLIONS OF EUROS)



CREDIT RISK [1] (MILLIONS OF EUROS)	31-03-21	31-12-20	30-09-20	30-06-20	31-03-20
Credit risk	**365,292**	**366,883**	**365,127**	**384,310**	**379,645**
Non-performing loans	15,613	15,451	15,006	15,594	15,290
Provisions	12,612	12,595	12,731	12,957	12,720
NPL ratio (%)	**4.3**	**4.2**	**4.1**	**4.1**	**4.0**
NPL coverage ratio (%) [2]	**81**	**82**	**85**	**83**	**83**

General note: figures excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as of 31-03-21 and the periods of 2020, and the classification of BBVA Paraguay as non-current assets and liabilities held for sale during the periods of 2020.

(1) Includes gross loans and advances to customers plus guarantees given.

(2) The NPL coverage ratio includes the valuation adjustments for credit risk during the expected residual life of those financial instruments which have been acquired (mainly originated from the acquisition of Catalunya Banc, S.A.). Excluding these allowances, the NPL coverage ratio would stand at 79% as of March 31, 2021, 79% as of December 31, 2020 and 80% as of March 31, 2020.

NON-PERFORMING LOANS EVOLUTION (MILLIONS OF EUROS)	1Q21 [1]	4Q20	3Q20	2Q20	1Q20
Beginning balance	**15,451**	**15,006**	**15,594**	**15,290**	**16,086**
Entries	1,916	2,579	1,540	1,892	1,759
Recoveries	(924)	(1,016)	(1,028)	(1,045)	(1,257)
Net variation	**992**	**1,563**	**512**	**847**	**502**
Write-offs	(794)	(1,149)	(510)	(709)	(814)
Exchange rate differences and other	(36)	31	(590)	165	(483)
Period-end balance	**15,613**	**15,451**	**15,006**	**15,594**	**15,290**
Memorandum item:					
Non-performing loans	14,933	14,709	14,269	14,909	14,591
Non performing guarantees given	681	743	737	684	699

General note: figures excluding BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC as of 31-03-21 and the periods of 2020, and the classification of BBVA Paraguay as non-current assets and liabilities held for sale during the periods of 2020.

(1) Preliminary data.

Structural risks

Liquidity and funding

Management of **liquidity and funding** at BBVA aims to finance the recurring growth of the banking business at suitable maturities and costs, using a wide range of instruments that provide access to a large number of alternative sources of financing. In this context, it is important to notice that, given the nature of BBVA's business, the funding of lending activity is fundamentally carried out through the use of stable customer funds.

Due to its subsidiary-based management model, BBVA is one of the few major European banks that follows the Multiple Point of Entry (MPE) resolution **strategy**: the parent company sets the liquidity policies, but the subsidiaries are self-sufficient and responsible for managing their own liquidity (taking deposits or accessing the market with their own rating), without fund transfers or financing occurring between either the parent company and the subsidiaries or between the different subsidiaries. This strategy limits the spread of a liquidity crisis among the Group's different areas, and ensures that the cost of liquidity and financing is correctly reflected in the price formation process.

In view of the initial uncertainty caused by the outbreak of COVID-19 in March 2020, the various different central banks provided a joint response through specific measures and programs, the extent of which, in some cases, has been extended until 2021 to facilitate the financing of the real economy and the provision of liquidity in the financial markets, increasing liquidity buffers in almost all geographical areas.

The BBVA Group maintains a solid **liquidity** position in every geographical area in which it operates, with liquidity ratios well above the minimum required:

- The BBVA Group's **liquidity coverage** ratio (LCR) remained comfortably above 100% throughout the first quarter of 2021, and stood at 151%[2] as of March 31, 2021. For the calculation of this ratio, it is assumed that there is no transfer of liquidity among subsidiaries; i.e. no type of excess liquidity levels in foreign subsidiaries are considered in the calculation of the consolidated ratio. When considering these excess liquidity levels, the BBVA Group's LCR would stand at 193%.
- 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, the transposition of which will become effective in June 2021, 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 BBVA Group's NSFR ratio, calculated based on Basel requirements, stood at 127%[2] as of March 31, 2021.

[2] It includes BBVA USA and the rest of Group´s companies in the United States included in the sale agreement signed with PNC.

The breakdown of these ratios in the main geographical areas in which the Group operates is shown below:

LCR AND NSFR RATIOS (PERCETANGE. 31-03-21)				
	Eurozone [1]	Mexico	Turkey	South America
LCR	186	206	162	All countries >100
NSFR	119	139	148	All countries >100

(1) Perimeter: Spain + the rest of the Eurozone where BBVA has presence.

The most relevant aspects related to the main geographical areas are the following:

- In the Eurozone, BBVA maintains a comfortable position with a large, high-quality liquidity buffer. During the first quarter of 2021, as expected, there were some outflows of wholesale deposits that held very high balances at the end of December 2020, while lending activity remained virtually stable. In March 2021, BBVA S.A. took part in the TLTRO III liquidity window program to take advantage of the improved conditions announced by the European Central Bank (ECB) in December 2020, with an amount drawn of €3.5 billion, which when added together with the €34.9 billion available at the end of December 2020 it totaled €38.4 billion. In this regard, the ECB continues to support liquidity in the system through the measures it has implemented since the start of the pandemic, and it should be noted that, during the first quarter of 2021, it announced accelerated asset purchases under its PEPP program (Pandemic Emergency Purchase Programme).
- BBVA Mexico had a strong liquidity position during the first quarter of 2021, maintaining a negative gap, resulting from lower growth in the loan portfolio. This liquidity gap has enabled an acquisition cost efficiency policy, which has resulted in savings in net interest income. This reduced need for liquidity has also enabled the maturity of a subordinated issue of USD 750m to be absorbed in March, without it needing to be refinanced. With regard to the measures taken by Banxico, in February 2021, the banking support measures issued in April 2020 to support liquidity needs were extended until September 2021, and the monetary policy rate was lowered by 25 basis points to 4%.
- The Central Bank of the Republic of Turkey (CBRT) has continued its restrictive policies, increasing both reserve requirement rates and the base rate by 200 basis points. During March, the central bank governor was replaced, which has provoked some market volatility.

  In the first quarter, the Bank's lending gap increased both in local and foreign currency. These increases follow the significant liquidity accumulation in the last quarter of 2020 and reflect the objective to protect the customer spread in a rising interest rate environment. Garanti BBVA continues to maintain a strong liquidity buffer in both currencies.
- In South America, the liquidity situation remains suitable throughout the region, helped by the support of various central banks and governments which, in order to mitigate the impact of the COVID-19 crisis, have acted by implementing measures to stimulate economic activity and provide greater liquidity in financial systems. In Argentina, liquidity in the system continues to increase due to higher growth in deposits than loans in local currency, with a slight reduction in deposits in U.S. dollars. A comfortable liquidity position has been maintained in Colombia following the adjustment for excess liquidity made in the second half of last year through reducing wholesale deposits. The same can be said for BBVA Peru, where it has remained favored by funds from the central bank's support programs.

The main **transactions** carried out in wholesale financing markets by the companies that form part of the BBVA Group in the first quarter of 2021 were:

- In March 2021 BBVA, S.A. issued preferred senior debt totaling €1,000m at 0.125% (for more information on this transaction see the "Solvency" chapter in this report).
- In Turkey, there have been no issuances during the first quarter of 2021. BBVA Garanti is expected to renew a syndicated loan amounting to USD 724m in May, which includes €104m owed to the European Bank for Reconstruction and Development (EBRD) and to the International Finance Corporation (IFC). At the date of preparation of this report, the renewal ratio is pending.
- In South America, BBVA Uruguay issued the first sustainable bond on the Uruguayan financial market in February for USD 15m at an initial interest rate of 3.854%.

Foreign exchange

Foreign exchange risk management of BBVA's long-term investments, principally stemming from its overseas franchises, aims to preserve the Group's capital adequacy ratio and ensure the stability of its income statement.

BBVA has maintained its policy of actively hedging its main investments in emerging markets, covering on average between 30% and 50% of annual earnings and around 70% of the CET1 capital ratio surplus. Based on this policy, the sensitivity of the CET1 ratio to a depreciation of 10% against the euro of the main emerging-market currencies is estimated at -5 basis points for the Mexican peso and -2 basis points for the Turkish lira. With regard to the U.S. dollar,

the estimated sensitivity is approximately +9 basis points to a 10% depreciation against the euro. The transactional currency risk associated with the sale of the subsidiary in the United States was covered by more than 80% at the end of March. At the end of March, the coverage level for expected earnings for 2021 stood at close to 60% in Turkey and Mexico, 50% in Peru and 40% in Colombia.

Interest rate

Interest rate risk management seeks to limit the impact that BBVA can suffer, both in terms of net interest income (short-term) and economic value (long-term), through movements in the interest rate curves in the various different currencies in which the Group operates. BBVA carries out this work through an internal procedure, pursuant to the guidelines established by the European Banking Authority (EBA), in order to determine the potential impact of a range of scenarios on the Group's various different balance sheets.

The model is based on assumptions intended to realistically mimic the behavior of the balance sheet. Of particular relevance are assumptions regarding the behavior of accounts with no explicit maturity and prepayment estimates. These assumptions are reviewed and adapted at least once a year to take into account any changes in behavior.

At the aggregate level, BBVA continues to maintain a moderate risk profile, in accordance with the established objective, showing positive sensitivity toward interest rate increases in the net interest income. The effective management of structural balance sheet risk has allowed it to mitigate 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 soundness and recurrence of net interest income.

At the market level, the quarter showed volatility with regard to fixed income as a result of higher expectations of medium-term inflation in the United States, leading to an upsurge in the country's sovereign bond curve. This effect has trickled into the fixed income securities markets of other emerging countries, especially in Latin America. With regard to Europe, movements were more contained due to lower inflation expectations and the ECB's bond-buying program. This has all had a limited impact on the generation of net interest income by the various subsidiaries, due to low exposure to these long nodes in the curve.

By area, the main features are:

- Spain has a balance sheet characterized by a high proportion of variable-rate loans (basically mortgages and corporate lending) and liabilities composed mainly of customer deposits. The ALCO portfolio acts as a management lever and hedging for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The balance sheet´s profile has remained stable during the first quarter of the year.
- On the other hand, the ECB held the marginal deposit facility rate unchanged at -0.50% and maintained the extraordinary support programs created in the wake of the COVID-19 crisis. This has created stability in European benchmark interest rates (Euribor), which have been moving in a narrow range throughout the first quarter of 2021.
- Mexico continues to show a balance between fixed and variable interest rates balances. In terms of assets that are most sensitive to interest rate fluctuations, the commercial portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. The ALCO portfolio is used to neutralize the longer duration of customer deposits. Net interest income sensitivity continues to be limited and stable in the first quarter of 2021. It's expected that 2021 will be a more stable year involving fewer actions by the central bank, which lowered the base rate by 300 basis points during 2020. In this regard, the monetary policy rate stood at 4% at the end of March, as a result of a 25 basis points reduction during the first quarter of 2021.
- In Turkey, the interest rate risk (broken down into Turkish lira and US dollars) is limited. On the asset side, the sensitivity of loans, which are mostly fixed-rate with relatively short maturities, and the ALCO portfolio, including inflation-linked bonds, are balanced by the sensitivity of deposits on the liability side, which reprice at short maturities. With regard to base rates, increases continued as in previous quarters, with the first quarter ending 200 basis points above the level seen in December 2020.
- In South America, the risk profile for interest rates remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with a low net interest income sensitivity. In addition, in balance sheets with several currencies, interest-rate risk is managed for each of the currencies, showing a very low level of risk. No changes were observed in the base rates of the central banks of Peru and Colombia during the first quarter of the year, and they remain at all-time lows.

Sustainability and Responsible Banking

BBVA has a different way of doing banking based on the Purpose of "**To bring the age of opportunity to everyone"** guided by solid corporate values -"Customer comes first", "We think big" and "We are one team"- with the aim of having a positive impact on the lives of people, companies and society as a whole.

BBVA has a long history of committing to sustainability, which began when it adhered to the United Nations Global Compact in 2002, having played a leading, standout role in defining a new, more sustainable banking model.

It is a commitment to a responsible and sustainable approach to banking, whereby BBVA seeks to create long-term value, shared with all stakeholders (customers, employees, shareholders, suppliers and society as a whole), and is reflected in the Bank's various different corporate policies and regulations, especially in the Corporate Social Responsibility Policy (hereinafter CSR), updated in 2020, and in the General Sustainability Policy, also approved by BBVA's Board of Directors in 2020, which defines and sets out the Group's general principles and main management and control objectives and guidelines for sustainable development, seeking to achieve balanced economic development, social development and environmental protection.

In 2019, BBVA carried out a strategic reflection process to further expand its transformation and adapt to the biggest trends changing the world and the financial industry. Two of the main trends identified are the fight against climate change and the growing relevance of social inclusion.

BBVA is aware of the key role that banking plays in this transition toward a more sustainable world through its financial activity, and it has adhered to the Principles for Responsible Banking promoted by the United Nations, the Katowice Commitment and the Collective Commitment to Climate Action, and is keen to play a central role, as demanded by society.

The creation of the Global Sustainability Office (GSO) in 2020 has enabled all sustainability initiatives to be promoted and coordinated within the Group, relying on the support of the most senior executive managers of the Bank's various areas at a local level.

Sustainability and responsible banking milestones and initiatives

The commitment to sustainable and responsible growth is one of BBVA's main initiatives, reflected in the Group's second strategic priority: "Helping our customers transition toward a sustainable future." One line of action in this regard is the **2025 Pledge**, whereby BBVA has committed to mobilizing €100,000m between 2018 and 2025 in green financing, sustainable infrastructure and agribusiness, financial entrepreneurship and inclusion, and other sustainable mobilization. During 2020, BBVA mobilized €20,306m, representing a cumulative total of €50,155m mobilized since 2018. This means it has achieved half of its sustainable funding target for the period 2018–2025 one year ahead of schedule.

BBVA has become one of the most active banks in terms of issuing green bonds since its framework for issuing SDG-linked bonds was published in 2018. In 2019, the Bank issued a second green bond for€1,000m, the largest issue to date by a Eurozone entity, in addition to issuing the first structured green bond using blockchain technology. In May 2020, BBVA was the first private financial institution in Europe to issue a COVID-19-related social bond and, two months later, the Bank was the first financial institution in the world to issue contingent-convertible perpetual bonds ("CoCos") considered as green bonds worth €1,000m, earmarked to finance eligible green assets in BBVA's portfolio, diversified in assets from various different green sectors (energy efficiency, renewable energy, sustainable transport, waste management and water management). According to Bloomberg, BBVA is the eighth most active bank (2018–2020) worldwide, the fourth in Europe and the first in Spain.

Among the financing initiatives promoted during the first quarter of 2021, BBVA has achieved its commitment to offer a sustainable alternative for all its products in Spain to retail and wholesale customers. BBVA was also the global coordinator and structuring bank for issuing the largest hybrid bond in history. BBVA's leadership in terms of sustainability resulted in the Bank being recognized by Global Finance magazine as the world's best investment bank in sustainable financing at the Global Finance Best Investment Bank Awards.

In 2020, BBVA also achieved all the objectives of its Global Eco-Efficiency Plan 2016–2020 and its environmental footprint showed very good progress compared to 2019. Notably, BBVA achieved net-zero CO_2 emissions in 2020. This objective has been achieved by offsetting the entire carbon footprint through CO_2 mitigation projects that also have a positive impact on the local communities in which they are implemented. This constitutes further progress in the framework of its commitment to align its activity with the Paris Agreement and reduce both direct and indirect emissions. Furthermore, work is under way on the Global Eco-Efficiency Plan 2021–2025, which will include new objectives aimed at reducing and neutralizing its environmental footprint.

With regards to its indirect environmental footprint, the Group announced in 2021 that it will reduce its **exposure to coal-related activities** to zero (by ceasing to fund companies in such activities) by 2030 in developed countries, and by 2040 in other geographical areas. This decision is aligned with the Intergovernmental Panel on Climate Change (IPCC)'s proposal to limit the rise in temperature to a maximum of 1.5ºC and the goal of achieving a carbon-neutral economy by 2050.

BBVA has recently taken an additional step in its ambition for sustainability and, at its General Shareholders' Meeting on April 20, 2021, **announced its Net Zero 2050 commitment**, i.e., its commitment to net-zero carbon emissions in 2050, considering both direct and indirect emissions, the latter of which include the emissions of customers financed by the Group. This is a very important milestone, which involves aligning with the Paris Agreement's most ambitious scenario, namely limiting the rise in temperature to 1.5°C compared to pre-industrial levels. Through this milestone, BBVA accelerates the Paris Agreement's baseline scenario of 2ºC by 20 years. This commitment also has implications for BBVA and for its customers in all sectors, who it will support in their transition toward a more sustainable future through concrete plans and objectives.

BBVA remains highly committed to **diversity and inclusion** in all forms, including this aspect within its strategic priorities, and it encourages them through multiple initiatives in the geographic areas in which it operates. In this context, BBVA has notably been recognized as one of the 30 most exceptional companies in the world with the Gallup "Exceptional Workplace 2021" Award. This award distinguishes organizations committed to developing their workforce's human potential. BBVA's efforts to promote diversity have earned it a place in the Bloomberg Gender-Equality Index for the fourth consecutive year, a ranking of the 100 companies worldwide with the best practices in gender diversity. BBVA is also a signatory to the European Diversity Charter and the United Nations Women's Empowerment Principles. What's more, the UN selected one of BBVA's initiatives, "Work Better, Enjoy Life," to create a case study 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.

Through its social programs, BBVA acts as a driver of opportunity for people, seeks to generate a positive impact on their lives and delivers on its aim of making the opportunities of this new era available to those who face the most difficulty: the vulnerable. Throughout 2020, BBVA allocated €142.2m for investment in the community, from which more than 12 million people benefited, and which was earmarked to boost the main lines of action established in the **Community Investment Plan** (financial literacy, social entrepreneurship and knowledge, education and culture), as well as the BBVA Group's Social Response Plan to address the effects of COVID-19.

Among the initiatives developed in the first quarter of 2021, the project "Online Education", promoted by BBVA and the Foundation Against Drug Addiction (FAD), is particularly notable as it includes a set of actions aimed at education in order to alleviate the serious consequences that the COVID-19 crisis is having on the education community. Its priorities include: school adaptation, bridging the digital gap, supporting vulnerable families, and bridging the access gap due to lack of available equipment and ability to connect online.

Furthermore, for the second consecutive year, the Organisation for Economic Co-operation and Development (OECD) has recognized the **Microfinance Foundation**'s work as the most important private philanthropic initiative in Latin America and the second most important worldwide, distinguishing it as the first foundation in the world to contribute to progress in gender equality.

Within the framework of **transparency**, BBVA has committed to disclose essential environmental, social and governance (ESG) aspects in a consistent and standardized manner. In this regard, together with the publication of the first TCFD report in November 2020, BBVA was one of the first entities in the world to support the "Measuring Stakeholder Capitalism" initiative by the World Economic Forum (WEF)'s International Business Council (IBC) and publish the level of fulfillment with its metrics. The Bank also published the level of alignment with the Sustainability Accounting Standards Board (SASB)'s Commercial Banks metrics for the first time.

BBVA's participation in sustainability indexes

BBVA is also present in various international **sustainability indexes** or Environmental, Social and Governance (ESG) indexes, which evaluate companies' performance in these areas. Most notably, in 2020 BBVA ranked first among European banks and second worldwide in the Dow Jones Sustainability Indices (DJSI).

BBVA is member of the following sustainability indices[3]:

Listed on the DJSI World (2nd in the world) and Europe DJSI (1st in the European banking)	Listed on the MSCI ESG Leaders Indices. (Rating AAA)	Listed on the FTSE4Good Index Series (Score 4,4/5)
Score A-	Listed on the Ethibel Sustainability Excellence Europe y Ethibel Sustainability Excellence Global indices	Listed on the Bloomberg Gender-Equality (Score 77,29/100)

Measures taken by BBVA in response to COVID-19

From the outset of the crisis caused by COVID-19, BBVA has focused its efforts on protecting health and supporting its employees, customers and society as a whole. One year on, it continues to do so, staying by its customers' side for as long as the pandemic persists, and throughout the recovery phase too.

In this context, at the 2021 General Shareholders' Meeting, which was held entirely virtually due to the exceptional circumstances arising from the COVID-19 pandemic and in order to protect the health and safety of shareholders, employees and other persons involved in said meeting, BBVA has replaced the traditional shareholders' gift with a solidarity contribution to help alleviate the effects of COVID-19 on the most vulnerable sectors of the population. The shareholders themselves voted on which area of impact they wanted to send their donation (social inclusion, education, health and dependency).

[3] 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.

Business areas

This section presents and analyzes the most relevant aspects of the Group's different business areas. Specifically, for each one of them, it shows a summary of the income statement and balance sheet, the business activity figures and the most significant ratios.

BBVA Group's business areas reporting **structure** differs from the one presented at the end of 2020, mainly as a consequence of the disappearance of the United States as a business area, derived from the sale agreement reached with PNC. Most of the businesses in the United States excluded from this agreement, together with those of the former business area "Rest of Eurasia" constitute a new area called "Rest of Business".

