

## **BBVA Global Securities B.V.**

(a wholly owned subsidiary of Banco  
Bilbao Vizcaya Argentaria, S.A.)

Annual Report for the year  
ended December 31<sup>st</sup>, 2022

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# Directors' report

The Board of Directors of BBVA Global Securities B.V. (hereinafter, the "Company") herewith presents the directors' report and the audited financial statements for the year ended December 31<sup>st</sup>, 2022.

## Incorporation

BBVA Global Securities B.V. was incorporated under the laws of the Netherlands on December 7<sup>th</sup>, 2020, with limited liability and having its statutory seat in Amsterdam, the Netherlands.

The Company is a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the "Bank", "BBVA" or the "Parent Company"), a Spanish banking institution headquartered in Bilbao, Spain, and is therefore integrated in Banco Bilbao Vizcaya Argentaria Group (hereinafter, the "Group" or "BBVA Group").

## Principal activities, business overview and future developments

The objectives for which the Company is established are to raise finance through the issuance of bonds, notes, warrants, certificates and other debt instruments, and invest the funds raised in financial assets with BBVA. For these purposes, the Company may enter into (i) derivative transactions or other economic hedging agreements, and (ii) other agreements with third parties in connection with the above objective.

During the year 2022, the Company has issued 235 debt instruments.

All the debt instruments issued by the Company have been issued under the following programmes approved by the Company's Board of Directors:

- Structured Medium Term Securities Programme to issue notes and certificates up to an aggregated amount of EUR 8,000,000,000 (or its equivalent in other currencies). The last update of the Programme was on June 24<sup>th</sup>, 2022. Notes and certificates issued under this Programme are linked to a range of underlyings embedded derivatives including indices, shares, ETF's, funds, credit and FX, or any combination thereof.

All the debt instruments issued by the Company are cash settled.

The obligations of the Company in respect of the debt instruments issued under the aforementioned programmes are unconditionally and irrevocably guaranteed by BBVA, as guarantor.

All outstanding notes and certificates (hereinafter "securities") as of December 31<sup>st</sup>, 2022 and 2021 are listed. The Company does not anticipate any significant change in the kind of activities for the next financial year.

The Company has not developed or incurred any R&D expenses.

## Economic environment

The global economy has slowed down throughout 2022, in an environment marked by strong inflationary pressures, an aggressive tightening of monetary conditions, the negative impact of the war in Ukraine and lower growth in China.

Despite the moderation trend, the uncertainty about the future evolution of the monetary policy and the recent turmoil in the banking sector in March, 2023, economic growth has exhibited a certain resilience and has generally been higher than expected by most analysts due to previously accumulated savings, the normalization of activity following the restrictions and disruptions generated by the COVID-19 pandemic, as well as the dynamism of the labor markets, which have contributed, in particular, to the performance of private consumption and the services sector.

Inflation has remained at high levels in 2022. However, after surging upwards for most of the year, it has begun to moderate in recent months, in line with the slowdown in aggregate demand, the recent moderation of energy prices and the process of normalization of global supply chains. In annual terms, inflation reached 6.5% in the United States and 9.2% in the Eurozone at the end of the year 2022.

In this context of still high inflationary pressures, central banks have continued to tighten monetary conditions. In the United States, the Federal Reserve (the "Fed") has increased reference interest rates to 4.5% in December 2022 (425 basis points higher than the level at the beginning of 2022) and has maintained in place the program to sell assets and reduce the size of its balance sheet. It has also indicated that interest rates will continue to be adjusted upwards in the coming months. In the Eurozone, the ECB has raised interest rates for its refinancing operations to 2.5% in December (250 basis points higher than the level at the beginning of 2022), it has tightened the conditions of its Tetas (targeted longer-term refinancing operations), which provide financing to credit institutions, and has indicated that it could soon launch an asset selling program. Further adjustments were announced in the coming months, such as the rise in the Fed's target range for federal funds rate to 4.75% to 5.00% and the ECB's to 3.5%, announced during March, 2023.

In a highly uncertain environment, the baseline scenario of BBVA Research considers that the global economy will continue to slow down in the near future, with possible episodes of recession in the Eurozone and the United States. This slowdown in growth is mainly attributable to the significant tightening of monetary conditions (official interest rates are expected to reach around 5.0% in the United States and 3.75% in the Eurozone in the coming months, and to remain unchanged until, at least, the end of the year 2023) and still high inflation, which, however, will likely slowdown progressively.