The composition of BBVA Group business areas at the end of the first quarter of 2021 are summarized below:

- **Spain** mainly includes the banking and insurance businesses that the Group carries out in this country, including the results of the new company created from the bancassurance agreement reached with Allianz at the end of 2020.
- **Mexico** includes banking and insurance businesses in this country, as well as the activity that BBVA Mexico carries out through its branch in Houston.
- **Turkey** reports the activity of the group Garanti BBVA that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- **South America** mainly includes banking and insurance activity conducted in the region. The information for this business area includes BBVA Paraguay data for the results, activity, balances and relevant business indicators for 2020 and is not included in 2021 as the sale agreement was reached in January 2021.
- **Rest of Business** mainly incorporates the wholesale activity carried out in Europe (excluding Spain) and in the United States from the New York branch, as well as, the institutional business that the Group develops through the broker dealer BBVA Securities Inc. It also incorporates the banking business developed through BBVA's 5 branches in Asia.

The **Corporate Center** contains the centralized functions of the Group, including: the costs of the head offices with a corporate function; management of structural exchange rate positions, portfolios whose management is not linked to customer relationships, such as industrial holdings; certain tax assets and liabilities; funds due to commitments to employees; goodwill and other intangible assets as well as such portfolios and assets´ funding. Furthermore, includes the results from the venture capital fund Propel Venture Partners. Additionally and until all required authorizations are received and the aforementioned sale agreement with PNC is realized, the results obtained by the Group´s businesses in The United States included in said agreement are presented in a single line of the income statements called "Profit (loss) after taxes from discontinued operations".

In addition to these geographical breakdowns, supplementary information is provided for the wholesale business carried out by BBVA, **Corporate & Investment Banking (CIB)**, in the countries where it operates. This business is relevant to have a broader understanding of the Group's activity and results due to the important features of the type of customers served, products offered and risks assumed.

The **information by business area** is based on units at the lowest level and/or companies that comprise the Group, which are assigned to the different areas according to the main region or company group in which they carry out their activity. The figures corresponding to 2020 have been elaborated following the same criteria and the same structure of the areas that have been already explained, in a way that year-on-year comparisons are homogeneous.

Regarding the **Shareholders´ funds** allocation, a capital allocation system based on the consumed regulatory capital is used.

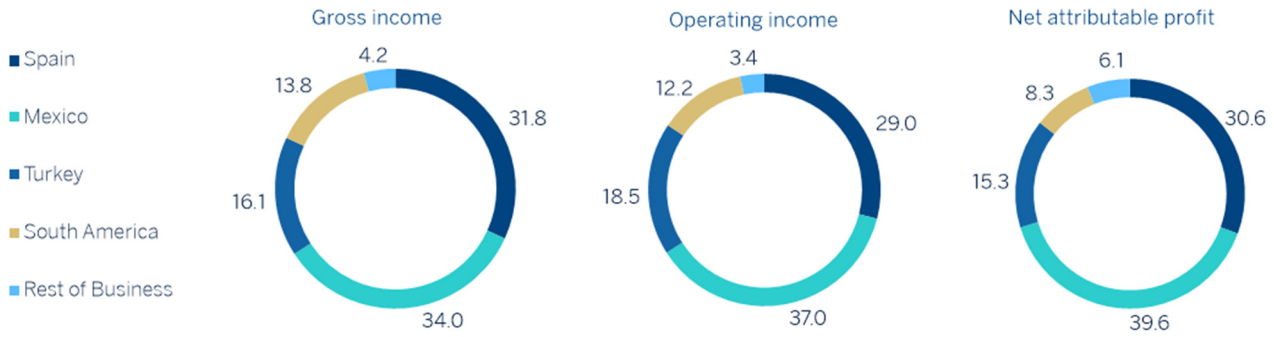
As usual, in the case of the different business areas in South America, in Turkey, in Rest of Business and in CIB, the results applying constant **exchange rates** are given as well as the year-on-year variations at current exchange rates.

MAIN INCOME STATEMENT LINE ITEMS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas						
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	Corporate Center
31-03-21								
Net interest income	3,451	867	1,366	530	660	72	3,495	(44)
Gross income	5,155	1,646	1,761	834	714	218	5,173	(18)
Operating income	2,850	893	1,138	569	377	103	3,081	(230)
Profit/(loss) before tax	1,759	522	682	481	202	93	1,980	(221)
Profit/(loss) after tax from discontinued operations [1]	177	-	-	-	-	-	-	177
Net attributable profit/(loss)	1,210	381	493	191	104	75	1,244	(34)
31-03-20								
Net interest income	4,024	878	1,545	819	763	65	4,071	(47)
Gross income	5,778	1,511	1,993	1,073	863	211	5,650	127
Operating income	3,300	731	1,331	763	473	86	3,384	(83)
Profit/(loss) before tax	807	(194)	545	340	136	88	915	(108)
Profit/(loss) after tax from discontinued operations [1]	(2,224)	-	-	-	-	-	-	(2,224)
Net attributable profit/(loss)	(1,792)	(130)	373	129	70	68	509	(2,301)

(1) Including the results generated by BBVA USA and the rest of the Group's companies in the United States included in the sale agreement signed with PNC.

GROSS INCOME [1], OPERATING INCOME[1] AND NET ATTRIBUTABLE PROFIT[1] BREAKDOWN (PERCENTAGE. 1Q21)



(1) Excludes the Corporate Center.

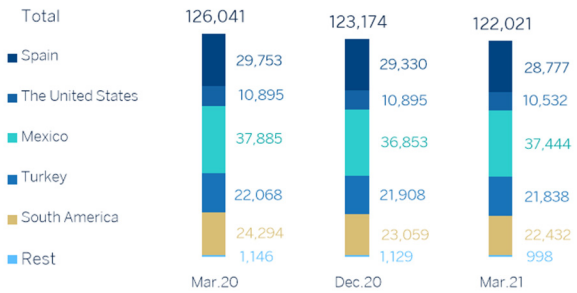
MAIN BALANCE-SHEET ITEMS AND RISK-WEIGHTED ASSETS BY BUSINESS AREA (MILLIONS OF EUROS)

		Business areas								
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	∑ Business areas	Corporate Center	Deletions	NCA&L [1]
31-03-21										
Loans and advances to customers	310,683	166,093	51,525	36,859	32,443	24,450	311,369	669	(1,355)	-
Deposits from customers	331,064	196,590	56,832	38,089	34,920	6,764	333,196	177	(2,309)	-
Off-balance sheet funds	106,916	64,452	23,834	3,667	14,433	530	106,915	0	-	-
Total assets/liabilities and equity	719,705	394,904	110,412	58,876	53,164	36,015	653,371	109,353	(43,019)	-
RWAs	354,342	107,872	61,981	53,252	38,948	28,436	290,489	63,853	-	-
31-12-20										
Loans and advances to customers	311,147	167,998	50,002	37,295	33,615	24,015	312,926	505	(1,299)	(985)
Deposits from customers	342,661	206,428	54,052	39,353	36,874	9,333	346,040	363	(2,449)	(1,293)
Off-balance sheet funds	102,947	62,707	22,524	3,425	13,722	569	102,947	-	-	-
Total assets/liabilities and equity	736,176	410,409	110,236	59,585	55,436	35,172	670,839	105,416	(40,080)	-
RWAs	353,273	104,388	60,825	53,021	39,804	24,331	282,370	70,903	-	-

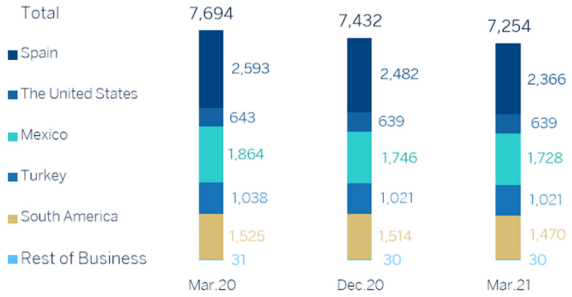
(1) Non-current assets and liabilities held for sale (NCA&L) from BBVA Paraguay as of 31-12-20.

The balance sheet includes a column, which represents the **deletions** and balance sheet adjustments between the different business areas, especially in terms of the relationship between the areas in which the parent company operates, i.e. Spain, Rest of Business, and the Corporate Center.

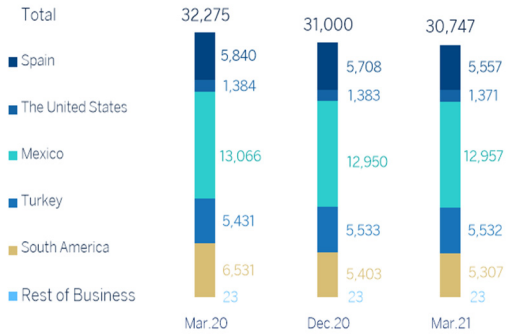
NUMBER OF EMPLOYEES



NUMBER OF BRANCHES



NUMBER OF ATMS

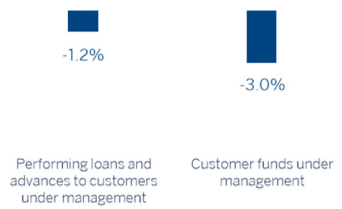


Spain

Highlights

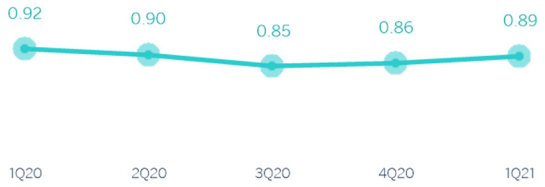
- **Decrease in lending activity and customers funds.**
- **Improved efficiency ratio.**
- **Favorable year-on-year evolution for the main margins.**
- **Sustainable alternative for all products.**

BUSINESS ACTIVITY[1]
(YEAR-TO-DATE CHANGE)

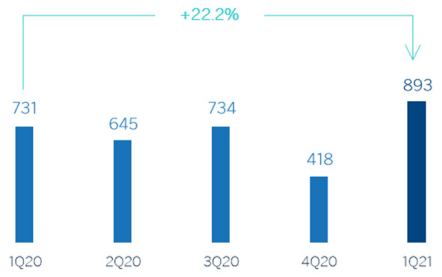


(1) Excluding repos.

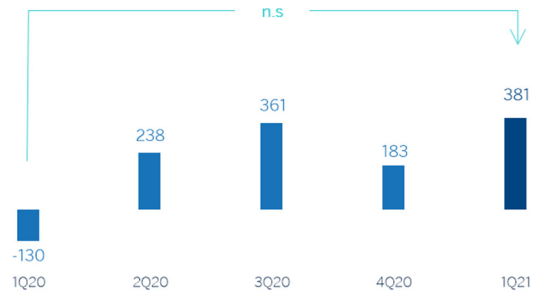
NET INTEREST INCOME/ATAS
(PERCENTAGE)



OPERATING INCOME
(MILLIONS OF EUROS)



NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS)



FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	1Q20
Net interest income	**867**	**(1.3)**	**878**
Net fees and commissions	507	8.1	469
Net trading income	201	231.9	61
Other operating income and expenses	71	(31.6)	103
Of which: Insurance activities [1]	90	(24.8)	119
Gross income	**1,646**	**8.9**	**1,511**
Operating expenses	(753)	(3.5)	(780)
Personnel expenses	(428)	(2.8)	(440)
Other administrative expenses	(215)	(4.4)	(225)
Depreciation	(110)	(4.3)	(115)
Operating income	**893**	**22.2**	**731**
Impairment on financial assets not measured at fair value through profit or loss	(185)	(72.0)	(660)
Provisions or reversal of provisions and other results	(186)	(30.0)	(265)
Profit/(loss) before tax	**522**	**n.s.**	**(194)**
Income tax	(140)	n.s.	65
Profit/(loss) for the year	**382**	**n.s.**	**(129)**
Non-controlling interests	(1)	(41.9)	(1)
Net attributable profit/(loss)	**381**	**n.s.**	**(130)**

(1) Includes premiums received net of estimated technical insurance reserves.

Balance sheets	31-03-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	26,118	(31.9)	38,356
Financial assets designated at fair value	135,929	(1.5)	137,969
Of which: Loans and advances	33,003	7.6	30,680
Financial assets at amortized cost	195,621	(1.3)	198,173
Of which: Loans and advances to customers	166,093	(1.1)	167,998
Inter-area positions	28,485	7.6	26,475
Tangible assets	2,825	(2.6)	2,902
Other assets	5,926	(9.3)	6,535
Total assets/liabilities and equity	**394,904**	**(3.8)**	**410,409**
Financial liabilities held for trading and designated at fair value through profit or loss	70,950	(4.0)	73,921
Deposits from central banks and credit institutions	59,595	1.4	58,783
Deposits from customers	196,590	(4.8)	206,428
Debt certificates	37,856	(7.7)	41,016
Inter-area positions	-	-	-
Other liabilities	17,254	1.8	16,955
Regulatory capital allocated	12,660	(4.9)	13,306

Relevant business indicators	31-03-21	Δ %	31-12-20
Performing loans and advances to customers under management [1]	163,501	(1.2)	165,511
Non-performing loans	8,495	1.9	8,340
Customer deposits under management [1]	196,005	(4.8)	205,809
Off-balance sheet funds [2]	64,452	2.8	62,707
Risk-weighted assets	107,872	3.3	104,388
Efficiency ratio (%)	45.7		54.6
NPL ratio (%)	4.4		4.3
NPL coverage ratio (%)	66		67
Cost of risk (%)	0.45		0.67

(1) Excluding repos.
(2) Includes mutual funds and pension funds.

Activity

The most relevant aspects related to the area's activity during the first quarter of 2021 were:

- **Lending activity** (performing loans under management) was below the figure recorded at the end of 2020 (down 1.2%), mainly due to a reduction in mortgage loans (down 0.5%) and lower short-term operations among larger companies (down 2.3%). The above is despite higher balances in retail businesses (up 0.1%), SMEs (up 0.9%) and consumer finance together with credit cards (up 0.3%).
- With regard to **asset quality**, the NPL ratio therefore rose 11 basis points in the quarter to stand at 4.4%, and the NPL coverage ratio fell 39 basis points to 66% in the first three months of 2021.
- **Total customer funds** fell 3.0% compared to 2020 year-end, due to the lower total balance of customer deposits under management (down 4.8%). Off-balance sheet funds performed positively (up 2.8%).

Results

Spain generated a net attributable **profit** of €381m between January and March 2021, which compares positively to the loss of €130m recorded in the same period in 2020, mainly due to the increase in impairment on financial assets resulting from the worsening macroeconomic scenario following the outbreak of the pandemic in March 2020.

The main highlights of the area's income statement are:

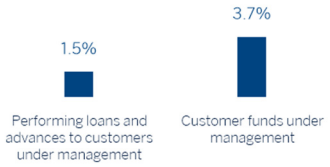
- **Net interest income** recorded a year-on-year reduction of 1.3%, affected by an environment of falling rates and partially offset by lower financing costs.
- **Net fees and commissions** performed well (up 8.1% year-on-year), underpinned by higher volumes in off-balance sheet funds, with a higher contribution from revenues associated with banking services and insurance.
- **NTI** between January and March 2021 stood at €201m, which compares very positively to the €61m recorded in the same period last year, mainly due to the performance of the Global Markets area but also as a result of fixed-income portfolio sales.
- The **other operating income and expenses** line compares negatively with the first quarter of the previous year (down 31.6%), mainly due to the lower contribution from the insurance business following the bancassurance operation with Allianz.
- **Reduction of operating expenses** (down 3.5% in year-on-year terms) as a result of lower personnel and general expenses and depreciations. The **efficiency** ratio therefore stood at 45.7% compared to 54.6% in the same quarter in 2020.
- **Impairment on financial assets** amounted to €-185m, which represents a significant reduction from the amount recorded in the first quarter of 2020, which was negatively impacted by the deterioration of the macroeconomic scenario due to COVID-19, following the outbreak of the pandemic. The cumulative cost of risk at the close of March 2021 stood at 0.45%.
- Lastly, the **provisions and other results** line closed the quarter at €-186m, compared to €-265m in the same period last year, which included provisions for potential claims.

Mexico

Highlights

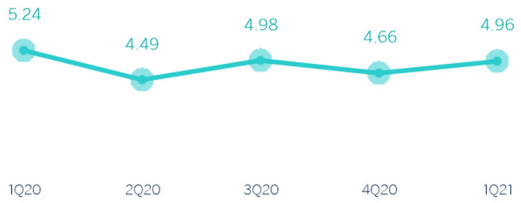
- **Activity increased in the quarter: lending activity recovered and customer funds showed growth.**
- **Net interest income impacted by the interest rate environment.**
- **NPL ratio improvement during the quarter.**
- **Year-on-year comparison influenced at the net attributable profit level by the increase in the impairment of financial assets line in March 2020 due to the outbreak of the pandemic.**

BUSINESS ACTIVITY [1]
(YEAR-TO-DATE CHANGE)

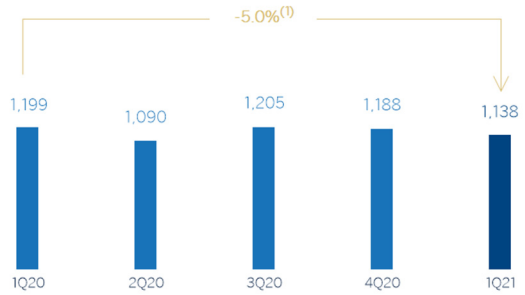


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

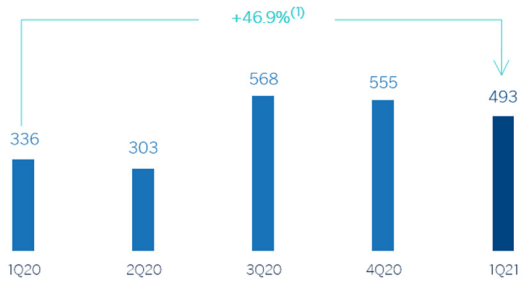


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -14.4%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +32.3%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	Δ % [1]	1Q20
Net interest income	**1,366**	**(11.6)**	**(1.8)**	**1,545**
Net fees and commissions	282	(4.7)	5.8	296
Net trading income	69	(11.7)	(1.9)	78
Other operating income and expenses	44	(40.8)	(34.2)	74
Gross income	**1,761**	**(11.7)**	**(1.9)**	**1,993**
Operating expenses	(622)	(6.1)	4.3	(662)
Personnel expenses	(255)	(11.4)	(1.6)	(288)
Other administrative expenses	(289)	(0.1)	11.0	(289)
Depreciation	(78)	(8.4)	1.7	(86)
Operating income	**1,138**	**(14.4)**	**(5.0)**	**1,331**
Impairment on financial assets not measured at fair value through profit or loss	(458)	(40.8)	(34.2)	(773)
Provisions or reversal of provisions and other results	2	n.s.	n.s.	(13)
Profit/(loss) before tax	**682**	**25.2**	**39.0**	**545**
Income tax	(189)	9.9	22.0	(172)
Profit/(loss) for the year	**493**	**32.3**	**46.9**	**373**
Non-controlling interests	(0)	25.0	38.8	(0)
Net attributable profit/(loss)	**493**	**32.3**	**46.9**	**373**

Balance sheets	31-03-21	Δ %	Δ %[1]	31-12-20
Cash, cash balances at central banks and other demand deposits	10,641	16.2	14.4	9,161
Financial assets designated at fair value	33,915	(6.7)	(8.1)	36,360
Of which: Loans and advances	1,312	(49.3)	(50.1)	2,589
Financial assets at amortized cost	60,858	1.7	0.2	59,819
Of which: Loans and advances to customers	51,525	3.0	1.5	50,002
Tangible assets	1,644	(0.2)	(1.7)	1,647
Other assets	3,354	3.2	1.7	3,249
Total assets/liabilities and equity	**110,412**	**0.2**	**(1.3)**	**110,236**
Financial liabilities held for trading and designated at fair value through profit or loss	21,138	(11.2)	(12.5)	23,801
Deposits from central banks and credit institutions	5,023	(2.0)	(3.5)	5,125
Deposits from customers	56,832	5.1	3.6	54,052
Debt certificates	7,575	(0.8)	(2.3)	7,640
Other liabilities	12,743	(1.3)	(2.8)	12,911
Regulatory capital allocated	7,100	5.9	4.3	6,707

Relevant business indicators	31-03-21	Δ %	Δ % [1]	31-12-20
Performing loans and advances to customers under management [2]	52,004	3.1	1.5	50,446
Non-performing loans	1,658	(8.8)	(10.2)	1,818
Customer deposits under management [2]	56,489	5.0	3.5	53,775
Off-balance sheet funds [3]	23,834	5.8	4.2	22,524
Risk-weighted assets	61,981	1.9	0.4	60,825
Efficiency ratio (%)	35.3			33.4
NPL ratio (%)	3.0			3.3
NPL coverage ratio (%)	129			122
Cost of risk (%)	3.55			4.02

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during the first quarter of 2021 were:

- **Lending activity** (performing loans under management) increased 1.5% in the quarter, mainly due to the positive performance in corporate banking loans (up 9.1%), which boosted the growth in the wholesale portfolio (up 2.3%). The retail portfolio recorded a slight growth compared to the end of December 2020 (up 0.6%), mainly due to the continued positive performance of the mortgage portfolio (up 1.6%) and to the growth in the SME portfolio (up 3.1%) over the same period, which was supported by campaigns aimed at attracting customers and highlighting the bank's digital products. As a result, BBVA Mexico's portfolio mix stands at 49% retail and 51% wholesale.
- With regard to **asset quality** indicators, the NPL ratio showed an improving trend throughout the quarter, falling 37 basis points to 3.0% at the end of the first quarter of the year, with a decrease in the balance of non-performing loans in consumer and credit card portfolios. The NPL coverage ratio increased in the quarter to 129%.
- **Customer deposits** under management showed an increase of 3.5% in the quarter, favored by growth in demand deposits of 4.2%, due to customers' preference of having liquid balances within an environment of uncertainty and falling rates due to the pandemic. Time deposits, however, remained flat during the quarter (up 0.3%). The above allows BBVA Mexico to improve its deposits mix, with an 81.4% of total deposits in lower-cost transactional funds. Off-balance sheet funds also performed well in the first quarter of 2021 (up 4.2%).

Results

BBVA Mexico achieved a net attributable **profit** of €493m in the first quarter of 2021, representing a 46.9% increase compared to the same quarter in the previous year. It should be noted that the first quarter of 2020 was historically atypical and there was a sharp increase in impairment on financial assets as a result of the worsening macroeconomic scenario following the outbreak of the COVID-19 pandemic in March 2020. The most relevant aspects related to the income statement are summarized below:

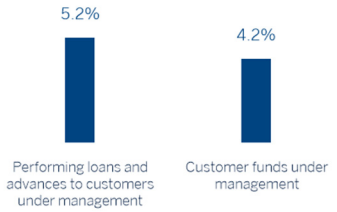
- **Net interest income** closed below the figure recorded in the first quarter of 2020 (down 1.8%), as a result of a year-on-year contraction in the portfolio, which has been hit by the effect of the pandemic given the global economic slowdown, and by lower reference rates applied.
- **Net fees and commissions** increased 5.8% thanks to increased billing, especially in credit cards, and thanks to investment banking fees.
- **NTI** showed a year-on-year decline of 1.9%, mainly due to losses in Global Markets positions and lower volumes of foreign exchange brokerage.
- The **other operating income and expenses** line recorded a year-on-year decrease of 34.2%, as a result of a greater contribution to the Deposit Guarantee Fund due to larger volumes deposited by customers and a lower contribution from the insurance business, explained by an increase in claims in the life insurance business as a result of the pandemic.
- **Operating expenses** increased (up 4.3%) due to additional disbursements in order to preserve the health and safety of employees and customers, as well as some expenses which were postponed due to the pandemic, and those expenses denominated in dollars affected by the depreciation of the Mexican peso.
- The **impairment on financial assets** line item decreased significantly compared to the same period of the last year (down 34.2%), mainly due to additional provisions for COVID-19 recorded in March 2020, derived from a worsening macroeconomic scenario compared to the scenario initially predicted at the beginning of the previous year. With regard to the cumulative cost of risk, it stood at 3.55% as of March 2021.
- The **provisions and other results** line showed a favorable comparison to the first quarter of 2020.

Turkey

Highlights

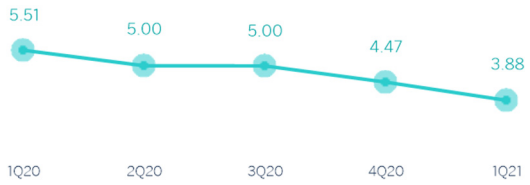
- **Activity growth driven by Turkish lira loans and deposits.**
- **Outstanding performance of NTI and net fees.**
- **Operating expenses growth in line with the average inflation.**
- **Net attributable profit growth driven by lower impairment losses on financial assets in a comparative affected by the outbreak of the pandemic.**

BUSINESS ACTIVITY [1]
(YEAR-TO-DATE CHANGE)

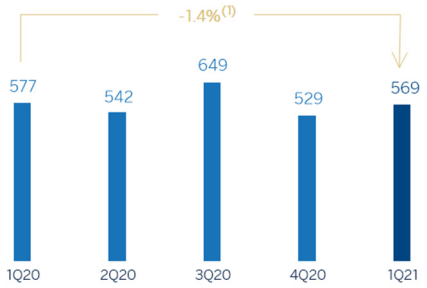


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)

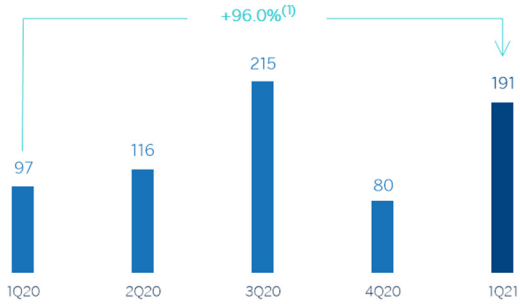


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: -25.5%

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATE)



(1) At current exchange rate: +48.2%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	Δ %[1]	1Q20
Net interest income	**530**	**(35.4)**	**(14.6)**	**819**
Net fees and commissions	154	(6.5)	23.7	165
Net trading income	126	87.9	148.5	67
Other operating income and expenses	24	11.8	47.8	22
Gross income	**834**	**(22.3)**	**2.8**	**1,073**
Operating expenses	(265)	(14.5)	13.1	(310)
Personnel expenses	(142)	(9.5)	19.6	(157)
Other administrative expenses	(89)	(15.1)	12.2	(105)
Depreciation	(34)	(29.4)	(6.7)	(48)
Operating income	**569**	**(25.5)**	**(1.4)**	**763**
Impairment on financial assets not measured at fair value through profit or loss	(123)	(69.5)	(59.7)	(403)
Provisions or reversal of provisions and other results	35	n.s.	n.s.	(20)
Profit/(loss) before tax	**481**	**41.5**	**87.1**	**340**
Income tax	(94)	20.0	58.7	(78)
Profit/(loss) for the year	**387**	**48.0**	**95.6**	**262**
Non-controlling interests	(196)	47.7	95.3	(133)
Net attributable profit/(loss)	**191**	**48.2**	**96.0**	**129**

Balance sheets	31-03-21	Δ %	Δ %[1]	31-12-20
Cash, cash balances at central banks and other demand deposits	6,682	22.0	30.2	5,477
Financial assets designated at fair value	5,492	3.0	9.9	5,332
Of which: Loans and advances	434	4.7	11.7	415
Financial assets at amortized cost	44,633	(4.4)	2.0	46,705
Of which: Loans and advances to customers	36,859	(1.2)	5.5	37,295
Tangible assets	871	(3.3)	3.2	901
Other assets	1,197	2.3	9.2	1,170
Total assets/liabilities and equity	**58,876**	**(1.2)**	**5.4**	**59,585**
Financial liabilities held for trading and designated at fair value through profit or loss	2,062	(11.7)	(5.8)	2,336
Deposits from central banks and credit institutions	4,671	38.2	47.5	3,381
Deposits from customers	38,089	(3.2)	3.3	39,353
Debt certificates	4,243	5.1	12.2	4,037
Other liabilities	3,365	(21.9)	(16.7)	4,308
Regulatory capital allocated	6,446	4.5	11.5	6,170

Relevant business indicators	31-03-21	Δ %	Δ %[1]	31-12-20
Performing loans and advances to customers under management [2]	36,126	(1.4)	5.2	36,638
Non-performing loans	3,332	4.7	11.7	3,183
Customer deposits under management [2]	38,087	(3.2)	3.3	39,346
Off-balance sheet funds [3]	3,667	7.1	14.3	3,425
Risk-weighted assets	53,252	0.4	7.2	53,021
Efficiency ratio (%)	31.8			28.8
NPL ratio (%)	6.9			6.6
NPL coverage ratio (%)	78			80
Cost of risk (%)	1.34			2.13

(1) Figures at constant exchange rate.
(2) Excluding repos.
(3) Includes mutual funds and pension funds.

Unless expressly stated otherwise, all comments below on rates of changes for both activity and income, will be presented at constant exchange rates. These rates, together with changes at current exchange rates, can be observed in the attached tables of the financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during the first quarter of 2021 were:

- **Lending activity** (performing loans under management) increased by 5.2% year-to-date driven by a growth in Turkish lira loans (up 5.9%) which was supported by consumer loans, thanks to the strong origination in General Purpose Loans, but also by credit cards, mortgages at attractive yields and commercial loans. Foreign-currency loans (in U.S. dollars) contracted during the first quarter of 2021 (down 5.5%).
- In terms of **asset quality**, the NPL ratio increased 31 basis points to 6.9% from December 2020 due to higher NPL entries. The NPL coverage ratio stood at 78% as of March 31, 2021.
- Customer **deposits** under management (65% of total liabilities in the area as of March 31, 2021) remained as the main source of funding for the balance sheet and increased by 3.3% year-to-date. It is worth mentioning the positive performance of Turkish lira demand deposits (up 10.1%) year-to-date and now represent 27% of total Turkish lira customer deposits, as well as the off-balance sheet funds which grew by 14.3% during the same period. In-line with the sector trend, foreign currency deposits contracted (down 6.4% year-to-date). There was a slide from foreign currency to Turkish lira deposits due to the higher interest rate environment.

Results

Turkey generated a net attributable **profit** of €191m in the first quarter of 2021, 96.0% higher than the same period of the previous year. The most significant aspects of the year-on-year evolution in the income statement are the followings:

- **Net interest income** declined (down 14.6%) mainly due to contraction in customer spreads and increasing funding costs despite higher loan volume and higher contribution from inflation-linked bonds.
- **Net fees and commissions** grew significantly by 23.7% on a year-on-year basis mainly driven by the positive performance in brokerage and payment systems fees; particularly merchant fees.
- **NTI** performed significantly well (up 148.5%), which contributed €126m in the first quarter of 2021. This is mainly due to the positive impact of the trading operations in foreign currencies, security trading gains and derivative transactions.
- **Other income** increased by 47.8% compared to the same period of 2020, mainly due to the positive contribution of non-financial activities (renting activity).
- **Operating expenses** increased by 13.1%, in line with the average inflation rate. This increase is also impacted by the depreciation of the Turkish Lira while on the other hand, there was a reduction in some discretionary expenses due to COVID-19. The efficiency ratio remained low (31.8%).
- **Impairment losses on financial assets** decreased by 59.7% compared to the first quarter of 2020 which was affected by the outbreak of the pandemic. In the first quarter of 2021, lower provision requirements for some big tickets and good recovery of wholesale clients were registered. As a result of all the aforementioned, the cost of risk decreased to 1.34%.
- The line **provisions and other results** closed the first quarter of 2021 with a profit of €35m, which was €-20m in the same period of previous year, mainly thanks to real estate sales gains and lower provisions for special funds and for contingent liabilities and commitments.

South America

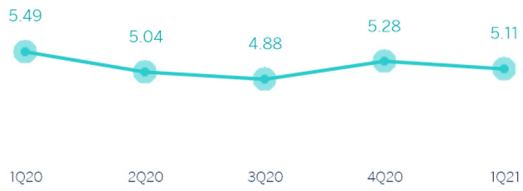
Highlights

- **Lending activity influenced by the completion of the *Plan Reactiva* in Peru and lockdowns in the first quarter of 2021.**
- **Reduction in higher-cost resources.**
- **Favorable year-on-year evolution of recurrent income and NTI.**
- **Net attributable profit year-on-year comparison influenced by the increase in the impairment on financial assets line in March 2020 due to the outbreak of the pandemic.**

BUSINESS ACTIVITY [1]
(YEAR-TO-DATE CHANGE)

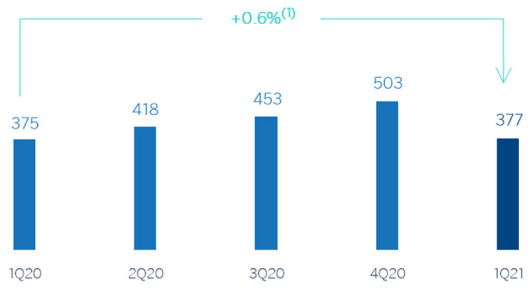
(1) Excluding repos.
It excludes the balances of BBVA Paraguay as of 31-12-2020.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATE)



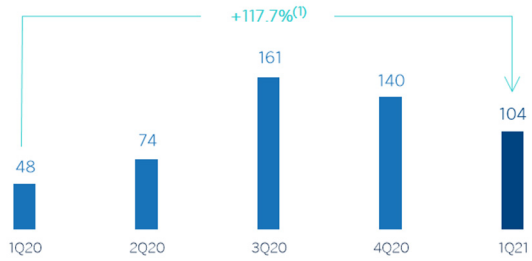
General note: Excluding BBVA Paraguay

OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: -20.3%.
At constant exchange rate, excluding BBVA Paraguay in 1Q20: +3.4%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: +48.6%.
At constant exchange rate, excluding BBVA Paraguay in 1Q20: +150.2%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	Δ % (1)	Δ % (2)	1Q20
Net interest income	**660**	**(13.5)**	**5.7**	**8.2**	**763**
Net fees and commissions	120	0.8	21.9	25.0	119
Net trading income	74	(7.4)	15.3	18.0	80
Other operating income and expenses	(140)	39.8	53.0	55.5	(100)
Gross income	**714**	**(17.2)**	**2.6**	**5.2**	**863**
Operating expenses	(337)	(13.5)	5.0	7.2	(390)
Personnel expenses	(166)	(15.9)	3.6	6.1	(197)
Other administrative expenses	(137)	(7.7)	11.3	13.3	(148)
Depreciation	(34)	(21.8)	(9.7)	(7.8)	(44)
Operating income	**377**	**(20.3)**	**0.6**	**3.4**	**473**
Impairment on financial assets not measured at fair value through profit or loss	(159)	(50.0)	(41.0)	(40.2)	(319)
Provisions or reversal of provisions and other results	(16)	(9.7)	20.6	22.8	(18)
Profit/(loss) before tax	**202**	**47.9**	**119.6**	**137.3**	**136**
Income tax	(59)	101.1	212.2	223.7	(29)
Profit/(loss) for the year	**143**	**33.3**	**95.6**	**113.7**	**107**
Non-controlling interests	(39)	4.8	54.1	54.1	(37)
Net attributable profit/(loss)	**104**	**48.6**	**117.7**	**150.2**	**70**

Balance sheets	31-03-21	Δ %	Δ % (1)	Δ % (2)	31-12-20
Cash, cash balances at central banks and other demand deposits	6,795	(4.7)	(4.5)	3.0	7,127
Financial assets designated at fair value	7,433	1.4	3.3	3.3	7,329
Of which: Loans and advances	656	n.s.	n.s.	n.s.	108
Financial assets at amortized cost	36,381	(5.6)	(5.0)	(1.8)	38,549
Of which: Loans and advances to customers	32,443	(3.5)	(2.8)	0.7	33,615
Tangible assets	806	(0.3)	0.3	1.4	808
Other assets	1,750	7.8	9.3	11.5	1,624
Total assets/liabilities and equity	**53,164**	**(4.1)**	**(3.4)**	**(0.1)**	**55,436**
Financial liabilities held for trading and designated at fair value through profit or loss	1,223	(7.8)	(4.9)	(4.8)	1,326
Deposits from central banks and credit institutions	5,197	(3.4)	(3.7)	(3.5)	5,378
Deposits from customers	34,920	(5.3)	(4.5)	(0.3)	36,874
Debt certificates	3,234	(1.1)	(0.9)	(0.0)	3,269
Other liabilities	4,045	6.1	7.6	9.3	3,813
Regulatory capital allocated	4,547	(4.8)	(4.0)	(0.3)	4,776

Relevant business indicators	31-03-21	Δ %	Δ % (1)	Δ % (2)	31-12-20
Performing loans and advances to customers under management (3)	32,587	(3.4)	(2.6)	0.9	33,719
Non-performing loans	1,792	0.6	1.4	3.9	1,780
Customer deposits under management (4)	34,932	(5.3)	(4.5)	(0.3)	36,886
Off-balance sheet funds (5)	14,433	5.2	2.7	2.7	13,722
Risk-weighted assets	38,948	(2.2)	(1.2)	2.4	39,804
Efficiency ratio (%)	47.2				42.6
NPL ratio (%)	4.6				4.4
NPL coverage ratio (%)	109				110
Cost of risk (%)	1.81				2.36

(1) Figures at constant exchange rates.
(2) Figures at constant exchange rates excluding BBVA Paraguay.
(3) Excluding repos.
(4) Excluding repos and including specific marketable debt securities.
(5) Includes mutual funds and pension funds.

SOUTH AMERICA. DATA PER COUNTRY (MILLIONS OF EUROS)

	Operating income				Net attributable profit/(loss)			
Country	**1Q21**	**Δ %**	**Δ % (1)**	**1Q20**	**1Q21**	**Δ %**	**Δ % (1)**	**1Q20**
Argentina	33	(64.1)	n.s.	92	6	(29.0)	n.s.	8
Colombia	145	3.4	13.6	140	48	n.s.	n.s.	8
Peru	162	(11.9)	3.5	183	28	(6.0)	10.5	30
Other countries (2)	38	(34.5)	(29.6)	58	22	(8.8)	2.5	24
Total	**377**	**(20.3)**	**0.6**	**473**	**104**	**48.6**	**117.7**	**70**

(1) Figures at constant exchange rates.
(2) Bolivia, Chile (Forum), Paraguay in 2020, Uruguay and Venezuela. Additionally, it includes eliminations and other charges.

SOUTH AMERICA. RELEVANT BUSINESS INDICATORS PER COUNTRY (MILLIONS OF EUROS)

	Argentina		Colombia		Peru	
	31-03-21	**31-12-20**	**31-03-21**	**31-12-20**	**31-03-21**	**31-12-20**
Performing loans and advances to customers under management (1)(2)	2,744	2,693	11,365	11,230	15,293	15,227
Non-performing loans and guarantees given (1)	66	50	670	651	953	911
Customer deposits under management (1)(3)	4,706	4,426	11,750	11,660	15,192	15,976
Off-balance sheet funds (1)(4)	1,327	928	1,131	1,506	2,326	2,163
Risk-weighted assets	5,727	5,685	12,609	13,096	16,676	15,845
Efficiency ratio (%)	76.0	53.6	35.8	35.2	38.4	37.7
NPL ratio (%)	2.3	1.8	5.2	5.2	4.8	4.5
NPL coverage ratio (%)	202	241	112	113	101	101
Cost of risk (%)	2.23	3.24	2.29	2.64	1.68	2.13

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Excluding repos and including specific marketable debt securities.
(4) Includes mutual funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators. The information for this business area includes BBVA Paraguay with regard to data on the results, activity, balance sheet and relevant business indicators for 2020, but does not include Paraguay for 2021, as the sale agreement materialized in January of that year. To facilitate an homogeneous comparison, the attached tables include a column at constant exchange rates that does not take BBVA Paraguay into account. All comments for this area also exclude BBVA Paraguay.

Activity and results

The most relevant aspects related to the area's activity during the first quarter of 2021 were:

- **Lending activity** (performing loans under management) showed an increase of 0.9% compared to December 2020, despite the outbreaks of COVID-19, which have resulted in lockdowns and mobility restrictions in some countries in the area; this comparison was also influenced by the summer seasonality. By portfolio, the wholesale portfolio recorded an increase of 0.6% and the retail portfolio closed with a growth of 1.2% compared to 2020.
- In terms of **asset quality**, the non-performing loan ratio stood at 4.6%, presenting an increase compared to December 2020, while the NPL coverage ratio decreased to 109% in the same period.
- Customer **funds** remained stable (up 0.5%) compared to the closing balance at the end of December 2020. Deposits from customers under management fell 0.3%. Off-balance sheet funds grew 2.7% between January and March 2021, with customer balances shifting from higher-cost transactional products toward off-balance sheet funds in search for increased profitability.

South America generated a cumulative net attributable **profit** of €104m between January and March 2021, representing a year-on-year increase of 150.2%, mainly due to the significant provision for impairment on financial assets in March 2020, as a result of the worsening macroeconomic scenario following the pandemic outbreak. The cumulative impact of inflation in Argentina on the area's net attributable profit in March 2021 stood at a loss of €-43m, compared to a cumulative loss of €-34m at the close of March 2020.

The evolution throughout the first three months of 2021 for the business area's most representative countries, **Argentina**, **Colombia** and **Peru**, is summarized below:

Argentina

- **Lending activity** grew 1.9% from the end of December 2020, in spite of restrictions on mobility due to COVID-19 and on the holiday seasonality in January and February, especially in the business segment. In retail portfolios, growth in consumer finance was notable as a result of the promotion plans implemented. The NPL ratio stood at 2.3% and the NPL coverage ratio at 202% as of March 31, 2021.
- Balance sheet **funds** continued to grow, albeit at more moderate rates than those recorded in 2020, while off-balance sheet funds increased by 43.0% year-to-date.
- Net attributable **profit** stood at €6m, with recurrent income performing well, a greater contribution in NTI (net trading income) due to foreign exchange trading operations, as well as reduced impairment on financial assets, in a year-on-year comparison influenced by significant provisions in this regard following the outbreak of the pandemic in the first quarter of 2020, in addition to a higher inflation rate.

Colombia

- **Lending activity** showed moderate growth compared to the end of 2020 (up 1.2%) thanks to the performance of wholesale portfolios (up 2.2%). In terms of asset quality, the NPL ratio and NPL coverage ratio stood at 5.2% and 112% respectively at the close of March 2021.
- **Deposits** from customers under management increased by 0.8% in the quarter. Off-balance sheet funds closed 24.9% down in the quarter due to the volatility of investments made by institutional customers.
- Net attributable **profit** stood at €48m, significantly above the €8m posted in March 2020, thanks to the strength of operating income, which increased by 13.6% due to higher recurring income and lower provisions for impairment on financial assets compared to the same period last year, when they increased significantly due to the pandemic outbreak.

Peru

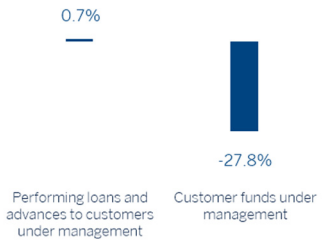
- **Lending activity** closed the quarter in line with the end of 2020 (up 0.4%), mainly due to the performance of mortgages and consumer finance. It is worth noting that corporate balances, despite the *Plan Reactiva* being completed in December 2020, remained stable in March (down 0.1%). In terms of asset quality, the NPL ratio stood at 4.8% as of March 31, 2021, while the NPL coverage ratio stood at 101%.
- **Deposits** from customers under management fell 4.9% in the first three months of 2021, with a decrease in demand and term deposits. Off-balance sheet funds grew 7.5%.
- Net interest income decreased between January and March 2021 compared to the same period last year, due to pressure on interest rates. Fees performed very well and grew 21.2%, due to activity with companies. Operating expenses remained under control, with a year-on-year decrease of 1.1%, which, together with the increase in gross income, represent a slight improvement in the efficiency ratio to 38.4%, at constant exchange rates. There was a year-on-year reduction in provisions for impairment on financial assets as a result of significant provisions made in March 2020 following the pandemic outbreak. As a result, net attributable **profit** stood at €28m, 10.5% higher than in the first quarter of 2020.