This slowdown in growth is mainly attributable to the significant tightening of monetary conditions (official interest rates are expected to reach around 5.0% in the United States and 3.75% in the Eurozone in the coming months, and to remain unchanged until, at least, the end of the year 2023) and still high inflation, which, however, will likely slowdown progressively.

According to BBVA Research, after increasing by 6.3% in 2021 and around 3.3% in 2022, global GDP will grow by just 2.3% in 2023. In the United States, growth would drop to 1.9% in 2022 and around 0.5% in 2023, when the strong monetary adjustment could generate a mild recession. In the Eurozone, slight drops in GDP are likely in the coming quarters, mainly due to the disruptions created by the war in Ukraine, including the still high gas prices. Annual growth in the region is expected to be around 3.2% in 2022 and -0.1% in 2023. In China, after having grown 3.0% in 2022, GDP growth is expected to reach 5.0% in 2023, but the increase in infections following the recent easing of COVID-19 policies and the financial tensions caused by the imbalances in real estate markets could trigger lower-than-expected economic growth.

#### Principal risks and uncertainties

The use of financial instruments may involve the transfer of one or more types of risk. The risks associated with these financial instruments are:

- Credit risk: Credit risk is defined as the risk that one party entitled to a financial instrument will cause a financial loss to another party by failing to discharge an obligation. In accordance with IFRS 7 "Financial Instruments: Disclosures", the maximum credit risk exposure in the balance sheet as of December 31<sup>st</sup>, 2022, and 2021, amounted to EUR 230,314 thousand. and EUR 67,596 thousand respectively.

As of December 31<sup>st</sup>, 2022 and 2021, credit risk is concentrated geographically in Spain, with the Parent Company (see Note 16). As of December 31<sup>st</sup>, 2022 and 2021 there are no impaired assets. The financial performance and positions of Banco Bilbao Vizcaya Argentaria, S.A. are important for the recoverability of the exposures in place.

In the case of the Company, since there is a perfect relationship between changes in the value of deposits due from parent and debt securities issued, as they are fully matched, the liability will be accounted for at Fair value through profit or loss under the Fair value option for liabilities to eliminate "accounting asymmetries". See Notes 8 and 9, for the amount associated with Credit Valuation Adjustments and Own Credit Risk Adjustments respectively.

- Market risks: These are defined as the risks arising from the maintenance of financial instruments whose value may be affected by changes in market conditions. It includes four types of risk:

- Interest rate risk: This risk arises as a result of changes in market interest rates. Changes in interest rates affect the interest received from deposits and the interest paid on issues equally. Therefore, the changes in interest rates offset each other.
  - Foreign exchange risk: This is the risk resulting from variations in foreign exchange rates. Since the funds obtained by the Company from the issues are invested in deposits in the same currency, the exposure to currency risk is not relevant. Changes in foreign exchange rates affect face value and interests from deposits and face value and interests paid on issues equally. Therefore, the changes in foreign exchange rates offset each other.
  - Price risk: This is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market. The fair value of the issues launched does not differ significantly from the fair value of the deposits since their features (amount, term and interest rate) are the same.
  - Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in derivative products whose underlying asset is a share or an equity index. Changes in share prices affect face value and payments of derivatives on deposits and face value and interests paid on issues equally. Therefore, the changes in share prices offset each other.
- Liquidity risk: This is the possibility that a company cannot meet its payment commitments duly, or, to do so, must resort to borrowing funds under onerous conditions, or risking its image and the reputation of the entity. The Company obtains the liquidity required to meet interest payments, redemptions of issues from deposits on the issues arranged with BBVA. The Note 6 details the maturities of the debt securities issued and gives the breakdown of deposits in BBVA to cover the liquidity necessary for such maturities. The liquidity to meet the interest payments on the securities is derived from interest earned on BBVA deposits, which have the same maturities.

All the expenses of the Company are covered through an expense assumption agreement between the Company and BBVA.

- Concentration risk: The Company is a wholly-owned subsidiary of BBVA, and is therefore integrated in the BBVA Group.

Risk concentration limits are established at a Group level and not at the company level. 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 Company's debt instruments are guaranteed by BBVA. No additional collateral is established. The Company's deposits are totally due from BBVA.

All debt securities registered by the Company are back-to-back and therefore, there is no effect in the income statement. Taking into account this consideration and assuming that the credit spread of BBVA and the Company is the same (same interest rate, maturity and other features), the estimation of the counterparty credit risk associated to derivatives would be the same in assets and liabilities.