Rest of Business

Highlights

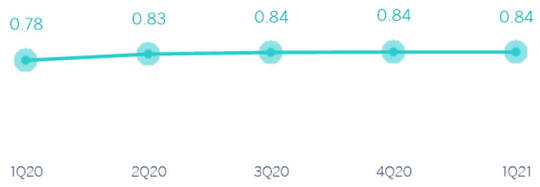
- **Slight increase in lending and a decrease in customers funds in the quarter.**
- **NPL ratio contained.**
- **Net interest income growth and good performance of NTI.**
- **Reduction of operating expenses.**

BUSINESS ACTIVITY [1]
(YEAR-TO-DATE CHANGE)

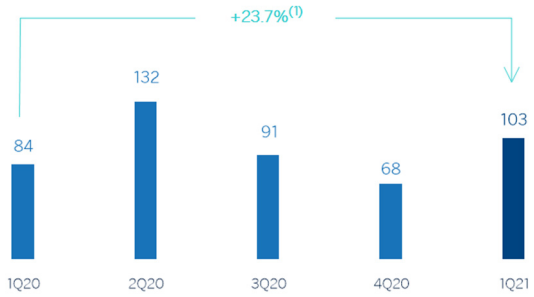


(1) Excluding repos.

NET INTEREST INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATES)

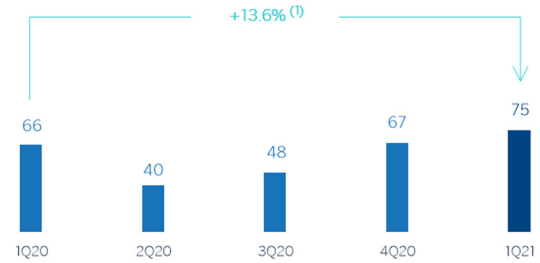


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: +20.2%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rate: +10.8%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	Δ % [1]	1Q20
Net interest income	**72**	**11.6**	**13.7**	**65**
Net fees and commissions	73	(13.2)	(9.1)	84
Net trading income	65	29.5	32.0	50
Other operating income and expenses	8	(30.2)	(25.2)	12
Gross income	**218**	**3.6**	**7.0**	**211**
Operating expenses	(115)	(7.9)	(4.6)	(125)
Personnel expenses	(64)	(12.7)	(8.8)	(73)
Other administrative expenses	(46)	(0.1)	2.4	(46)
Depreciation	(5)	(9.5)	(8.1)	(5)
Operating income	**103**	**20.2**	**23.7**	**86**
Impairment on financial assets not measured at fair value through profit or loss	2	n.s.	n.s.	(9)
Provisions or reversal of provisions and other results	(12)	n.s.	n.s.	11
Profit/(loss) before tax	**93**	**5.5**	**8.1**	**88**
Income tax	(17)	(12.7)	(10.7)	(20)
Profit/(loss) for the year	**75**	**10.8**	**13.6**	**68**
Non-controlling interests	-	-	-	-
Net attributable profit/(loss)	**75**	**10.8**	**13.6**	**68**

Balance sheets	31-03-21	Δ %	Δ % [1]	31-12-20
Cash, cash balances at central banks and other demand deposits	5,509	(10.0)	(13.8)	6,121
Financial assets designated at fair value	2,145	45.9	41.6	1,470
Of which: Loans and advances	825	n.s.	n.s.	153
Financial assets at amortized cost	27,950	2.7	1.9	27,213
Of which: Loans and advances to customers	24,450	1.8	0.9	24,015
Inter-area positions	-	-	-	-
Tangible assets	73	(3.1)	(3.6)	75
Other assets	339	15.6	14.0	293
Total assets/liabilities and equity	**36,015**	**2.4**	**0.8**	**35,172**
Financial liabilities held for trading and designated at fair value through profit or loss	1,509	77.8	70.3	849
Deposits from central banks and credit institutions	1,553	(8.7)	(10.7)	1,700
Deposits from customers	6,764	(27.5)	(29.0)	9,333
Debt certificates	1,127	(25.4)	(26.0)	1,511
Inter-area positions	21,499	18.6	17.2	18,132
Other liabilities	563	(7.4)	(8.6)	608
Regulatory capital allocated	2,999	(1.3)	(2.6)	3,039

Relevant business indicators	31-03-21	Δ %	Δ % [1]	31-12-20
Performing loans and advances to customers under management [2]	24,446	1.7	0.7	24,038
Non-performing loans	331	2.1	1.7	324
Customer deposits under management [2]	6,764	(27.5)	(29.0)	9,333
Off-balance sheet funds [3]	530	(7.0)	(7.0)	569
Risk-weighted assets	28,436	16.9	15.6	24,331
Efficiency ratio (%)	52.6			55.6
NPL ratio (%)	1.0			1.0
NPL coverage ratio (%)	101			109
Cost of risk (%)	(0.03)			0.30

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Includes pension funds.

Unless expressly stated otherwise, all the comments below on rates of change, for both activity and results, will be given at constant exchange rate. These rates, together with changes at current exchange rates, can be found in the attached tables of financial statements and relevant business indicators.

Activity and results

The most relevant aspects of the activity and results of the Rest of Business of the BBVA Group during the first quarter of 2021 were:

- **Lending activity** (performing loans under management) increased slightly during the first quarter of the year (up 0.7%).
- Regarding **credit risk** indicators, the NPL ratio stood at 1.0%, remaining stable with respect to December 2020, and the NPL coverage ratio decreased to 101%.
- Customer **deposits** under management fell by 29.0%, mainly due to a decrease in deposits from wholesale customers in Europe, excluding Spain, and the New York branch.
- In terms of **results**, **net interest income** increased 13.7% compared to the same period last year mainly due to the evolution of the branches located in Asia.
- The **NTI** line increased (up 32.0% year-on-year) on the back of the excellent performance of customer activity.
- Reduction of **operating expenses** (down 4.6% year-on-year) as a result of the active management of personnel costs and the focus on the implementation of control measures.
- The line of **impairment on financial assets** closed at €2m, which compares positively with the €-9m recorded twelve months earlier.
- The **provisions and other results** line stood at €-12m, mainly due to allowances for risks and contingent commitments.
- As a result, the area's cumulative **net attributable profit** at the end of March 2021 was €75m (up 13.6% year-on-year).

Corporate Center

FINANCIAL STATEMENTS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	1Q20
Net interest income	**(44)**	**(6.8)**	**(47)**
Net fees and commissions	(3)	(66.2)	(9)
Net trading income	46	(77.7)	208
Other operating income and expenses	(18)	(29.4)	(25)
Gross income	**(18)**	**n.s.**	**127**
Operating expenses	(212)	0.6	(211)
Personnel expenses	(129)	10.8	(117)
Other administrative expenses	(36)	(23.3)	(46)
Depreciation	(47)	(1.1)	(48)
Operating income	**(230)**	**176.3**	**(83)**
Impairment on financial assets not measured at fair value through profit or loss	(0)	(98.0)	(0)
Provisions or reversal of provisions and other results	9	n.s.	(25)
Profit/(loss) before tax	**(221)**	**105.0**	**(108)**
Income tax	11	(64.8)	31
Profit/(loss) after tax from continued operations	**(211)**	**173.1**	**(77)**
Profit/(loss) after tax from discontinued operations [1]	177	n.s.	(2,224)
Profit/(loss) for the year	**(34)**	**(98.5)**	**(2,301)**
Non-controlling interests	(1)	132.9	(0)
Net attributable profit/(loss)	**(34)**	**(98.5)**	**(2,301)**
Of which:			
Discontinued operations	**177**	**n.s.**	**(2,224)**
Net attributable profit excluding discontinued operations	**(211)**	**172.9**	**(77)**

(1) Including the results generated by BBVA USA and the rest of the Group's companies in the United States included in the sale agreement signed with PNC.

Balance sheets	31-03-21	Δ %	31-12-20
Cash, cash balances at central banks and other demand deposits	923	5.6	874
Financial assets designated at fair value	1,680	14.7	1,464
Of which: Loans and advances	-	-	-
Financial assets at amortized cost	1,782	3.8	1,718
Of which: Loans and advances to customers	669	32.5	505
Inter-area positions	-	-	-
Tangible assets	2,039	(1.2)	2,063
Other assets	102,929	3.7	99,298
Total assets/liabilities and equity	**109,353**	**3.7**	**105,416**
Financial liabilities held for trading and designated at fair value through profit or loss	60	(16.0)	72
Deposits from central banks and credit institutions	859	1.6	845
Deposits from customers	177	(51.3)	363
Debt certificates	3,383	(22.1)	4,344
Inter-area positions	496	n.s.	64
Other liabilities	87,418	4.4	83,707
Regulatory capital allocated	(33,751)	(0.7)	(33,998)
Total equity	50,711	1.4	50,020

The Corporate Center recorded a cumulative **net attributable loss** of €34m in the first quarter of 2021, compared with the €2,301m loss in the same period last year, due to the €2,084m goodwill impairment in the United States in the first quarter of 2020, which was mainly caused by the negative impact of the macroeconomic scenario adjustment as a consequence of the COVID-19 pandemic.

The **profit/(loss) after tax from discontinued operations** line includes the results generated by the Group businesses in the United States included in the agreement with PNC, which at the end of March 2021 amounted to €177m, while the result at the end of March, 2020 stood at €-2,224m, including the aforementioned goodwill impairment.

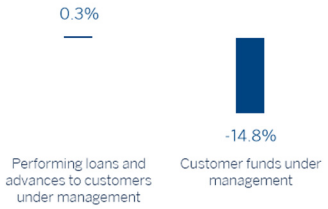
Apart from the above, the most relevant year-on-year aspect in the first quarter of 2021 is the lower **NTI** contribution (down 77.7% year-on-year) mainly due to gains in foreign-exchange rate hedging in 2020.

Other information: Corporate & Investment Banking

Highlights

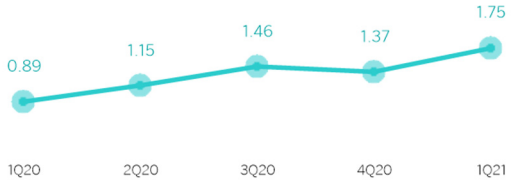
- **Lending activity balances at pre-pandemic levels and reduced customer funds.**
- **Excellent evolution of NTIs and efficiency.**
- **Leadership position in green and sustainable loans.**
- **Net attributable profit favored by double-digit growth in all margins and the significant reduction in the impairment on financial assets line.**

BUSINESS ACTIVITY [1]
(YEAR-TO-DATE-CHANGE)

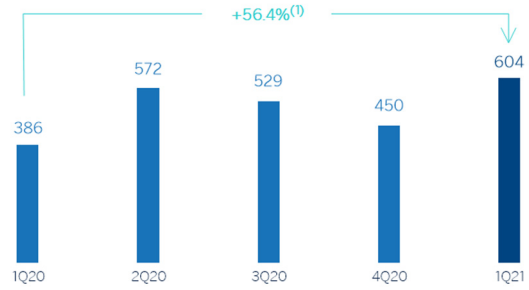


(1) Excluding repos.

GROSS INCOME/ATAS
(PERCENTAGE. CONSTANT EXCHANGE RATES)

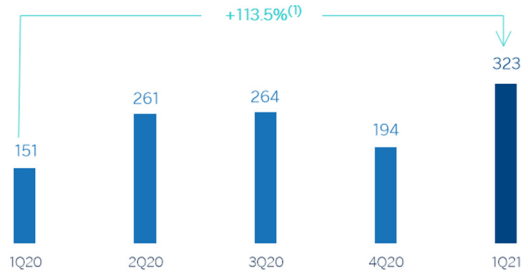


OPERATING INCOME
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +34.7%.

NET ATTRIBUTABLE PROFIT
(MILLIONS OF EUROS AT CONSTANT EXCHANGE RATES)



(1) At current exchange rates: +99.4%.

FINANCIAL STATEMENTS AND RELEVANT BUSINESS INDICATORS (MILLIONS OF EUROS AND PERCENTAGE)

Income statement	1Q21	Δ %	Δ % [1]	1Q20
Net interest income	**381**	**6.6**	**20.7**	**358**
Net fees and commissions	192	4.2	15.3	184
Net trading income	273	58.8	80.5	172
Other operating income and expenses	(11)	(7.5)	9.4	(12)
Gross income	**835**	**19.0**	**33.9**	**702**
Operating expenses	(232)	(8.8)	(2.7)	(254)
Personnel expenses	(106)	(11.5)	(7.1)	(120)
Other administrative expenses	(98)	(5.8)	3.9	(104)
Depreciation	(27)	(8.5)	(6.7)	(30)
Operating income	**604**	**34.7**	**56.4**	**448**
Impairment on financial assets not measured at fair value through profit or loss	(43)	(79.3)	(73.8)	(207)
Provisions or reversal of provisions and other results	(22)	n.s.	n.s.	7
Profit/(loss) before tax	**539**	**116.7**	**133.8**	**249**
Income tax	(138)	120.8	138.3	(63)
Profit/(loss) for the year	**401**	**115.3**	**132.3**	**186**
Non-controlling interests	(78)	221.3	265.9	(24)
Net attributable profit/(loss)	**323**	**99.4**	**113.5**	**162**

(1) Figures at constant exchange rates.

Balance sheets	31-03-21	Δ %	Δ % [1]	31-12-20
Cash, cash balances at central banks and other demand deposits	4,757	(36.5)	(38.7)	7,491
Financial assets designated at fair value	105,244	(4.5)	(4.6)	110,217
Of which: Loans and advances	34,706	11.3	11.4	31,183
Financial assets at amortized cost	68,970	(2.9)	(2.7)	71,031
Of which: Loans and advances to customers	58,027	(2.0)	(1.8)	59,225
Inter-area positions	-	-	-	-
Tangible assets	45	(8.9)	(9.2)	50
Other assets	1,215	44.1	46.1	843
Total assets/liabilities and equity	**180,230**	**(5.0)**	**(5.1)**	**189,632**
Financial liabilities held for trading and designated at fair value through profit or loss	83,852	(4.2)	(4.4)	87,508
Deposits from central banks and credit institutions	14,230	(10.8)	(11.0)	15,958
Deposits from customers	36,489	(15.1)	(15.2)	42,966
Debt certificates	2,194	4.7	5.4	2,096
Inter-area positions	33,169	9.8	9.9	30,218
Other liabilities	1,579	(25.5)	(27.0)	2,121
Regulatory capital allocated	8,717	(0.6)	(0.0)	8,766

(1) Figures at constant exchange rates.

Relevant business indicators	31-03-21	Δ %	Δ % [1]	31-12-20
Performing loans and advances to customers under management [2]	57,737	0.1	0.3	57,704
Non-performing loans	1,333	4.6	10.0	1,275
Customer deposits under management [2]	35,881	(15.2)	(15.4)	42,313
Off-balance sheet funds [3]	1,097	6.5	9.2	1,030
Efficiency ratio (%)	27.7			31.4

(1) Figures at constant exchange rates.
(2) Excluding repos.
(3) Includes mutual funds and other off-balance sheet funds.

Unless expressly stated otherwise, all the comments below on **rates of change**, for both activity and profit and loss, will be given at constant exchange rates. These rates, together with the changes at current exchange rates, can be found in the attached tables of the financial statements and relevant business indicators.

Activity

The most relevant aspects related to the area's activity during the first quarter of 2021 were:

- **Lending activity** (performing loans under management) stood at pre-pandemic levels and increased 0.3% compared to the end of December 2020. By geographical areas, Europe (excluding Spain), Turkey, Asia and Mexico showed positive performance in the quarter.
- **Customer funds** fell in all geographic areas, resulting in a 14.8% drop in balances for CIB as a whole in the first three months of 2021.

During the first quarter of 2021, and within the strategic priority of "helping our customers transition towards a sustainable future," it is worth noting that BBVA CIB has participated in a total of 59 operations, 15 in the area of bond intermediation and 44 in the area of sustainable financing. Among the latter, it is worth highlighting 3 project finance and 14 corporate financing operations linked to achieving certain environmental and social indicators (KPI-linked) and/or linked to the ESG (Environmental, Social and Governance: rating ESG-linked).

Results

CIB generated a net attributable profit of €323m in the first quarter of 2021, up 113.5% from the previous year, thanks to revenue growth in all geographic areas, cost control and lower provisions for impairment on financial assets, which increased significantly in March 2020, mainly due to the worsening macroeconomic scenario resulting from COVID-19. The most relevant aspects of the year-on-year changes in the income statement for Corporate & Investment Banking are summarized below:

- **Net interest income** sustained double-digit growth (up 20.7%) due to the performance of lending activity, with higher volumes and an improvement in profitability per transaction due to the sales effort.
- Double-digit growth was also observed in **net fees and commissions** (up 15.3%), mainly due to the performance of Global Markets and transactional banking. By geographic areas, all saw positive performance, excluding Rest of Business.
- **NTI** showed excellent performance, in a year-on-year comparison that benefited from market turbulence due to the pandemic outbreak.
- The **efficiency ratio** improved to 27.7%, due to both the growth of gross income (up 33.9%) and the good performance of operating expenses, which fell 2.7%, thanks to the active management of personnel costs and the focus on the implementation of discretionary cost control.
- Provisions for **impairment on financial assets** were significantly lower than those made in the same period last year, mainly due to the provisions relating to COVID-19 made in the first quarter of 2020.

Alternative Performance Measures (APMs)

BBVA presents its results in accordance with the International Financial Reporting Standards (EU-IFRS). However, it also considers that some **Alternative Performance Measures** (hereinafter APMs) provide useful additional financial information that should be taken into account when evaluating performance. These APMs are also used when making financial, operational and planning decisions within the Entity. The Group firmly believes that they give a true and fair view of its financial information. These APMs are generally used in the financial sector as indicators for monitoring the assets, liabilities and economic and financial situation of entities.

BBVA Group's APMs are given below. They are presented in accordance with the European Securities and Markets Authority (**ESMA**) guidelines, published on October 5, 2015 (ESMA/2015/1415en) as well as the statement published by the ESMA on May 20, 2020 (ESMA 32-63-972), about implications of the COVID-19 outbreak on the half-yearly financial reports. The guidelines mentioned before are aimed at promoting the usefulness and transparency of APMs included in prospectuses or regulated information in order to protect investors in the European Union. In accordance with the indications given in the guidelines, BBVA Group's APMs:

- Include clear and readable definitions of the APMs.
- Disclose the reconciliations to the most directly reconcilable line item, subtotal or total presented in the financial statements of the corresponding period, separately identifying and explaining the material reconciling items).
- Are standard measures generally used in the financial industry, so their use provides comparability in the analysis of performance between issuers. Do not have greater preponderance than measures directly stemming from financial statements.
- Are accompanied by comparatives for previous periods.
- Are consistent over time.

Constant exchange rates

When comparing two dates or periods in this management report, the impact of changes in the exchange rates against the euro of the currencies of the countries in which BBVA operates is sometimes excluded, assuming that exchange rates remain constant. This is done for the amounts in the income statement by using the average exchange rate against the euro in the most recent period for each currency of the geographical areas in which the Group operates, and applying it to both periods; for amounts in the balance sheet and activity, the closing exchange rates in the most recent period are used.

Profit/ (loss) for the year

Explanation of the formula: The profit/(loss) for the year is the profit/(loss) for the year from the Group's consolidated income statement, which comprises the profit/(loss) after tax from continued operations and the profit/(loss) after tax from discontinued operations or, where applicable, the estimated gain of BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC.

Relevance of its use: This measure is commonly used, not only in the banking sectors, for homogeneous comparison purposes.

Profit/(loss) for the period

			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
(Millions of euros)	+	Annualized profit/(loss) after tax from continued operations	5,149	3,789	2,426
(Millions of euros)	+	Annualized profit/(loss) after tax from discontinued operations	-	(1,729)	(2,646)
(Millions of euros)	+	Estimated profit/(loss) from BBVA USA	280	-	-
	=	**Profit/(loss) for the period**	**5,429**	**2,060**	**(220)**

Adjusted profit/ (loss) for the year

Explanation of the formula: The adjusted profit/(loss) for the year is the profit/(loss) from continued operations for the year from the Group's consolidated income statement, excluding those extraordinary items that, for management purposes, are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Adjusted profit/(loss) for the period			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
(Millions of euros)	+	Annualized profit/(loss) after tax from continued operations	5,149	3,789	2,426
(Millions of euros)	-	Net capital gains from the bancassurance transaction	-	304	-
	=	**Adjusted profit/(loss) for the period**	**5,149**	**3,485**	**2,426**

Net attributable profit

Explanation of the formula: The net attributable profit is the net attributable profit of the Group's consolidated income statement from continued operations and the profit/(loss) after tax from discontinued operations or, where applicable, the estimated gain of BBVA and the rest of Group's companies in the United States included in the sale agreement signed with PNC.

Relevance of its use: This measure is commonly used, not only in the banking sector, for homogeneous comparison purposes.

Net attributable profit/(loss)			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
(Millions of euros)	+	Annualized net attributable profit/(loss) from continued operations	4,188	3,033	1,735
(Millions of euros)	+	Annualized profit/(loss) after tax from discontinued operations	-	(1,729)	(2,646)
(Millions of euros)	+	Estimated profit/(loss) from BBVA USA	280	-	-
	=	**Net attributable profit/(loss)**	**4,468**	**1,305**	**(911)**

Adjusted net attributable profit

Explanation of the formula: The adjusted net attributable profit is the net attributable profit of the Group's consolidated income statement from continued operations excluding those extraordinary items that, for management purposes are defined at any given moment.

Relevance of its use: This measure is commonly used, not only in the banking sector, for comparison purposes.

Adjusted net attributable profit/(loss)			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
(Millions of euros)	+	Annualized net attributable profit/(loss) from continued operations	4,188	3,033	1,735
(Millions of euros)	-	Net capital gains from the bancassurance transaction	-	304	-
	=	**Adjusted net attributable profit/(loss)**	**4,188**	**2,729**	**1,735**

Book value per share

The book value per share determines the value of a company on its books for each share held by shareholders. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for both ''shareholders' funds'' and ''accumulated other comprehensive income'' are taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of outstanding shares excluding own shares (treasury shares). The denominator is also adjusted to include the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued. It is a generally used ratio, not only in the banking sector but also in others.

Book value per share

			31-03-21	31-12-20	31-03-20
Numerator (Millions of euros)	+	Shareholders' funds	60,033	58,904	55,990
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(14,718)	(14,356)	(12,805)
Denominator (Millions of shares)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	8	14	11
=		**Book value per share**	**6.80**	**6.70**	**6.49**

Tangible book value per share

The tangible book value per share determines the value of the company on its books for each share held by shareholders in the event of liquidation. It is calculated as follows:

$$\frac{\text{Shareholders' funds} + \text{Accumulated other comprehensive income} - \text{Intangible assets}}{\text{Number of shares outstanding} - \text{Treasury shares}}$$

Explanation of the formula: The figures for ''shareholders' funds'', ''accumulated other comprehensive income'' and "intangible assets" are all taken from the balance sheet. Shareholders' funds are adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results. The denominator includes the final number of shares outstanding excluding own shares (treasury shares). The denominator is also adjusted to include the result of the capital increase resulting from the execution of the "dividend options" explained above. Both the numerator and the denominator take into account period-end balances.

Relevance of its use: It shows the company's book value for each share issued, after deducting intangible assets. It is a generally used ratio, not only in the banking sector but also in others.

Tangible book value per share

			31-03-21	31-12-20	31-03-20
Numerator (Millions of euros)	+	Shareholders' funds	60,033	58,904	55,990
	+	Dividend-option adjustment	-	-	-
	+	Accumulated other comprehensive income	(14,718)	(14,356)	(12,805)
	-	Intangible assets	2,297	2,345	2,518
	-	Intangible assets from BBVA USA and BBVA Paraguay (1)	2,032	1,952	2,188
Denominator (Millions of shares)	+	Number of shares outstanding	6,668	6,668	6,668
	+	Dividend-option	-	-	-
	-	Treasury shares	8	14	11
=		**Tangible book value per share**	**6.15**	**6.05**	**5.78**

(1) BBVA Paraguay includes €4m as of 31-12-20 and 31-03-20.

Dividend yield

This is the remuneration given to the shareholders in the last twelve calendar months, divided by the closing price for the period. It is calculated as follows:

$$\frac{\sum \text{Dividend per share over the last twelve months}}{\text{Closing price}}$$

Explanation of the formula: The remuneration per share takes into account the gross amounts per share paid out over the last twelve months, both in cash and through the flexible remuneration system called "dividend option".

Relevance of its use: This ratio is generally used by analysts, shareholders and investors for companies that are traded on the stock market. It compares the dividend paid out by a company every year with its market price at a specific date.

Dividend yield

		31-03-21	31-12-20	31-03-20
Numerator (Euros)	∑ Dividends	0.16	0.16	0.26
Denominator (Euros)	Closing price	4.43	4.04	2.92
=	**Dividend yield**	**3.6%**	**4.0%**	**8.9%**

Earning per share

The earning per share is calculated in accordance to the criteria established in the IAS 33 "Earnings per share".

Earnings/(losses) per share

			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (millions of euros)	+	Net attributable profit/(loss)	1.210	1.305	(1.792)
	+	Remuneration related to the Additional Tier 1 securities	100	387	113
	=	Net attributable profit/(loss) ex.CoCos remuneration	1.109	917	(1.906)
Denominator (millions)	+	Average number of shares	6.668	6.668	6.668
	-	Average treasury shares of the period	11	13	11
=		**Earnings/(losses) per share (euros)**	**0,17**	**0,14**	**(0,29)**

In addition, for management purposes, below is the earning per share excluding both the profit/(loss) after tax from discontinued operations, i.e., the results from BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC, for the three periods disclosed, and the net capital gain from the bancassurance operation with Allianz registered in the fourth quarter of 2020 financial year.

Adjusted earnings/(losses) per share

			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (millions of euros)		Net attributable profit/(loss) ex. CoCos remuneration	1.109	917	(1.906)
	-	Discontinued operations	177	(1.729)	(2.224)
	-	Corporate operations	-	304	-
	=	Net Attributable profit ex.CoCos, discontinued and corporate operations	932	2.342	318
Denominator (millions)	+	Average number of shares	6.668	6.668	6.668
	-	Average treasury shares of the period	11	13	11
=		**Adjuted earnings/(losses) per share (euros)**	**0,14**	**0,35**	**0,05**

Non-performing loan (NPL) ratio

It is the ratio between the risks classified for accounting purposes as non-performing loans and the total credit risk balance, both excluding the balances from BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC. It is calculated as follows:

$$\frac{\text{Non} - \text{performing loans}}{\text{Total credit risk}}$$

Explanation of the formula: non-performing loans and the credit risk balance are gross, meaning they are not adjusted by associated accounting provisions.

Non-performing loans are calculated as the sum of "loans and advances at amortized cost" and the "contingent risk" in stage 3[4] and the following counterparties:

- other financial entities
- public sector
- non-financial institutions
- households

The credit risk balance is calculated as the sum of "loans and advances at amortized cost" and "contingent risk" in stage 1 + stage 2 + stage 3 of the previous counterparts.

This indicator is shown, as others, at a business area level.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the current situation and changes in credit risk quality, and specifically the relationship between risks classified in the accounts as non-performing loans and the total balance of credit risk, with respect to customers and contingent liabilities.

Non-Performing Loans (NPLs) ratio				
		31-03-21	**31-12-20**	**31-03-20**
Numerator (Millions of euros)	NPLs	15,613	15,451	15,290
Denominator (Millions of euros)	Credit Risk	365,292	366,883	379,645
=	Non-Performing Loans (NPLs) ratio	4.3%	4.2%	4.0%

NPL coverage ratio

This ratio reflects the degree to which the impairment of non-performing loans has been covered in the accounts via allowances, excluding assets from BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC. It is calculated as follows:

$$\frac{\text{Provisions}}{\text{Non} - \text{performing loans}}$$

Explanation of the formula: It is calculated as "Provisions" from stage 1 + stage 2 + stage 3, divided by non-performing loans, formed by "credit risk" from stage 3.

This indicator is shown, as others, at a business area level.

[4] IFRS 9 classifies financial instruments into three stages, which depend on the evolution of their credit risk from the moment of initial recognition. The stage 1 includes operations when they are initially recognized, stage 2 comprises operations for which a significant increase in credit risk has been identified since their initial recognition and,stage 3, impaired operations.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk, reflecting the degree to which the impairment of non-performing loans has been covered in the accounts via value adjustments.

NPL coverage ratio				
		31-03-21	31-12-20	31-03-20
Numerator (Millions of euros)	Provisions	12,612	12,595	12,720
Denominator (Millions of euros)	NPLs	15,613	15,451	15,290
=	NPL coverage ratio	81%	82%	83%

Cost of risk

This ratio indicates the current situation and changes in credit-risk quality through the annual cost in terms of impairment losses (accounting loan-loss provisions,) of each unit of loans and advances to customers (gross). It excludes the risk attributable to BBVA USA and the rest of the Group´s companies in the United States included in the sale agreement signed with PNC. It is calculated as follows:

$$\frac{\text{Annualized loan} - \text{loss provisions}}{\text{Average loans to customers (gross)}}$$

Explanation of the formula: ''Loans to customers (gross)'' refers to the "loans and advances at amortized cost" portfolios with the following counterparts:

- other financial entities
- public sector
- non-financial institutions
- households, excluding central banks and other credit institutions

Average loans to customers (gross) is calculated by using the average of the period-end balances of each month of the period analyzed plus the previous month. ''Annualized loan-loss provisions'' are calculated by accumulating and annualizing the loan-loss provisions of each month of the period under analysis.

Loan-loss provisions refer to the aforementioned loans and advances at amortized cost portfolios.

This indicator is shown, as others, at a business area level.

Relevance of its use: This is one of the main indicators used in the banking sector to monitor the situation and changes in the quality of credit risk through the cost over the year.

Cost of risk				
		Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)	Annualized loan-loss provisions	3,782	5,160	8,540
Denominator (Millions of euros)	Average loans to customers (gross)	322,423	332,096	336,657
=	Cost of risk	1.17%	1.55%	2.54%

Efficiency ratio

This measures the percentage of gross income consumed by an entity's operating expenses. It is calculated as follows:

$$\frac{\text{Operating expenses}}{\text{Gross income}}$$

Explanation of the formula: Both ''operating expenses'' and ''gross income'' are taken from the Group's consolidated income statement. Operating expenses are the sum of the administration costs (personnel expenses plus other administrative expenses) plus depreciation. Gross income is the sum of net interest income, net fees and commissions, net trading income dividend income, share of profit or loss of entities accounted for using the equity method, and other operating income and expenses. For a more detailed calculation of this ratio, the graphs on the "Results" section of this

report should be consulted, one of them with calculations with figures at current exchange rates and another with the data at constant exchange rates.

Relevance of its use: This ratio is generally used in the banking sector. In addition, it is an indicator from one of the six Strategic Priorities of the Group.

Efficiency ratio		Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)	Operating expenses	2,304	9,088	2,477
Denominator (Millions of euros)	Gross income	5,155	20,166	5,778
=	Efficiency ratio	44.7%	45.1%	42.9%

ROE

The ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: The numerator is the net attributable profit previously defined in these alternative performance measures, If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized. 'Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

Average accumulated other comprehensive income is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

ROE			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)		Annualized net attributable profit/(loss)	4,468	1,305	(911)
Denominator (Millions of euros)	+	Average shareholder's funds	59,479	57,626	58,833
	+	Average accumulated other comprehensive income	(14,598)	(12,858)	(10,494)
=		ROE	10.0%	2.9%	(1.9%)

Adjusted ROE

The adjusted ROE (return on equity) ratio measures the return obtained on an entity's shareholders' funds plus accumulated other comprehensive income. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income}}$$

Explanation of the formula: The numerator is the adjusted net attributable profit previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average shareholders' funds are the weighted moving average of the shareholders' funds at the end of each month of the period analyzed, adjusted to take into account the execution of the "dividend-option" at the closing dates on which it was agreed to deliver this type of dividend prior to the publication of the Group´s results.

Average accumulated other comprehensive income is the moving weighted average of accumulated other comprehensive income, which is part of the equity on the Entity's balance sheet and is calculated in the same way as average shareholders' funds (above).

Relevance of its use: This ratio is very commonly used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds.

Adjusted ROE			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)		Adjusted net attributable profit/(loss)	4,188	2,729	1,735
Denominator (Millions of euros)	+	Average shareholder's funds	59,479	57,626	58,833
	+	Average accumulated other comprehensive income	(14,598)	(12,858)	(10,494)
	=	**Adjusted ROE**	**9.3%**	**6.1%**	**3.6%**

ROTE

The ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator (annualized net attributable profit) and the items in the denominator ''average intangible assets'' and ''average accumulated other comprehensive income'' are the same items and are calculated in the same way as explained for ROE.

Average intangible assets are the intangible assets on the balance sheet, including goodwill and other intangible assets. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

ROTE			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)		Annualized net attributable profit/(loss)	4,468	1,305	(911)
Denominator (Millions of euros)	+	Average shareholder's funds	59,479	57,626	58,833
	+	Average accumulated other comprehensive income	(14,598)	(12,858)	(10,494)
	-	Average intangible assets	2,303	2,480	2,700
	-	Average intangible assets from BBVA USA and BBVA Paraguay [1]	1,977	2,528	3,892
=		**ROTE**	**11.0%**	**3.3%**	**(2.2%)**

(1) BBVA Paraguay includes 4 millions of euros as of January-December 2020 and January-March 2020.

Adjusted ROTE

The adjusted ROTE (return on tangible equity) ratio measures the return on an entity's shareholders' funds, plus accumulated other comprehensive income, and excluding intangible assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted net attributable profit}}{\text{Average shareholders' funds} + \text{Average accumulated other comprehensive income} - \text{Average intangible assets}}$$

Explanation of the formula: The numerator is the adjusted net attributable profit previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average intangible assets are the intangible assets on the balance sheet, excluding the assets from BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC. The average balance is calculated in the same way as explained for shareholders' funds in ROE.

Relevance of its use: This metric is generally used not only in the banking sector but also in other sectors to measure the return obtained on shareholders' funds, not including intangible assets.

Adjusted ROTE			Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)		Adjusted net attributable profit/(loss)	4,188	2,729	1,735
Denominator (Millions of euros)	+	Average shareholder's funds	59,479	57,626	58,833
	+	Average accumulated other comprehensive income	(14,598)	(12,858)	(10,494)
	-	Average intangible assets	2,303	2,480	2,700
	-	Average intangible assets from BBVA Paraguay	-	4	4
	=	Adjusted ROTE	9.8%	6.5%	3.8%

ROA

The ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized profit/(loss) for the year}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the profit/(loss) for the year, previously defined in these alternative performance measures If the metric is presented on a date before the close of the fiscal year, the numerator must be annualized.

Average total assets are taken from the Group's consolidated balance sheet. The average balance is calculated as explained for average shareholders' funds in the ROE.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

ROA		Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)	Annualized profit/(loss) for the year	5,429	2,060	(220)
Denominator (Millions of euros)	Average total assets	717,575	729,833	713,097
=	ROA	0.76%	0.28%	(0.03%)

Adjusted ROA

The adjusted ROA (return on assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit/(loss) for the ye}}{\text{Average total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized.

Average total assets are taken from the Group's consolidated balance sheets, excluding the assets from BBVA and the rest of Group's companies in the United States included in the sale agreement signed with PNC. The average balance is calculated as the moving weighted average of the total assets of the Group's consolidated balance sheet at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted ROA		Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)	Adjusted profit/(loss) for the year	5,149	3,485	2,426
Denominator (Millions of euros)	Average total assets	633,162	642,762	628,268
=	Adjusted ROA	0.81%	0.54%	0.39%

RORWA

The RORWA (return on risk-weighted assets) ratio measures the accounting return obtained on average risk-weighted assets. It is calculated as follows:

$$\frac{\text{Annualized profit/(loss) for the year}}{\text{Average risk} - \text{weighted assets}}$$

Explanation of the formula: The numerator is the profit/(loss) for the year previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized**.**

Average risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis.

Relevance of its use: This ratio is generally used in the banking sector to measure the return obtained on RWA.

RORWA		Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)	Annualized profit/(loss) for the year	5,429	2,060	(220)
Denominator (Millions of euros)	Average RWA	351,727	358,674	369,281
=	RORWA	1.54%	0.57%	(0.06%)

Adjusted RORWA

The adjusted RORWA (return on risk-weighted assets) ratio measures the return obtained on an entity's assets. It is calculated as follows:

$$\frac{\text{Annualized adjusted profit for the year}}{\text{Average risk} - \text{weighted assetsrage total assets}}$$

Explanation of the formula: The numerator is the annualized adjusted profit/(loss) for the year previously defined in these alternative performance measures. If the metric is presented on a date before the close of the fiscal year, the numerator will be annualized

Average risk-weighted assets (RWA) are the moving weighted average of the risk-weighted assets at the end of each month of the period under analysis, excluding the RWA from BBVA USA and the rest of Group's companies in the United States included in the sale agreement signed with PNC.

Relevance of its use: This ratio is generally used not only in the banking sector but also in other sectors to measure the return obtained on assets.

Adjusted RORWA		Jan.-Mar.2021	Jan.-Dec.2020	Jan.-Mar.2020
Numerator (Millions of euros)	Adjusted profit/(loss) for the year	5,149	3,485	2,426
Denominator (Millions of euros)	Average RWA	297,152	300,517	309,089
=	Adjusted RORWA	1.73%	1.16%	0.78%

SECTION 1 – PERSONS RESPONSIBLE, THIRD PARTY INFORMATION, EXPERTS' REPORTS AND COMPETENT AUTHORITY APPROVAL

1.1 Persons responsible

Ms. Mª Ángeles Peláez Morón, in her capacity as Director of the Group's Accounting & Regulatory Reporting Area, with granted powers by virtue of the power of attorney granted in Madrid on July 19, 2013 before the Notary Mr. Carlos Rives Gracia, recorded in his book of records under number 1825, registered with the Company Register of Vizcaya on July 24, 2013, volume 5323 of the General Section of Companies, Folio 177, Sheet BI-17 (A), Entry 3009, on behalf of BANCO BILBAO VIZCAYA ARGENTARIA, S.A. (hereinafter "Banco Bilbao Vizcaya Argentaria", "BBVA" or the "Bank"), assumes the responsibility for the entire content of this Universal Registration Document.

1.2 Persons responsible declaration

Ms. Mª Ángeles Peláez Morón, Head of Group Financial Accounting & Regulatory Reporting, states that, the information contained in this Universal Registration Document is, to the best of her knowledge, in accordance with the facts and contains no omission likely to materially affect its import.

1.5 Approval by the competent authority

Ms. Mª Ángeles Peláez Morón, Head of Group Financial Accounting, states that:

a) this Universal Registration Document has been approved by the Spanish Exchange Securities Commission (CNMV), as competent authority under Regulation (EU) 2017/1129;
b) the CNMV only approves this Universal Registration Document as meeting the standards of completeness, comprehensibility and consistency imposed by Regulation (EU) 2017/1129; and
c) such approval should not be considered as an endorsement of the issuer that is the subject of this Universal Registration Document.

SECTION 2 – STATUTORY AUDITORS

2.1 Auditors

Banco Bilbao Vizcaya Argentaria, S.A. Individual Financial Statements, as well as the Consolidated Financial Statements of the Consolidated Group (hereinafter, "BBVA Group"), for the years ended December 31, 2020, 2019 and 2018 have been audited by KPMG, S.L, with a registered office in Madrid, Torre de Cristal en Paseo de la Castellana 259-C, and NIF B-78510153, and which is currently registered with the ROAC under number S-0702. The opinion of the audit reports, corresponding to the years ended on December 31, 2020, 2019 and 2018 has been favorable, they did not present any exceptions or limitations to the scope.

The aforementioned individual and consolidated Financial Statements and the management reports individual and consolidated of Banco Bilbao Vizcaya Argentaria, S.A. and BBVA Group respectively, for years ended December 31, 2020, 2019 and 2018, along with their corresponding audit reports are filed with the CNMV.

2.2 Relevant information about the auditors

On July 28, 2016, the Board of Directors resolved to propose to the Ordinary General Meeting of Shareholders of BBVA the appointment of KPMG Auditores, S.L., as auditor of BBVA and its consolidated Group for 2017, 2018 and 2019. Subsequently, at the General Shareholders' Meeting held on March 17, 2017, it was agreed to elect KPMG as auditor. At the General Shareholders' Meeting held on March 13, 2021, it was considered to re-elect KPMG Auditores, S.L. as Auditors of Banco Bilbao Vizcaya Argentaria, S.A. and the Banco Bilbao Vizcaya Argentaria Group, for the financial year 2020.

The auditors have not resigned or been removed from their duties during the period covered by the historical financial information presented in this Universal Registration Document (years 2020, 2019 and 2018).

SECTION 3 – RISK FACTORS

See Section of Risk Factors.

SECTION 4 – INFORMATION ABOUT THE ISSUER

4.1 The legal and commercial name of the issuer

The legal name of the issuer is Banco Bilbao Vizcaya Argentaria, S.A., with NIF (tax ID) A-48265169 and CNAE No. (National Classification of Economic Activities code) 6419, and operates under the trade mark BBVA.

4.2 Registration of the issuer and Legal Entity Identifier (LEI)

Banco Bilbao Vizcaya Argentaria, S.A. is listed in the Register of Banks and Bankers of the Bank of Spain with code number 0182. BBVA's Legal Entity Identifier (LEI) code is K8MS7FD7N5Z2WQ51AZ71.

4.3 Date of incorporation

Banco Bilbao Vizcaya Argentaria, S.A. was established under the name Banco Bilbao Vizcaya, S.A. under the terms of the merger of Banco de Bilbao, S.A. and Banco de Vizcaya, S.A., authorised by the notary of Bilbao, José María Arriola Arana, on 1 October 1988, with notary record number 4350, registered in volume 2083, folio 1, sheet BI-17-A, registration 1 of the Biscay Commercial Registry; adopting its current name by virtue of the merger of the entities Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal y Banco Hipotecario, S.A., in which the former absorbed the latter, granted on 25 January 2000 by the notary of Bilbao, José María Arriola Arana, registered in volume 3858, folio 1, sheet BI-17 A, registration 1035 in the General Section of Companies of the Biscay Commercial Registry, on 28 January 2000.