Any adverse changes affecting the Spanish economy are likely to have an adverse impact on the BBVA's financial situation and consecutively, on the Company's financial condition, results of operations and cash flows. Negative economic conditions are mitigated by BBVA and its subsidiaries, showing a great and demonstrated capacity for generating earnings based on the diversification of its geographical business areas. As of the date of these financial statements the qualifications of BBVA Group Long Term Senior preferred debt by Fitch Ratings, one of the main rating agencies, shows a grade A-.

Additionally, there has not been any default position to the date. All Company's deposits due from BBVA related to securities with maturity in the year ended December 31<sup>st</sup>, 2022, and previous years until the date of this report, have been reimbursed.

- Other risks: The Company as a wholly-owned subsidiary of BBVA, is subject to risks and uncertainties ensuing from changes in legislation and regulation in Banking and Capital Markets in Europe. In addition, considering the operations of the Company, risks arisen from internal and external reporting is limited.

The Company and the Group to which it belongs, have developed an integrated risk management system that is structured around three main components: (i) a corporate risk governance regime, with adequate segregation of duties and responsibilities, (ii) a set of tools, circuits and procedures that constitute the various different risk management regimes, and (iii) an internal control system.

#### **(i) CORPORATE GOVERNANCE RISK SYSTEM**

The Group has a corporate governance system which is in line with international recommendations and trends, adapted to requirements set by regulators in each country and to the most advanced practices in the markets in which it pursues its business.

In the field of risks, the Board of Directors of BBVA, is responsible for establishing the general principles that define the Institution's risk objectives, approving the risk control and management policy and the regular monitoring of the internal systems of information and control.

The risk management function is distributed into the Risk Units of the business areas and the Corporate Area, which defines the policy, strategies, methodologies and global infrastructure. The risk units in the business areas propose and maintain the risk profile of each client independently, but within the corporate framework for action.

The Corporate Risk Area combines the view by risk type with a global view. It is made up of the Corporate Risk Management unit, which covers the different types of risk, the Technical Secretary responsible for technical comparison, which works alongside the transversal units: such as Structural Management & Asset Allocation, Risk Assessment Methodologies and Technology, and Validation and Control, which include internal control and operational risks.

#### **(ii) TOOLS, CIRCUITS AND PROCEDURES**

The Group has implemented an integral risk management system designed to cater for the needs arising in relation to the various types of risk. This has prompted it to equip the management processes for each risk with measurement tools for risk acceptance, assessment and monitoring and to define the appropriate circuits and procedures, which are reflected in manuals that also include management criteria.

#### **(iii) INTERNAL CONTROL MODEL**

The Group's Internal Control Model is based on the best practices described in the following documents: "*Enterprise Risk Management – Integrated Framework*" by the COSO (*Committee of Sponsoring Organizations of the Treadway Commission*) and "*Framework for Internal Control Systems in Banking Organizations*" by the Bank for International Settlements (BIS).

The Internal Control Model therefore comes within the Integral Risk Management Framework. This framework is understood as the process within an organization involving its Board of Directors, its management and all its staff, which is designed to identify potential risks facing the institution and which enables them to be managed within the limits defined, in such a way as to reasonably assure that the organization meets its business targets. This Integral Risk Management Framework is made up of Specialized Units (Risks, Compliance, Accounting and Consolidation, Legal Services), the Internal Control Function and Operational Risk and Internal Audit.

#### **Results for the year**

The Company recorded a nil result for the years ended on December 31<sup>st</sup>, 2022 and December 31<sup>st</sup>, 2021. The result for the year is set out on statements of profit or loss and other comprehensive income for the years ended December 31<sup>st</sup>, 2022 and 2021. Results of the Company are at the disposal of the Annual General Meeting.

### Directors and their interest

The Directors and Secretary of the Board who held office on December 31<sup>st</sup>, 2022 did not hold any shares in the Company at year-end or during the year. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest at anytime during the year.

### Personnel

During the years ended on December 31<sup>st</sup>, 2022 and 2021, the Company had no employees. The Managing Directors are employees at BBVA. All administrative and accounting tasks are performed by employees of the Parent Company.

### Board composition

During the years ended on December 31<sup>st</sup> 2022 and 2021, the allocation of seats in the Board of Directors between men and women is not in equilibrium. The current Managing Board has the necessary experience and expertise to ensure that its duties are properly executed.

### Audit Committee

The Audit Committee of the BBVA Group is also formally responsible for the Company as per the relevant requirements included in the Dutch Laws that are applicable to the Company.