The duration of the company's life is considered indefinite, in accordance with article 4 of its Bylaws. The Bylaws are available to the public and can be referred to on the Bank's corporate website www.bbva.com, (whose content is not part of the Universal Registration Document except for that information that has been incorporated by reference in this Universal Registration Document)) as well as at the National Securities Market Commission (CNMV), where they are registered.

4.4 Company information

Banco Bilbao Vizcaya Argentaria, S.A., at registered office at 4, Plaza de San Nicolás, 48005, Bilbao, Spain. In addition, information is provided regarding the address of BBVA's main central services centre, other than its registered office: Calle Azul, 4, 28050 Madrid, Tel. 91 537 7000.

Banco Bilbao Vizcaya Argentaria, S.A. is established under the legal form of a corporation, and therefore the corresponding corporate legislation is applicable to it, as well as the banking and securities market regulation due to the characteristics of its activity.

The Bylaws are available to the public and can be referred to on the Bank's corporate website www.bbva.com, as well as at the CNMV, where they are registered. The information contained on these websites is not part of the Universal Registration Document except for information that has been incorporated by reference in this Universal Registration Document.

SECTION 5 – BUSINESS OVERVIEW

5.3 Important events in the development of the issuer's business

The main events in the development of the issuer's business until the date of registration of this Universal Registration Document, are described in this Universal Registration Document (including this section), the Interim Financial Statements corresponding to the three-month period ended March 31, 2021 and the accompanying consolidated financial statements that are incorporated into the present Universal Registration Document.

Banco Bilbao Vizcaya Argentaria, S.A. is a private law entity subject to the rules and regulations of the banking entities operating in Spain and carries out its activity through branches and agencies distributed throughout the national territory, as well as abroad. Initially founded in 1857 as Banco Bilbao. In 1988 the merger agreement with Banco de Vizcaya was signed. In 1999 the merger with Argentaria was announced and in 2000 the BBVA brand was adopted. Below are the main milestones in the issuer's history:

1995	Acquisition of Banco Continental (Perú): BBVA acquires 35% of Banco Continental de Perú Acquisition of Probursa (México): BBVA happens to control the 70% of Probursa Financial Group	2006	Acquisiton of Texas Regional Bancshares (EE.UU.) Acquisition of Forum Servicios Financieros (Chile) Acquisition of State National Bancshares (EE.UU.) Share on CITIC (China)	2014	Acquisition of Simple (EE.UU.)
1996	Acquisition of Banco Ganadero (Colombia) Acquisition of Bancos Cremi and Oriente (México) Acquisition of Banco Francés (Argentina)	2007	Acquisition of Compass (EE.UU.)	2015	Sale to CNBC share in CIFH (China) Sale of 4,9% in CNBC (China) Merge with Catalunya Banc (Spain):Integration of the companies BBVA, S.A., Catalunya Banc, S.A., Banco Custodian BBVA, S.A. and Unoe Bank, S.A., the first being the absorbing company. Participation increase in Turkiye Garanti Bankasi (Turkey): Acquisition of additional 14.89% of Garanti Acquisition of 29,5% of Atom (UK)
1997	Acquisition of Banco Provincial (Venezuela) Acquisition of B.C. Argentino (Argentina)	2008	Extension of the agreement with CITIC (China)	2016	Holvi (Finland) Sale of 1,12% CNBC (China) Sale of GarantiBank Moscow AO (Moscow) OpenPay (México)
1998	Acquisition of Poncebank (Puerto Rico) Acquisition of Banco Excel (Brasil) Acquisition of Banco BHIF (Chile)	2009	Acquisition of Guaranty Bank (EE.UU.)	2017	Venta de CNBC (China): Partial sale of China CITIC Bank Corporation Limited (CNCB). Expansion of participation in Turkiye Garanti Bankasi del 9,95% (Turkey): the sale and purchase agreement was completed, bringing BBVA's total stake in Garanti Bank to 49.85%. Agreement with Cerberus Group for the transfer of the real estate business (Spain)
1999	Acquisition of Provida (Chile) Acquisition of Consolidar (Argentina) Merge with Argentaria	2010	New extension of the agreement with CITIC (China) Share on Turkiye Garanti Bankasi (Turkey)	2018	Sale of the share in BBVA Chile to The Bank of Nova Scotia (Chile)
2000	Adoption of the current name after the merger of the entities Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal y Banco Hipotecario, S.A., authorized on January 25, 2000 Acquisition of Bancomer (México)	2011	Extension of the agreement with Forum Servicios Financieros (Chile) Credit Uruguay (Uruguay)	2021	Sale of BBVA Paraguay (Paraguay): BBVA completes the sale of its direct and indirect shareholding of 100% of the capital stock of Banco Bilbao Vizcaya Argentaria Paraguay, S.A. Sale of BBVA USA (EE.UU.): (See Agreement of the sale of BBVA USA): BBVA completes the sale of 100% of the capital stock of its subsidiary BBVA USA Bancshares, Inc, the company that in turn owns all of the capital stock of BBVA USA bank, in favor of The PNC Financial Services Group, Inc.
2004	Acquisition of Valley Bank (EE.UU.) Acquisition of Laredo (EE.UU.) Takeover bid on Bancomer (México)	2012	Disinvestment (Puerto Rico) Purchase of Unnim Banc (Spain)		
2005	Acquisition of Granahorrar (Colombia) Acquisition of Hipotecaria Nacional (México)	2013	Disinvestment (Panamá) Disinvestment in the Business (Latin america) Sale of the 5,1% de CNCB (China)		

Sale of BBVA's U.S. Bancshares, Inc to PNC Financial Service Group

On June 1 2021, after obtaining all the required authorizations, BBVA completed the sale to The PNC Financial Services Group, Inc. 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.

The consideration received in cash by BBVA, as a consequence of the referred sale, amounts to approximately 11,500 million USD[1] (equivalent to approximately €9,600 million [2]).

The accounting of both the results generated by BBVA USA Bancshares since the announcement of the transaction and of its closing, have had an aggregate positive impact on the BBVA Group's Common Equity Tier 1 ("fully loaded") ratio of approximately 294 basis points (of which 24 basis points have already been accounted for in such ratio between the date of the announcement and the end of the first quarter of 2021) and a profit net of taxes of approximately €570 million (€479 million of such have been accounted for in the BBVA Group's result between the date of the announcement and the end of the first quarter of 2021)[3].

The BBVA Group will continue to develop the institutional and wholesale business in the US that it currently carries out through its broker dealer BBVA Securities Inc and its branch in New York. BBVA will also maintain its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P.

5.6. Competitive Position

In this document, no reference is made to sources of statements related to BBVA's competitiveness with the exception of those contained, where appropriate, in the consolidated management report. Such statements either expressly indicate the source or are prepared by the Bank based on public information.

SECTION 8 – CAPITAL RESOURCES

8.3 Impact of credit ratings

The Bank, as well as those of its subsidiaries that are considered credit institutions, develop a banking business that involves raising funds from different sources. Credit ratings are essential instruments for developing the banking business, since the ability to obtain resources and their price depends on the rating given, as well as other factors, such as the market situation or the interest rate environment.

Different rating agencies assess the creditworthiness of the Bank and some of its subsidiaries. The credit ratings of the Bank and these subsidiaries constitute an assessment by the agencies of their ability to meet their payment obligations at maturity, affecting the cost and other conditions for obtaining financing. Additionally, the Bank and its banking subsidiaries are part of an international financial conglomerate that carries out its activity in various jurisdictions, and that, within its financing sources, carry out recurring issuing activity in different capital markets worldwide, which serve the Group as a source of wholesale financing. In order to gain access to the capital markets, it is essential to have a certain credit rating and, as in raising funds through other sources of financing, the ability to obtain resources and their price will depend (among other issues) on the rating granted.

As of March 31, 2021 and December 31, 2020, the balance of financial instruments issued and pending amortization at a consolidated level amounted to €57,418 million and €61,780 million. In the first months of 2021, until the date of registration, BBVA's rating has remained stable and all rating agencies have continued to maintain BBVA's rating in category A for long term senior preferred debt. Year to date, both DBRS and Fitch agencies have confirmed throughout rating actions (March, 31st and June 7th, resp.), both the rating assigned to BBVA (A (high) and A- for senior preferred long term debt) and its stable trend (the same for the two agencies). The following table shows the credit ratings granted by the agencies as of the date of registration:

As of March 31, 2021 and December 31, 2020, the balance of financial instruments issued and pending amortization at a consolidated level amounted to €57,418 million and €61,780 million. In the first months of 2021, until the date of registration, BBVA's rating has remained stable and all rating agencies have continued to maintain BBVA's rating in category A. As of March 31, 2021, the DBRS agency confirmed in a rating action, both the rating assigned to BBVA at A (high) and its stable trend. The following table shows the credit ratings granted by the agencies as of the date of registration:

1 Which corresponds to the purchase price provided in the share purchase agreement minus the agreed closing price adjustments.
2 EUR/USD exchange rate of 1.20.
3 As previously indicated in the referred Relevant Events from November 16, 2020, the results that BBVA USA Bancshares, Inc. has been generating, as well as the positive impact, mainly, of these results on the Common Equity Tier 1 fully loaded ratio have been reflected in the financial statements of BBVA Group. The calculation of the impact on Common Equity Tier 1 has been made taking into account the amount of the transaction in euros and BBVA Group's financial statements as of March 2021.

RATINGS

Rating agency	Long term [1]	Short term	Outlook
DBRS	A (high)	R-1 (middle)	Stable
Fitch	A-	F-2	Stable
Moody's	A3	P-2	Stable
Standard & Poor's	A-	A-2	Negative

[1] Ratings assigned to long term senior preferred debt. Additionally, Moody's and Fitch assign A2 and A- rating respectively, to BBVA's long term deposits.

SECTION 9 – REGULATORY FRAMEWORK

9.1 Regulation

General

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

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

The Group is subject to a broad regulatory and supervisory framework, which has increased significantly in the last decade. Regulatory activity in recent years has affected multiple areas, including changes in accounting standards; strict regulation of capital, liquidity and remuneration; bank charges and taxes on financial transactions; regulations affecting mortgages, banking products and consumers and users; recovery and resolution measures; stress tests; prevention of money laundering and terrorist financing; market abuse; conduct in the financial markets; anti-corruption; and requirements as to the periodic publication of information. Governments, regulatory authorities and other institutions continually make proposals to strengthen the resistance of financial institutions to future crises.
Furthermore, the international nature of the Group's operations means that the Group is subject to a wide and complex range of local and international regulations in these matters, sometimes with overlapping scopes and areas regulated. This complexity, which can be exacerbated by differences and changes in the interpretation or application of these standards by local authorities, makes compliance risk management difficult, requiring highly sophisticated monitoring, qualified personnel and general training of employees.
Any change in the Group's business that is necessary to comply with any particular regulations at any time, especially in Spain, Mexico, Turkey could lead to a considerable loss of income, limit the Group's ability to identify business opportunities, affect the valuation of its assets, force the Group to increase its prices and, therefore, reduce the demand for its products, impose additional costs on the Group or otherwise adversely affect its business, financial condition and results of operations.

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

Solvency and capital requirements

In December 2010, the Basel Committee proposed a series of fundamental reforms to the capital regulatory framework for internationally active banks (the "Basel III capital reforms"). The Basel III capital reforms increased the quantity and quality of capital that a financial institution must hold, with an emphasis on Common Equity Tier 1 Capital ("CET1 capital").

In its capacity as a Spanish credit institution, the Bank is subject to Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC, and repealing Directives 2006/48/EC and 2006/49/EC ("CRD IV Directive"), through which the European Union began to implement the capital reforms agreed in the framework of Basel III. The core regulation on the solvency of credit institutions is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012 ("CRR I" and, together with the CRD IV Directive and any measures implementing the CRD IV Directive or the CRR I which may from time to time be applicable in Spain, the "CRD IV"), which is complemented by several binding Regulatory Technical Standards that are directly applicable in all the EU Member States without the need for national implementing measures. The transposition of the CRD IV Directive into Spanish legislation took place through Royal Decree-Law 14/2013 of November 29, Law 10/2014 of June 26, on the organization, supervision and solvency of credit institutions ("Law 10/2014"), Royal Decree 84/2015 of February 13 ("RD 84/2015"), Bank of Spain Circular 2/2014 of January 31 and Bank of Spain Circular 2/2016 of February 2 (the "Bank of Spain Circular 2/2016").

On June 7, 2019, the following amendments to CRD IV, Directive 2014/59 / EU of the European Parliament and of the Council of May 15, 2014, establishing a framework for the recovery and resolution of credit institutions and investment services companies ("BRRD I") and Regulation (EU) 806/2014 of the European Parliament and of the Council, of July 15, 2014, which establishes uniform rules and an uniform procedure for the resolution of credit institutions and certain investment services companies in the framework of a Single Resolution Mechanism and a Single Resolution Fund ("SRM Regulation I"):

- Directive (EU) 2019/878 of the European Parliament and of the Council of May 20, 2019 ("CRD V Directive") amending the CRD IV Directive (CRD IV Directive as so amended by the CRD V Directive and as amended, replaced or supplemented from time to time, the "CRD Directive");

- Directive (EU) 2019/879 of the European Parliament and of the Council of May 20, 2019 ("BRRD II"), amending, among others, BRRD I as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms (BRRD I, as so amended by BRRD II and as amended, replaced or supplemented from time to time, "BRRD");

- Regulation (EU) 2019/876 of the European Parliament and of the Council, of May 20, 2019, ("CRR II" and together with the CRD V Directive, "CRD V"), which modifies, among other things, CRR I in terms of the leverage ratio, the net stable financing ratio, the requirements for own funds and eligible liabilities, the counterparty credit risk, the market risk, the exposures to central counterparties, exposures to collective investment organizations, exposures, and the requirements for presentation and disclosure of information (CRR I amended by CRR II, as amended, substituted or supplemented from time to time, "CRR"); and

- Regulation (EU) 2019/877 of the European Parliament and of the Council of May 20, 2019 ("SRM Regulation II"), amending SRM Regulation I as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms (the SRM Regulation as so amended by the SRM Regulation II and as amended, replaced or supplemented from time to time, the "SRM Regulation"); (CRD V, together with BRRD II and the SRM Regulation II, the "EU Banking Reforms").

The EU Banking Reforms (except CRR II) were applicable 18 months and one day after their entry into force on June 27, 2019, except in the case of certain provisions of the CRD V Directive, which establishes a period of two years for its application. CRR II will be applicable 24 months and one day after its entry into force on June 27, 2019, although the entry into force of some of its provisions is scheduled before or after that date, as described in the themselves.

CRD IV established, among others, a minimum capital requirement of "Pillar 1" and increased the level of capital required through the "combined requirement of capital buffers" with which entities must comply since 2016. The "combined requirement of capital buffers" introduced five new capital buffers: (i) the capital conservation buffer, (ii) the G-SIBs buffer, (iii) the countercyclical capital buffer specific to each entity, (iv) the buffer applicable to other systemically important entities ("D-SIBs") and (v) the systemic risk buffer (a buffer to prevent systemic or macroprudential risks). The "combined capital buffer requirement" must be satisfied with additional CET1 capital to that provided to meet the "Pillar 1" minimum capital requirement.

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

On November 25, 2019, the Bank of Spain announced that the Bank continues to be considered as a D-SIB at a consolidated level and is required to maintain a fully-loaded D-SIB Buffer of a CET 1 capital ratio of 0.75% on a consolidated terms.
In December 2015, the Bank of Spain agreed to set the counter-cyclical capital buffer applicable to credit exposures in Spain at 0% from January 1, 2016. This percentage is reviewed quarterly. The Bank of Spain agreed in March 24, 2021 to maintain the counter-cyclical capital buffer applicable to credit exposures in Spain at 0% for the secon quarter of 2021. At the date of this Universal Registration Document, the counter-cyclical capital buffer applicable to the Group is at 0%.

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

Moreover, the ECB is required under Regulation (EU) No 468/2014 of the ECB of April 16, 2014 establishing the framework for cooperation within the Single Supervisory Mechanism between the ECB and national competent authorities and with national designated authorities (the "SSM Framework Regulation"), to carry out the SREP process of the Bank and the Group at least on an annual basis.
On July 19, 2018, the EBA published its final guidelines intended to further enhance risk management by institutions and the convergence of supervision with respect to the SREP. These guidelines focus on stress testing, particularly to determine "Pillar 2" and the level of interest rate risk. Nevertheless, as of July 23, 2020, the EBA published guidelines on how to carry out the SREP during 2020 in light of the crisis generated by COVID-19.

Likewise, the ECB announced on March 12, 2020 that it will allow banks to partially use AT1 and Tier 2 instruments to meet the Pillar 2 Requirement, being this measure introduced by CRD V and initially expected to be implemented in 2021. In particular, the composition of the capital instruments to meet he "Pillar 2" Requirement, shall be made up in the form of 56% of CET1 capital and 75% of Tier 1 capital, as a minimum.

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

As a result of the most recent SREP carried out by the ECBand after the implementation of the aforementioned measures adopted by the ECB on March 12, 2020, through which banks may partially use capital instruments that count as AT1 and Tier 2 to meet the capital requirement of "Pillar 2", the Bank should maintain, on a consolidated basis (i) CET1 of 8.59% and a total capital ratio of 12.75%. The consolidated overall capital requirement includes: i) the minimum capital requirement of Pillar 1 of 8%, that must be composed by a 4.5% minimum CET 1; ii) the capital requirement of Pillar 2 of 1.5%, that must be composed by a minimum CET1 of 0.84%; iii) the capital conservation buffer (2.5% of CET1) and iv) the capital buffer for Other Systemically Important Institutions (O-SIIs) (0.75% of CET1). Likewise, BBVA must maintain, on an individual level, a CET1 capital ratio of 7.84% and a total capital ratio of 12.00%.

In accordance with Article 48 of Law 10/2014, Article 73 of RD 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, any institution not meeting its "combined capital buffer requirement" is required to calculate its MDA as stipulated in the said legislation. Should that requirement not be met and until the MDA is calculated and communicated to the Bank of Spain, the relevant institution shall not make discretionary payments, and once the MDA has been calculated and communicated to the Bank of Spain, the Discretionary Payments will be subject to the limit of the MDA calculated.

Additionally, pursuant to Article 48 of Law 10/2014, the Bank of Spain's adoption of the measures provided by Articles 68.2.h) and 68.2.i) of Law 10/2014, aimed at strengthening own funds and limiting and prohibiting the distribution of dividends, respectively, will also entail the requirement to determine the MDA and to restrict Discretionary Payments to such MDA. In accordance with the EU Banking Reforms, the calculation of the MDA as well as the restrictions described in the preceding paragraph while such calculation is pending, shall also be triggered by a breach of the MREL (see the risk factor 4.2.2 entitled "Increasingly onerous capital and liquidity requirements may have a material adverse effect on the Group's business, financial condition and results of operations").

CRD V also distinguishes between "Pillar 2" capital requirements and "Pillar 2" capital guidelines, only the former being mandatory. Notwithstanding the foregoing, CRD V establishes that, in addition to other measures, the supervisory authorities are empowered to impose additional "Pillar 2" capital requirements when an entity repeatedly disregards the previously imposed "Pillar 2" capital guidelines.
Additionally, CRD II establishes a binding requirement for a leverage ratio of 3% of Tier 1 capital that is added to the own funds requirements and to the requirements based on an entity's RWAs. In particular, any breach of this leverage ratio would result in the need to calculate the MDA and its consequences.

The following table includes a summary of the reconciliation of accounting assets and exposures corresponding to the leverage ratio as of March 31, 2021, December 31, 2020 and 2019 at a consolidated level:

Summary reconciliation of accounting assets and exposure corresponding to the Leverage Ratio (Million Euros)

	31/03/2021 ***Phased-In***	31/03/2021 ***Fully Loaded***	31/12/2020 ***Phased-In***	31/12/2020 ***Fully Loaded***	31/12/2019 ***Phased-In***	31/12/2019 ***Fully Loaded***
a) Total assets as per published financial statements	719,705	719,705	736,176	725,895	698,690	698,690
(b) Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	(20,692)	(20,692)	(20,326)	(20,326)	(21,636)	(21,636)
c) Adjustments for derivative financial instruments	(5,375)	(5,375)	(13,858)	(13,858)	(7,124)	(7,124)
d) Adjustments for securities financing transactions "SFTs"	3,034	3,034	1,992	1,992	1,840	1,840
e) Adjustment for off-balance sheet items (1)	69,549	69,549	67,758	67,758	67,165	67,165
f) (Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	(20,277)	(20,277)	(26,456)	(26,456)	-	-
g) Other adjustments	(4,572)	(5,723)	(4,191)	(5,788)	(7,847)	(8,656)
Leverage ratio total exposure measure	**741,373**	**740,222**	**741,095**	**729,216**	**731,087**	**730,279**
h) Tier 1	48,955	47,818	49,597	48,012	49,701	48,775
Leverage ratio total exposure measure	**741,373**	**740,222**	**741,095**	**729,216**	**731,087**	**730,279**
Leverage ratio	**6.60%**	**6.46%**	**6.68%**	**6.58%**	**6.80%**	**6.68%**

(1) This corresponds to off-balance sheet exposure after application of the conversion factors obtained in accordance with Article 429, paragraph 10 of the CRR.

(2) If certain exposures with Central Banks are not excluded, the exposure would be €761,649 million and €767,551 million, with a phased-in leverage ratio of 6.43% and 6.43% as of March 31, 2021 and December 31, 2020 respectively.

Furthermore, on December 7, 2017 the BCBS announced the end of the Basel III reforms (informally referred to as Basel IV). These reforms include changes to the risk weightings applied to the different assets and measures to enhance the sensitivity to risk in those weightings and impose limits on the use of internal ratings-based approaches so as to ensure a minimum level of conservatism in the use of such approaches and to enhance comparability among banks in which such internal ratings-based approaches are used. These reforms will also limit the ability to use internal risk models in the calculation of RWAs to be calculated as from January 1, 2022 the 50% of the RWAs using only the standar models , which is expected to increase to 72.5% as from January 1, 2027.

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

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

In addition, the ECB has announced that a TRIM is being conducted on the internal models used by banks subject to its supervision to calculate their RWAs, in order to reduce inconsistencies and unjustified variability in these internal models throughout the European Union. Although the full results of the TRIM are not yet known, it could imply a change in the internal models used by banks, including the Bank, and, at the same time, increases or decreases in its capital needs.

Set out below are the Group's solvency data (phased-in Basel III) on a consolidated basis and in accordance with regulations applicable to each of the dates stated. Capital ratios have been calculated in accordance with CRD IV , applying a phased-in amount of 100% as of March 31, 2021, December 31, 2020, 2019 and 2018.

Total Capital Phased-in (Millions of Euros)

	31/03/2021	31/12/2020	31/12/2019	31/12/2018
Common Equity Tier 1 (CET 1)	43,234	42,931	43,653	40,313
Additional Tier 1 (AT1) capital	5,721	6,667	6,048	5,634
Tier 2 (T2) capital	8,294	8,547	8,304	8,756
Total Capital	57,249	58,145	58,005	54,703
Total risk-weighted assets	354,342	353,273	364,448	348,264
Ratio CET 1 (%)	12.20%	12.15%	11.98%	11.58%
AT1 Ratio	1.61%	1.89%	1.66%	1.62%
Tier 1 (%)	13.82%	14.04%	13.64%	13.19%
Tier 2 (%)	2.34%	2.42%	2.28%	2.51%
Total capital ratio (%)	**16.16%**	**16.46%**	**15.92%**	**15.71%**

The Group must also comply with liquidity and financing ratios. Various elements of the LCR and NSFR, as implemented by national banking regulators and complied with by the Group, may require the introduction of changes in some of its business practices, which could expose the Group to additional expenses (including an increase in compliance expenses), affect the profitability of its activities or entail a material adverse effect on the business, financial conditions or results of operations of the Group. As of March 31, 2021, December 31, 2020 and December 31, 2019, the Group's LCR was 151%, 149% and 129%, respectively. For its part, the NSFR stood at 127% as of March 31, 2021 and 127 % and 120% as of December 31, 2020 and 2019, respectively.

Resolution

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

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

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

The four resolution instruments are: (i) the sale of the Entity's business, which enables the resolution authorities to transfer, under market conditions, all or part of the business of the Entity being resolved, (ii) bridge institution, which enables resolution authorities to transfer all or part of the business of the Entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control), (iii) asset separation, which enables resolution authorities to transfer certain categories of assets (normally impaired or otherwise problematic) to one or more asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) the Spanish Bail-in Power (as defined below). Any exercise of the Spanish Bail-in Power by the Relevant Spanish Resolution Authority may include the write down and/or conversion into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Spanish Bail-in Power) of certain unsecured debt claims of an institution.

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

In accordance with the provisions of Article 48 of Law 11/2015 (without prejudice to any exclusions that may be applied by the Spanish Resolution Authority in accordance with Article 43 of Law 11/2015), in the event of any application of the Bail-in Tool, any resulting write-

down or conversion by the Spanish Resolution Authority will be carried out in order to affect the instruments following this sequence: (i) CET1 items, (ii) the principal amount of AT1 instruments, (iii) the principal amount of Tier 2 instruments, (iv) the principal amount of other subordinated claims other than AT1 or Tier 2 and (v) the principal or outstanding amount to amortize of the remaining eligible liabilities applicable in the order of the hierarchy of claims in normal insolvency proceedings.

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

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

To the extent that any resulting treatment of a holder of the Entity's securities pursuant to the exercise of the Bail-in Tool is less favorable than would have been the case under such hierarchy in normal insolvency proceedings, a holder of such affected securities would have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the Entity, in accordance with Article 10 of RD 1012/2015 and the SRM Regulation, together with any other compensation provided for in any applicable banking regulation including, inter alia, compensation in accordance with Article 36.5 of Law 11/2015. However, if the treatment of a creditor following a Non-Viability Loss Absorption is less favorable than it would have been under ordinary insolvency proceedings, it is uncertain whether said creditor would be entitled to the compensation provided for in the BRRD and the SRM Regulation.

MREL

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to own funds and total liabilities known as MREL requirement. According to Delegated Regulation (EU) 2016/1450 of the Commission of May 23, 2016, which complements Directive 2014/59/EU of the European Parliament and of the Council with regard to regulatory technical standards in which the criteria relating to the method for establishing the minimum requirement of own funds and elegible liabilities necessary under the MREL requirement will be established by the resolution authority, in agreement with the competent authority for each bank (ad/or group) on the basis of, among others, the criteria set forth in article 45 of the BRRD, including systemic importante of the Entity.

The EU Banking Reforms provide that a bank's MREL breach is dealt with by the competent authorities through their powers to address or remove obstacles to resolution, the exercise of their supervisory powers and their power to impose early action measures, administrative sanctions and other administrative measures. If there was a deficit in the level of an entity's eligible own funds and liabilities, and that entity's own funds were contributing to meeting the "combined capital buffers requirement," these own funds would automatically go towards meeting the MREL of said entity and would cease to serve in order to comply with its "combined requirement for capital buffers", which could lead the entity to fail to comply with its "combined requirement for capital buffers". This could involve activating the MDA calculation and the resolution authority may have the power (but not the obligation) to impose restrictions on the making of discretionary payments. Therefore, with the entry into force of the EU Banking Reforms, the Bank will have to fully comply with its "combined capital buffer requirement", in addition to its MREL, to ensure that it can make discretionary payments.

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

On November 9, 2015, the FSB published its final TLAC Principles and Term Sheet, proposing that G-SIBs maintain significant minimum amounts of liabilities that are subordinated (by law, contract or structurally) to certain prior-ranking liabilities, such as guaranteed insured deposits, forming a new standard for G-SIBs. The TLAC Principles and Term Sheet contain a set of principles on loss-absorbing and recapitalization capacity of G-SIBs in resolution and a term sheet for the implementation of these principles in the form of an internationally agreed standard. The TLAC Principles and Term Sheet require a minimum TLAC requirement to be determined individually for each G-SIB at the greater of (i) 16% of the RWAs as of January 1, 2019 and 18% as of January 1, 2022, and (ii) 6% of the Basel III Tier 1 leverage ratio exposure measured as of January 1, 2019, and 6.75% as of January 1, 2022.

The EU Banking Reforms propose the amendment of a number of aspects of the MREL framework to align it with the TLAC standards included in the TLAC Principles and Term Sheet. To maintain coherence between the MREL rules applicable to G-SIBs and those applicable to non-G-SIBs, BRRD II proposes a number of changes to the MREL rules applicable to non-G-SIBs. While the EU Banking Reforms propose for minimum harmonized or "Pillar 1" MRELs for G-SIBs, in the case of non-G-SIBs, it is proposed that MRELs will be imposed on a bank-specific basis. For G-SIBs, it is also proposed that a supplementary or "Pillar 2" MRELs may be further imposed on a bank-specific basis. The EU Banking Reforms further provide for the resolution authorities to give guidance to an institution to have own funds and eligible liabilities above the required levels.

The EU Banking Reforms further include, as part of MREL, a subordination requirement of eligible instruments for G-SIBs and "top tier" banks (including the Bank) that will be determined according to their systemic importance, involving a minimum "Pillar 1" subordination requirement.

This "Pillar 1" subordination requirement shall be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt under the new insolvency hierarchy introduced into Spain[1] and other subordinated liabilities will be eligible for compliance with the subordination requirement). For "top tier" banks such as the Bank, this "Pillar 1" subordination requirement has been determined as the highest of 13.5% of the Bank's RWAs plus the combined capital buffer requirement of the resolution group and 5% of its leverage exposure. Resolution authorities may also impose further "Pillar 2" subordination requirements, which would be determined on a case-by-case basis but at a minimum level equal to the lower of 8% of a bank's own funds and total liabilities of a resolution group (without taking into account the possible concession established in the standard) and 27% of its RWAs.

On May 31, 2021, the Bank announced that it had received a new communication from the Bank of Spain on its new MREL requirement, established by the Single Resolution Board (SRB), replacing the previous communication on MREL received and communicated in November 2019.

According to this new communication, BBVA must achieve, as of January 1, 2022, MREL in RWAs corresponding to 24.78% of the total RWAs of its resolution group at the sub-consolidated level[2]. In addition, the RWAs subordination requirement is set at 13.50%, to be met with subordinated instruments. As of March 31, 2021, the resolution group has own funds and eligible liabilities of 29.23% of its RWAs and subordinated own funds and eligible liabilities of 25.95%. However, the MREL in RWAs and the RWAs subordination requirement do not include the combined capital buffer requirement which, for these purposes, would be 2.5% as of the date of this Universal Registration Document, notwithstanding any other buffer that may be applicable from time to time. As of the date of this Universal Registration Document, BBVA understands that it will comply with these requirements as of January 1, 2022, also taking into account the issuance of eligible liabilities that may occur up to that date.

On the other hand, the MREL in RWAs and the RWAs subordination requirement are equivalent, in terms of total exposure considered for the purposes of calculating the leverage ratio[3], to 10.25% and 5.84%, respectively. As of March 31, 2021, the resolution group has own funds and eligible liabilities of 13.40% and subordinated own funds and eligible liabilities of 11.89%, both in terms of total exposure taken into account for the calculation of the leverage ratio.

1 In this sense, Directive (EU) 2017/2399 of the European Parliament and of the Council of 12 December 2017 was approved, which modifies the DRRB with regard to the order of priority of unsecured debt instruments in the event of insolvency , in order to harmonize national laws on insolvency and on recovery and resolution of credit institutions and investment services companies, through the creation of a new class of senior non-senior debt credits that should only be subject to internal recapitalization after of the subordinated instruments, but before the rest of the senior liabilities. In this sense, Royal Decree-Law 11/2017 of June 23 on urgent measures in financial matters introduced into Spanish law the new class of senior non-preferred debt.
2 The resolution group consists of Banco Bilbao Vizcaya Argentaria, S.A. and the subsidiaries belonging to the same European resolution group. As of December 31, 2019, the total RWAs of the resolution group amounted to €204,218 million.
3 As of December 31, 2019, the total exposure considered for the purpose of calculating the leverage ratio amounted to EUR 422,376 million.

SECTION 11- PROFIT FORECASTS OR ESTIMATES

11.1 Forecasts or estimates made

As of the date of registration of this Universal Registration Document, the Bank has not published forecasts or estimates of pending benefits (current and non-current).

SECTION 12 – ADMINISTRATIVE, MANAGEMENT AND SUPERVISORY BODIES AND SENIOR MANAGEMENT

12.1 Identification

The composition of the Board of Directors of BBVA and of the Senior Management of BBVA is contained in the 2020 Annual Corporate Governance Report, which is incorporated into this Universal Registration Document (Sections C.1.1, C.1.2 and C.1.14, as well as information supplementing Sections C.1.2 and C.1.14 included in Section H). The composition of the Board of Directors and of the Senior Management of BBVA contained in the abovementioned Sections has not changed at the registration date of this Universal Registration Document.

12.1.1 Members of the administrative, management and supervisory bodies.

The information regarding the profiles of the members of the BBVA's Board of Directors, applicable to the financial year ending 31 December 2020, is contained in the 2020 Annual Corporate Governance Report which is incorporated into this Universal Registration Document (Section C.1.3).

In the five years prior to the date of this document, none of the members of the Bank's Board of Directors and Senior Management have been convicted of fraud offences.

Likewise, according to the information provided to BBVA, none of the members of the Bank's Board of Directors or its Senior Management has acted as a Director or as a member of the Bank's Senior Management in companies that have been declared bankrupt, insolvent or have experienced a suspension of payments or liquidation in the five years prior to the date of this Universal Registration Document.

Similarly, they have not been sanctioned, in the five years prior to the date of this document, by regulatory bodies, nor have they been publicly and officially convicted or incriminated by any court for their actions as members of the management body of the issuing company and, to the extent of the information available to BBVA, of any other issuing company.

For these purposes, we consider there to be incrimination when the opening of an oral trial is resolved in criminal proceedings in Spain or when a formal accusation is made on similar terms in proceedings of this type in other jurisdictions.

For the purposes of this document, the professional address of the members of the BBVA Board of Directors is Calle Azul, no. 4, 28050 Madrid.

12.1.2 Committees of the Board of Directors

The BBVA Bylaws establish that the Board of Directors, in order to better perform its functions, may create the Committees that it considers necessary to assist it on those issues that correspond to matters within its remit.

As such, at the registration date of this Universal Registration Document, the Board of Directors has set up the following Committees: Executive Committee, Audit Committee, Appointments and Corporate Governance Committee, Remunerations Committee, Risk and Compliance Committee and the Technology and Cybersecurity Committee.

Information on the composition of BBVA's Board Committees, their members and their positions and category; as well as the existence of regulations governing them, which include, among other matters, their functions and their rules regarding organisation and operation, applicable to the financial year ending 31 December 2020, is contained in the 2020 Annual Corporate Governance Report which is incorporated into this Universal Registration Document (Sections C.2.1 and C.2.3, as well as the information supplementing Section C.2.1 included in Section H). The composition of the Committees contained in the abovementioned Section has not changed at the registration date of this Universal Registration Document.

12.1.3 Members of Senior Management

The composition of the members of BBVA's Senior Management is contained in 2020 Annual Corporate Governance Report, which is incorporated into this Universal Registration Document (Section C.1.14, as well as the information supplementing Section C.1.14 included in Section H).

Below is a brief curriculum vitae of each of the members of BBVA's Senior Management at the date of registration of this Universal Registration Document:

- Domingo Armengol Calvo has been General Secretary and Secretary of the Board of Directors of BBVA since 2009. Prior to his current position, he was Deputy Secretary of the Board between 2005 and 2009 and Head of BBVA's Institutional Legal Department between 2000 and 2009. He holds a law degree from the University of Zaragoza.

- María Jesús Arribas de Paz has been Global Head of Legal for the BBVA Group since December 2018. Between 2002 and 2018 she held the position of Global Head of Corporate Legal Services and between 1996 and 2002 she was Global Head of Legal Services and Board Secretary at Finanzia Banco de Crédito S.A. She graduated in Law and Business Administration from the ICADE Business School at Comillas Pontifical University.

- Pello Xabier Belausteguigoitia Mateache has been Spain Country Manager for the BBVA Group since December 2019. He is a director of BBVA Seguros, S.A., Seguros y Reaseguros. He has worked with BBVA for over twenty years and has held various senior positions, including: Global Head of Business Development for BBVA Spain from 2017 until his current role, Regional Director of BBVA Spain's Northern Region from 2015 to 2017, Regional Director of BBVA Spain's Eastern Region from 2014 to 2015, Regional Director of BBVA Spain's Northwestern Region from 2011 to 2014 and Director of Commercial Business in BBVA Spain's Northwestern Regional division from 2008 to 2011. He holds a degree in Law and a degree in Economics from the University of Deusto.

- Carlos Casas Moreno has been Global Head of Talent & Culture for the BBVA Group since December 2018. Between 2016 and 2018, he was Global Head of Compensation, Benefits & Key Roles in the Talent & Culture area; between 2015 and 2016, he was responsible for organisation matters and global talent management policies in the same area; and between 2010 and 2015, he formed part of the Process Reengineering Unit within the area of Innovation and Technology. From 2000 to 2010 he worked as a consultant at McKinsey & Company. He holds bachelor's degrees in Business Administration from the ICADE Business School at Comillas Pontifical University and from Northeastern University in Boston (USA), and an MBA from INSEAD (Fontainebleau, France and Singapore).

- Victoria del Castillo Marchese has been Global Head of Strategy & M&A for the BBVA Group since December 2018. In her time at the Bank she has held various roles within the Strategy & M&A and Finance areas, including: Head of M&A for Europe and Turkey in the Strategy & M&A Area (2014-2018); Director of Strategic Projects in the Finance Department (2009-2014); Head of M&A for the United States (2006-2009); and Equity Analyst for BBVA's Global Markets area (2001-2006). She holds a bachelor's degree in Business Administration from the Autonomous University of Madrid.

- José Luis Elechiguerra Joven has been Director of the Engineering & Organization Area for the BBVA Group since December 2020. He has held various senior positions in the BBVA Group, notably Head of Client Solutions at BBVA USA between 2019 and 2020, Global Head of Data Governance at BBVA between 2017 and 2019 and Global Head of Organization & Business Process Engineering at BBVA between 2015 and 2017. He has also held positions at BBVA Mexico as Head of Business Transformation between 2013 and 2015, Head of Strategic & Financial Planning, Retail Business between 2011 and 2013 and Head of Business Development & Strategic Planning, Mortgage Business between 2008 and 2011. He holds a bachelor's degree in Chemical Engineering from the Universidad Nacional Autónoma de México, a master's degree in Science and Engineering from the University of Austin, Texas (USA) and a doctorate in Chemical Engineering from the University of Austin, Texas (USA).

- Ana Fernández Manrique has been Global Head of Regulation & Internal Control for the BBVA Group since July 2019. She has been with the BBVA Group for over twenty years and has held various roles, including: Director of Non-Financial Risks from 2018 until taking up her current role; Director of Strategy and Finance at BBVA Real Estate between 2014 and 2017; Director of Strategy and Finance for Global Retail from 2011 to 2014; and Managing Director in the M&A Area from 2008 to 2011. She holds a bachelor's degree in Economics and Business from Colegio Universitario de Estudios Financieros (CUNEF).

- María Luisa Gómez Bravo has been Global Head of Corporate & Investment Banking for the BBVA Group since December 2018. She has been with the BBVA Group for over twenty years and has held various senior positions, including: Global Head of Investment and Cost Management (2017-2018); Head of Investor and Shareholder Relations (2014-2017); Head of Transformation & Operations at BBVA Spain and Portugal (2012-2014); Global Head of Asset Management (2008-2012); COO of Wholesale Banking and Global Head of Cash Management (2006-2008); and Head of Finance Risks and Corporate Development of Consumer Finance (2004-2006). She graduated in Law and Business Administration at the ICADE Business School at Comillas Pontifical University.

- Joaquín Manuel Gortari Díez has been Global Head of Internal Audit for the BBVA Group since December 2018. He has been with the BBVA Group for over twenty years and has held various roles, including: Chief of the Chairman's Office (2010-2018); CFO of the Technology and Operations area (2008-2010); CFO of BBVA in the United States (2004-2008); Deputy CFO of the BBVA Group (2003-2004); member of Argentaria's Corporate Expansion Unit (1995-2003). He holds a law degree from the University of Navarre, an MBA from the Instituto de Empresa in Madrid and an Executive MBA from the University of Chicago.

- Ricardo Martín Manjón has been Global Head of Data for the BBVA Group since April 2019. He is a director of BBVA Data & Analytics. He has held various senior roles at the Bank, mainly in the field of digital banking, including: Global Head of Data Strategy & Data Science Innovation between 2017 and 2019; Head of Digital Transformation at BBVA Spain between 2013 and 2016; and Marketing Director at BBVA Spain between 2011 and 2013. He was also the Global Head of Digital Banking at Nordea between 2016 and 2017. He holds a bachelor's degree in Economics from the Complutense University of Madrid, a PhD cum laude in Econometrics and Quantitative Economics and a Global Executive MBA from Columbia Business School & London Business School.

- Eduardo Osuna Osuna has been Mexico Country Manager for the BBVA Group since 2015. Throughout his career he has held various senior positions at BBVA Mexico, such as General Manager of Corporate and Institutional Banking between 2012 and 2015, General Manager of Commercial Banking between 2010 and 2012, as well as General Manager of Hipotecaria Nacional between 2006 and 2010 and Deputy General Manager of Risk and Legal at Hipotecaria Nacional between 2005 and 2006. He has also been a member of BBVA Mexico's Management Committee since 2006. He holds a bachelor's degree in Mechanical and Electrical Engineering from Universidad La Salle and an MBA from IPADE (Pan-American Institute of Business Administration), both in Mexico.

- David Puente Vicente has been Head of Client Solutions for the BBVA Group since April 2019. He served as Global Head of Data from 2017 until being appointed to his current role. Prior to this, he held other positions at BBVA, including: Global Head of Business Development in Spain from 2015 to 2017, Chief of the CEO's Office from 2009 to 2012 and Director of New Business Models from 2004 to 2006. He also held the position Senior Associate at McKinsey & Company between 2002 and 2004. He holds a bachelor's degree in Business Administration from Colegio Universitario de Estudios Financieros (CUNEF) and an MBA from Columbia Business School.

- Jorge Sáenz-Azcúnaga Carranza has been Head of Country Monitoring for the BBVA Group since 2016. He is a director of BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer, Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA USA Bancshares, Inc., as well as Deputy Chairman of Garanti BBVA. Throughout his career he has held various positions in the BBVA Group, such as Head of Country Networks and Business Monitoring for Spain, the USA and Turkey (2015-2016), Regional Manager for the North of Spain (2013-2015), Head of Strategy and Planning Spain and Portugal (2008-2013) and Chief of the CEO's Office from 2002 to 2005. He holds a bachelor's degree in Economics and Business from the University of Deusto.

- Jaime Sáenz de Tejada Pulido has been Global Head of Finance for the BBVA Group since 2015 (with the Finance Area having incorporated the Accounting Area in December 2018). He is a director of Garanti BBVA. He joined the BBVA Group in 1992 and has held various senior roles within the Group throughout his career, including: Director of Strategy and Finance during 2014; Director of Spain and Portugal between 2012 and 2014; Director of Business Development for Spain and Portugal between 2011 and 2012 and the Regional Manager for Central Spain (Madrid and Castilla La Mancha) from 2007 to 2010. He holds a bachelor's degree in Economics, Business and Law from the ICADE Business School at Comillas Pontifical University.