### Board of Directors and Shareholders' meetings

The Board of Directors and the Sole-Shareholder have held meetings since January 1<sup>st</sup>, 2022 which were as follows:

January 21st, 2022	Board of Directors
January 21st, 2022	Shareholder resolution
April 27th, 2022	Shareholder resolution
June 8th, 2022	Board of Directors
June 8th, 2022	Shareholder resolution
July 18th, 2022	Board of Directors
July 18th, 2022	Shareholder resolution
November 30th, 2022	Board of Directors
December 19th, 2022	Board of Directors

All the above resolutions of the Board of Managing Directors and the Sole-Shareholder were adopted outside of meetings and recorded in writing, pursuant to articles 12.7 and 18 of the Articles of Association of the Company.

### Accounting records

The Directors believe that they have complied with the legal requirements for the financial statements as included in Part 9 of Book 2 of the Dutch Civil Code and in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS"). The books of account of the Company are maintained by Vistra Capital Market N.V., at Herikerbergweg 88, 1101 CM Amsterdam, The Netherlands.

### Post balance sheet events

From January 1<sup>st</sup>, 2023 to the date of preparation of these Financial Statements, no other subsequent events have taken place that could significantly affect the Company's earnings or its equity position.

#### Internal and external factors

BBVA Global Securities B.V., is a wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A., a Spanish banking institution headquartered in Bilbao, Spain, and is therefore integrated in the Banco Bilbao Vizcaya Argentaria Group.

The company's securities are totally guaranteed by the Parent Company. No additional collateral is established. BBVA Global Markets B.V.'s deposits are totally due from the Parent Company. Any adverse changes affecting the Spanish economy are likely to have an adverse impact on the Parent Company's financial situation and consecutively, on the Company's financial condition, results of operations and cash flows. As of the date of these financial statements the qualifications of BBVA Group Long Term Senior preferred debt by Fitch Ratings, one of the main rating agencies, shows a grade A-.

Presented with the current situation (see Economic environment) and given the Company's activity, the risks must be analyzed within the Group in which it operates. For this matter, BBVA Group has focused its attention on ensuring continuity in the operational security of the business as a priority and monitoring the impacts on the business and the Group's risks (such as impacts on results, capital or liquidity). Additionally, BBVA Group adopted a series of measures to support its main stakeholders from the beginning. This way, the Group's long-term strategic purpose and priorities remain the same and are even reinforced with its commitment to technology and data-based decision making. Due to the current situation, the estimates made by the Company as of December 31st, 2022 have been made based on the best information available on the events analyzed. Likewise, the Company's Directors have concluded that the going concern principle continues to be applied in the formulation of the following annual accounts.

The Company has no direct exposure to Ukraine and Russia.

#### Outlook for the financial year 2023

The Company will continue to develop its activities within the objectives for which it was established which is to raise finance through the issuance of bonds, notes, warrants, certificates and other debt instruments, and invest the funds raised in financial assets with BBVA during year 2023.

Madrid, April 26<sup>th</sup>, 2023

Board of Directors:

Juan Antonio Garat Pérez

Víctor Martínez San Martín



# Statement of Directors' responsibilities in respect of directors' report and the financial statements

The Directors are responsible for preparing the directors' report and financial statements in accordance with applicable law and regulations.

The Directors consider that, in preparing the financial statements, the Company, has used the most appropriate accounting policies, consistently applied and supported by reasonable and prudent judgement and estimates, and that all International Financial Reporting Standards as adopted by the European Union and requirements of Part 9 of Book 2 of the Dutch Civil Code which they consider to be applicable, have been followed.

The Company's financial statements are required by law to give a true and fair view of the financial position of the Company and of its financial performance.

In preparing the financial statements, the Directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping proper books of account that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil Code. They are also responsible for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities.

The Directors are also responsible for preparing a directors' report that complies with the requirements of Part 9 of Book 2 of the Dutch Civil Code.

Madrid, April 26<sup>th</sup>, 2023

Board of Directors:

Juan Antonio Garat Pérez

Víctor Martínez San Martín

# STATEMENT OF FINANCIAL POSITION AS OF DECEMBER 31<sup>st</sup>, 2022

(before appropriation of result)