- Rafael Salinas Martínez de Lecea has been Global Head of Global Risk Management for the BBVA Group since 2015. He is a director of Garanti BBVA. He joined BBVA in 1990 and has spent his whole career working within the BBVA Group, holding roles including Global Head of Risk & Portfolio Management between 2006 and 2015 and CFO for Banco de Crédito Local de España between 2003 and 2005. He holds a bachelor's degree in Economics and Business from the University of Alicante and an MBA from the University of Chicago Graduate School of Business.

The Company is unaware of any family relationships between the members of BBVA's Board of Directors and Senior Management.

For the purposes of this document, the professional address of the members of BBVA Senior Management is Calle Azul, no. 4, 28050 Madrid.

12.2 Conflicts of interest

Section D.6 (and Section H as a supplement thereto) of the 2020 Annual Corporate Governance Report outlines the mechanisms established to detect, determine and resolve possible conflicts of interest between the Bank and/or its Group, and its directors and senior managers, highlighting, in particular, the rules contained in the Regulations of the Board of Directors (articles 7 and 8), which are available on the corporate website (www.bbva.com), "Shareholders and investors/Corporate Governance and Remuneration Policy/Regulations of the Board of Directors" section.

With regard to the regulations contained in the Regulations of the Board, up to the date of this document and during the 2020 financial year no conflict of interest has been brought to the attention of the Company.

SECTION 14 – MANAGEMENT PRACTICES

14.1 Terms of office

Each director's category, date of first appointment, date of re-election (if applicable) and the expiry date of their current term of office, at the registration date of this Universal Registration Document, are as follows:

Members of the Board of Directors	Category	Date of appointment	Date of re-election	Term of office expiry date (*)
Torres Vila, Carlos (Chairman)	Executive	04/05/2015	15/03/2019	15/03/2022
Genç, Onur (Chief Executive Officer)	Executive	20/12/2018	15/03/2019	15/03/2022
Andrés Torrecillas, José Miguel (Deputy Chairman)	Independent	13/03/2015	20/04/2021	20/04/2024
Caruana Lacorte, Jaime Félix	Independent	16/03/2018	20/04/2021	20/04/2024
Galamba de Oliveira, Raúl Catarino	Independent	13/03/2020	-	13/03/2023
Garijo López, Belén	Independent	16/03/2012	20/04/2021	20/04/2024
Kapoor, Sunir Kumar	Independent	11/03/2016	15/03/2019	15/03/2022
Máiz Carro, Lourdes	Independent	14/03/2014	13/03/2020	13/03/2023
Maldonado Ramos, José	External (**)	28/01/2000	20/04/2021	20/04/2024
Peralta Moreno, Ana Cristina	Independent	16/03/2018	20/04/2021	20/04/2024
Pi Llorens, Juan (Lead Director)	Independent	27/07/2011	20/04/2021	20/04/2024
Revenga Shanklin, Ana Leonor	Independent	13/03/2020	-	13/03/2023
Rodríguez Vidarte, Susana	External (**)	28/05/2002	13/03/2020	13/03/2023
Salazar Lomelín, Carlos Vicente	External (***)	13/03/2020	-	13/03/2023
Verplancke, Jan Paul Marie Francis	Independent	16/03/2018	20/04/2021	20/04/2024

(*) In accordance with Article 222 of the Spanish Corporate Enterprises Act, the appointment of board members will expire when, following the expiry of the term, the general meeting has been held or the deadline for holding the meeting to approve the previous year's financial statements has elapsed.

(**) Deemed an external director due to having held the role for a period of more than 12 years from the date of their appointment, in accordance with Article 529 duodecies of the Spanish Corporate Enterprises Act.

(***) Deemed an external director due to having been a member of the Board of Directors of the following companies of the BBVA Group: Grupo Financiero BBVA Bancomer, S.A. de C.V. and BBVA Bancomer, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA Bancomer.

Thus, the BBVA Board of Directors at the registration date of this Universal Registration Document is composed of fifteen (15) directors: two (2) executive directors and thirteen (13) non-executive directors, of whom ten (10) are independent directors and the remaining three (3) are external directors.

14.4 Corporate governance

On 12 February 2021, the National Securities Market Commission (CNMV) registered the Annual Corporate Governance Report for the 2020 financial year, which was approved by the Company's Board of Directors at its meeting on 8 February 2021. The report was prepared following the model included in the CNMV Circular 5/2013 of 12 June and in its wording given by CNMV Circular 1/2020 on 6 October, informing of the Bank's level of compliance with the corporate governance recommendations set out in the Code of Good Governance of listed companies.

Section G of the aforementioned Annual Corporate Governance Report, which is incorporated into this Universal Registration Document, details the Bank's degree of compliance with the corporate governance recommendations. As seen in the aforementioned Section, BBVA complies and substantially follows the applicable corporate governance recommendations set out in the Code of Good Governance of listed

companies, which was approved by CNMV on February 2015 and reviewed on June 2020. In particular, of the 64 recommendations, BBVA complies with a total of 55. Recommendations 2, 10, 11, 19 and 20 are inapplicable to it, and it partially complies with recommendations 5, 7, 42 and 53 for the reasons included in the aforementioned Section G.

14.5 Other information on corporate governance

At the date of registration of this Universal Registration Document, neither the General Shareholders' Meeting nor the BBVA Board of Directors plans to agree on any relevant changes in relation to the composition of the Board of Directors that could have a significant impact on BBVA's Corporate Governance System.

With regard to the composition of the Committees, the Board of Directors of BBVA does not plan to agree on any relevant changes thereto. Consequently, at the date of registration of this Universal Registration Document, the composition of the BBVA Board of Directors Committees corresponds to that already included in 2020 Annual Corporate Governance Report, which is incorporated into this Universal Registration Document (Sections C.2.1 and C.2.2).

In addition, within the framework of the process of continuous evaluation of BBVA's corporate bodies, the work done in 2019 to review the effectiveness of BBVA's Corporate Governance System was consolidated during the 2020 financial year. Furthermore, work has been done in 2020 on the establishment and implementation of additional measures to further strengthen the effectiveness of the System, as well as the performance of the functions of the corporate bodies, as detailed in Section C.1.17 of the Annual Corporate Governance Report for the 2020 financial year, which is incorporated into this Universal Registration Document.

SECTION 15 – EMPLOYEES

15.2 Shares and share options

As of 7 June 2021, the BBVA shares owned, either directly or indirectly, by the current members of the Board of Directors and by the members of Senior Management of the Bank (excluding executive directors) are as shown in the following tables:

Members of the Board of Directors	Direct shares		Indirect shares		TOTAL	
	No. of shares	% Share	No. of shares	% Share	No. of shares	% Share
Carlos Torres Vila	859,051	0.013	-	-	859,051	0.013
Onur Genç*	516,651	0.008	-	-	516,651	0.008
José Miguel Andrés Torrecillas	10,828	0.000	-	-	10,828	0.000
Jaime Caruana Lacorte	35,000	0.001	10,000	0.000	45,000	0.001
Raúl Galamba de Oliveira	30,000	0.000	-	-	30,000	0.000
Belén Garijo López	-	-	-	-	-	-
Sunir Kumar Kapoor*	10,000	0.000	-	-	10,000	0.000
Lourdes Máiz Carro	-	-	-	-	-	-
José Maldonado Ramos	38,761	0.001	-	-	38,761	0.001
Ana Peralta Moreno	-	-	-	-	-	-
Juan Pi Llorens	-	-	-	-	-	-
Ana Revenga Shanklin*	10,000	0.000	-	-	10,000	0.000
Susana Rodríguez Vidarte	26,980	0.000	-	-	26,980	0.000
Carlos Salazar Lomelín	260,929	0.004	-	-	260,929	0.004
Jan Verplancke	-	-	-	-	-	-
Board of Directors shares total	**1,798,200**	**0.027**	**10,000**	**0.000**	**1,808,200**	**0.027**

* Onur Genç, Sunir Kumar Kapoor and Ana Revenga Shanklin hold 31,326, 10,000 and 10,000 shares in the form of ADSs, respectively.

Members of Senior Management	Direct shares		Indirect shares		TOTAL	
	No. of shares	% Share	No. of shares	% Share	No. of shares	% Share
Domingo Armengol Calvo	144,906	0.002	-	-	144,906	0.002
María Jesús Arribas de Paz	105,079	0.002	-	-	105,079	0.002
Pello Belausteguigoitia Mateache	98,933	0.001	-	-	98,933	0.001
Carlos Casas Moreno	52,695	0.001	-	-	52,695	0.001
Victoria del Castillo Marchese	30,572	0.001	-	-	30,572	0.001
José Luis Elechiguerra Joven	58,365	0.001	-	-	58,365	0.001
Ana Fernández Manrique	95,651	0.001	105,031	0.002	200,682	0.003
María Luisa Gómez Bravo	190,547	0.003	-	-	190,547	0.003
Joaquín Gortari Díez	79,816	0.001	-	-	79,816	0.001
Ricardo Martín Manjón	17,370	0.000	8,026	0.000	25,396	0.000
Eduardo Osuna Osuna	81,121	0.001	-	-	81,121	0.001
David Puente Vicente	144,637	0.002	-	-	144,637	0.002
Jorge Sáenz-Azcúnaga Carranza	138,091	0.002	-	-	138,091	0.002
Jaime Sáenz de Tejada Pulido	481,146	0.007	211	0.000	481,357	0.007
Rafael Salinas Martínez de Lecea	294,758	0.004	21,274	0.000	316,032	0.005
Senior Management shares total	**2,013,687**	**0.030**	**134,542**	**0.002**	**2,148,229**	**0.032**

Information on remuneration systems with the issuance of shares to directors and members of Senior Management is contained in Notes 44.1.1 'Shares-based remuneration' and 54 'Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management' of the consolidated Annual Financial Statements for the 2020 financial year included in this Universal Registration Document.

SECTION 16 – MAJOR SHAREHOLDERS

As of December 31, 2020, State Street Bank and Trust Co., The Bank of New York Mellon S.A.N.V. and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 11.68%, 2.03%, and 6.64% 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 May 11, 2020, Norges Bank reported to the Spanish Securities and Exchange Commission (CNMV) that it now had a direct stake in BBVA common stock, of a total of 3.366%, of which 3.235% of voting rights attributed to shares, plus 0.131% of voting rights through financial instruments.

The company GQG Partners LLC, on February 11, 2021, communicated to the Spanish Securities Market Commission (CNMV) that it began to have an indirect participation in the capital stock of BBVA, of a total 3.090%, through rights voting rights attributed to the shares.

As mentioned in the Consolidated Financial Statements Note 26 "Common stock", BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised on the dated of registration of this Universal Registration Document.

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.

SECTION 18 – FINANCIAL INFORMATION CONCERNING THE ISSUER'S ASSETS AND LIABILITIES, FINANCIAL POSITION AND PROFITS AND LOSSES

The preparation of financial statements in accordance with IFRS-IASB (as is the case of the accounts and reports included or incorporated by reference in this Universal Registration Document) requires the use of estimates and the Management exercise of its criteria when applying the accounting policies in key areas or where assumptions are relevant such as the classification, valuation and impairment of financial assets (especially those for which there is no readily available market value reference), the assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments, the useful life and value corrections of tangible and intangible assets (including goodwill) and the allocation of the purchase price of business combinations, the fair value of certain unlisted financial assets and liabilities, recoverability of deferred tax assets, the exchange rates and inflation of certain countries in which the Group operates and the accounting policy regarding hyperinflationary economies. There is a risk that, if the criteria used or the estimates or assumptions that have been used turn out to be incorrect, the result could lead to significant losses for the Group that are greater than anticipated or the provisions made, which could have a significant adverse effect on the Group's business, financial situation and results.

18.1.7 Age of financial information

The latest audited financial information is for the year ended December 31, 2020, which meets the requirement of having no older than 15 months from the date of this Universal Registration Document.

18.3 Auditing of historical annual financial information

The historical annual financial information has been audited by the auditors.

The audit reports, mentioned in section 2.1 of this Universal Registration Document, for the years ended December 31, 2020, 2019 and 2018 did not have any qualification or scope limitation.

18.3.3 Other non-audited information

In this Universal Registration Document, the Group includes certain financial information that has not been extracted from the audited consolidated financial statements.

The Management Report and the Annual Corporate Governance Report are not audited but are reviewed by the external auditor with the scope stated in its audit report.

18.6 Proceedings and litigation

The financial sector faces an environment of increasing regulatory and litigious pressure, as mentioned in "Risk factors" section. In this environment, the different Group's entities are often parties to individual or collective legal proceedings arising from the ordinary activity of their businesses, as well as arbitral proceedings. In accordance with the procedural status of these proceedings and according to the criteria of the attorneys who manage them, BBVA considers that none of them is material, individually or in aggregate, and that no significant impact derives from them neither in the results of operations nor on liquidity, nor in the financial position at a consolidated level of the Group, as at the level of the standalone Bank. The Group Management considers that the provisions made in connection with these legal proceedings are adequate.

As mentioned in the "Risk factors" section (Section 4.1.1 - The Group is party to a number of legal and regulatory actions and proceedings and Section 4.1.2 - The Spanish judicial authorities are carrying out a criminal investigation relating to possible bribery, revelation of secrets and corruption by the Bank), the Group is subject or may be subject in the future to a series of legal and regulatory investigations, procedures and actions which, in case of a negative result, could have an adverse impact on the business, the financial situation and the results of the Group.

SECTION 19 – ADDITIONAL INFORMATION

19.1.1 Issued Capital

As of the date of registration of this Document, as of December 31, 2020, 2019 and 2018, BBVA's share capital amounted to €3,267,264,424.20, represented by 6,667,886,580 shares with a nominal value of 0.49 euros each. All of them of the same class and series, fully subscribed and paid, and represented by book entries. All of the Bank's shares have the same political and economic rights, and there are no different voting rights for any shareholder. There are also no shares that are not representative of capital.

19.1.3 Shares held by or on behalf of the issuer itself or by its subsidiaries

As of May 18, 2021, according to the latest "Notification of operations carried out with own shares" to the CNMV, the number of shares of the issuer held by the issuer itself or its subsidiaries was 8,276,248, representing 0.124% of the capital. Registered office of Banco Bilbao Vizcaya Argentaria, S.A.

19.2 Articles of incorporation and bylaws

19.2.1 Bylaws and articles of incorporation

The General Shareholders' Meeting of BBVA, held on 20 April 2021, approved the amendment to Article 21 of BBVA Corporate Bylaws, being pending of registration in the Biscay Commercial Registry at the date of registration of this Universal Registration Document. Moreover, the BBVA Bylaws are available to the public and can be consulted on the Bank's corporate website www.bbva.com,

The articles of incorporation are available to the public and can be consulted in the Biscay Commercial Registry.

Banco Bilbao Vizcaya Argentaria, S.A. is a Spanish company of indefinite duration, having adopted its current name after the merger of Banco Bilbao Vizcaya, S.A. and Argentaria, Caja Postal y Banco Hipotecario, S.A., authorised on 25 January 2000 by the Notary of Bilbao, José María Arriola Arana, with the notary record number 149, in which the first of these companies absorbed the second, registered in the Biscay Commercial Registry in registration no. 1035 of sheet BI-17-A.

The Bank's corporate purpose is described in Article 3 of the Bylaws, which states:

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

The functioning and composition of the BBVA Board of Directors and its Committees is regulated in articles 33 to 48 of the Bylaws and in the Regulations of the Board of Directors.

As provided for in article 33 of the Bylaws, the Board of Directors constitutes the natural body for the representation, administration, management and monitoring of the Company. The Board of Directors shall consist of at least five members and a maximum of fifteen members and the position of member of the Board of Directors shall last three years. A member may be re-elected once or more for periods of equal maximum duration.

The Bylaws provide that the Board of Directors may appoint, with the favourable vote of two thirds of its members and registration in the Commercial Registry, an Executive Committee, composed of the Directors designated by the Board and whose re-election will be based on the time frame, manner and number to be decided by the Board of Directors.

In addition, the Bylaws stipulate that the Board of Directors, to ensure the best performance of its functions, may create the Committees it deems necessary to assist it on those matters that correspond to their duties, determining its composition, designating its members and establishing the functions that each of them assumes. Notwithstanding the foregoing, the Board of Directors has, on a permanent basis, an Executive Committee, an Audit Committee, an Appointments and Corporate Governance Committee, a Remunerations Committee, a Risk and Compliance Committee, and a Technology and Cybersecurity Committee, with the composition and functions established in the Law, in the Regulations of the Board of Directors and in its own regulations.

19.2.3 Changes in issuer control

The BBVA Bylaws do not contain any clause that will have the effect of delaying, postponing, or preventing a change in the issuer's control.

SECTION 20 – IMPORTANT CONTRACTS

20.1 Information about important contracts

Agreement of the sale of BBVA USA to The PNC Financial Services Group[1]

On November 15, 2020, Banco Bilbao Vizcaya Argentaria, S.A. ("BBVA") entered into a Stock Purchase Agreement (the "Stock Purchase Agreement") with The PNC Financial Services Group, Inc. ("PNC"). Upon the terms and subject to the conditions set forth in the Stock Purchase Agreement, PNC will purchase from BBVA 100% of the issued and outstanding shares of BBVA USA Bancshares, Inc. (the "Stock Purchase"), a financial holding company ("BBVA USA Holdco") conducting its business operations primarily through its U.S. banking subsidiary, BBVA USA,

[1] This summary of the Contract does not pretend to be complete or exhaustive and therefore should not be read or interpreted in isolation but together with the rest of the information on the sale of the BBVA USA bank and specifically, the Contract dated April 15 . November 2020.

an Alabama-chartered bank ("BBVA USA Bank"), for $11.6 billion in cash on hand in a fixed price structure, subject to certain adjustments related to transaction expenses and tax matters.

PNC is not acquiring BBVA Securities, Inc. (PNC will acquire BBVA Securities, Inc.'s retail brokerage business, but not the entity), Propel Venture Partners Fund I, L.P. and BBVA Processing Services, Inc. (the "Carve-Out Transactions"). In addition, BBVA will continue to develop the wholesale business that it currently carries out through its branch in New York.

The completion of the Stock Purchase is subject to certain conditions, including, among others, the absence of any injunction or other legal prohibition on the completion of the Stock Purchase, the receipt of required governmental approvals and/or the expiration of certain waiting periods, the accuracy of the representations and warranties of the other party (generally subject to a material adverse effect standard), material compliance by the other party with its obligations under the Stock Purchase Agreement, and the completion of the Carve-Out Transactions prior to closing.

Under the Stock Purchase Agreement, BBVA has agreed to take or refrain from taking certain actions, including, among others, (i) to cause BBVA USA Holdco and its subsidiaries, including BBVA USA Bank, to operate in the ordinary course of business consistent with past practice and not to enter into certain types of transactions between the execution of the Stock Purchase Agreement and the closing of the Stock Purchase and (ii) subject to certain exceptions, not to (a) engage in a retail banking business in the U.S. for two years following the closing of the Stock Purchase, or (b) solicit or hire any employees of BBVA USA Holdco or its subsidiaries, including BBVA USA Bank, for one year following the closing of the Stock Purchase.

Under the Stock Purchase Agreement, PNC has agreed to take or refrain from taking certain actions, including, among others, (i) to use reasonable best efforts to obtain any necessary regulatory consents and (ii) subject to certain exceptions contained in the Stock Purchase Agreement, not to solicit or hire any BBVA employees retained by BBVA for one year following the closing of the Stock Purchase.

The Stock Purchase Agreement contains customary representations and warranties of BBVA and PNC. The Stock Purchase Agreement also contains certain indemnification obligations of each party with respect to breaches of representations, warranties and covenants and certain other specified matters.

The Stock Purchase Agreement contains certain termination rights for PNC and BBVA, as the case may be, applicable upon, among other events, (i) the Stock Purchase having not been completed on or prior to November 15, 2021 (subject to extension in certain circumstance), or (ii) a breach by the other party that is not or cannot be cured within 45 days' notice of such breach or is not capable of being cured by November 15, 2021, which breach would result in the failure of the conditions to the terminating party's obligations to complete the transactions contemplated by the Stock Purchase Agreement.

As indicated in Section 5.3 of this Registration Document, on June 1st, 2021 BBVA has completed the sale to The PNC Financial Services Group, Inc. 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.

SECTION 21 – AVAILABLE DOCUMENTS

21.1 Available documents

The individual Financial Statements of Banco Bilbao Vizcaya Argentaria, S.A. as well as the Financial Statements of its consolidated Group and the management reports of Banco Bilbao Vizcaya Argentaria, SA, as well as those of the BBVA Group, together with their respective audit reports, corresponding to the years ended on December 31, 2020, 2019 and 2018 as well as the Interim Financial Statements corresponding to the three-month period ended March 31, 2021, are deposited with the CNMV, available to the public on the website of the National Market Commission of Securities (www.cnmv.es) and on the Company's website (www.bbva.com).

The Articles of Incorporation and the bylaws are also available to the public and can be consulted at the Vizcaya Companies Registry, the Corporate Bylaws can be consulted on the BBVA corporate website (www.bbva.com).

The information contained on the websites www.bbva.com and www.cnmv.es is not part of the Universal Registration Document except for that specific information that has been incorporated by reference in the Universal Registration Document.

Banco Bilbao Vizcaya Argentaria, S.A. presents this Universal Registration Document for its registration in the Official Registry of the National Securities Market Commission.

In recognition whereof,

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Signed: Mª Ángeles Peláez Morón