<i>Thousands of Euros</i>	<b>Note</b>	<b>12/31/2022</b>	<b>12/31/2021</b>
<b>ASSETS:</b>			
<i>Non-current assets</i>			
- Long-Term deposits due from Parent	<b>8</b>	183,804	58,355
<b>Total Non-current assets</b>		<b>183,804</b>	<b>58,355</b>
<i>Current assets</i>			
- Short-Term part of deposits due from Parent	<b>8</b>	46,510	9,241
- Other assets	<b>15</b>	71	67
- Cash and cash equivalents	<b>7</b>	40	6
<b>Total Current assets</b>		<b>46,621</b>	<b>9,314</b>
<b>Total assets</b>		<b>230,425</b>	<b>67,669</b>
<b>LIABILITIES:</b>			
<i>Non-current liabilities</i>			
- Long-Term debt securities issued	<b>9</b>	183,804	58,355
<b>Total Non-current liabilities</b>		<b>183,804</b>	<b>58,355</b>
<i>Current liabilities</i>			
- Short-Term debt securities issued	<b>9</b>	46,510	9,241
- Other liabilities		78	55
- Current tax liabilities	<b>15</b>	15	-
<b>Total Current liabilities</b>		<b>46,603</b>	<b>9,296</b>
<b>Total liabilities</b>		<b>230,407</b>	<b>67,651</b>
<b>SHAREHOLDER'S EQUITY:</b>			
- Issued share capital	<b>10</b>	18	18
- Result of the year		-	-
<b>Total shareholder's equity</b>		<b>18</b>	<b>18</b>
<b>Total liabilities and shareholder's equity</b>		<b>230,425</b>	<b>67,669</b>

The accompanying Notes 1 to 20 are an integral part of these financial statements.

# STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED DECEMBER 31<sup>st</sup>, 2022

<i>Thousands of Euros</i>	Note	12/31/2022	12/31/2021
Exchange rate differences		-	-
Other operating income	<b>6 and 16</b>	146	63
Other operating expenses	<b>14</b>	(146)	(63)
Gains / (Losses) on financial assets designated at fair value through profit or loss	<b>8 and 16</b>	(18,726)	(3,106)
Gains / (Losses) on financial liabilities designated at fair value through profit or loss	<b>9</b>	18,726	3,106
<b>Result of the year before tax</b>		-	-
Income tax	<b>15</b>	-	-
<b>Result of the year from continued operations</b>		-	-
<b>Comprehensive result of the year</b>		-	-
<b>Total comprehensive result of the year</b>		-	-

The accompanying Notes 1 to 20 are an integral part of these financial statements.

# STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED DECEMBER 31<sup>st</sup>, 2022

<i>Thousands of Euros</i>	Note	Issued Share Capital	Other reserves	Share Premium	Result of the year	Total
<b>Balance at beginning of the year (January 1st, 2021)</b>		<b>18</b>	-	-	-	<b>18</b>
- Result of the year		-	-	-	-	-
- Result of previous years		-	-	-	-	-
- Share premium		-	-	-	-	-
<b>Balance at end of the year (December 31st , 2021)</b>		<b>18</b>	-	-	-	<b>18</b>
<b>Balance at beginning of the year (January 1st, 2022)</b>		<b>18</b>	-	-	-	<b>18</b>
- Result of the year		-	-	-	-	-
- Result of previous years		-	-	-	-	-
- Share premium		-	-	-	-	-
<b>Balance at end of the year (December 31st , 2022)</b>		<b>18</b>	-	-	-	<b>18</b>

The accompanying Notes 1 to 20 are an integral part of these financial statements.

# STATEMENT OF CASH FLOWS FOR THE YEAR ENDED DECEMBER 31<sup>st</sup>, 2022

Thousands of Euros	Note	12/31/2022	12/31/2021
<b>Result of the year before tax</b>		-	-
<b>ADJUSTMENTS TO RECONCILE NET (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
<b>Adjustments for:</b>		-	-
Gains / (Losses) on financial assets designated at fair value through profit or loss		25,759	5,546
Gains / (Losses) on financial liabilities designated at fair value through profit or loss		(25,759)	(5,546)
Exchange differences		-	-
Other income and expenses		-	-
<b>Changes in working capital:</b>		<b>(12)</b>	<b>(12)</b>
Trade and other payables		(8)	50
Trade and other receivables		(4)	(62)
<b>Other cash flows from operating activities:</b>		-	-
Interest paid		(7,033)	(2,440)
Interest received		7,033	2,440
Income tax recovered (paid)		-	-
<b>Net cash provided by/(used in) operating activities</b>		<b>(12)</b>	<b>(12)</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES:</b>			
<b>Investments:</b>		<b>(213,872)</b>	<b>(93,437)</b>
Deposits at the parent		(213,872)	(93,437)
<b>Disinvestments:</b>		<b>33,820</b>	<b>21,171</b>
Deposits at the parent		33,820	21,171
<b>Net cash provided by/(used in) investing activities</b>		<b>(180,052)</b>	<b>(72,266)</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES:</b>			
Proceeds from issue of share premium		-	-
Proceeds from issue of debt instruments and other marketable securities		213,872	93,437
Proceeds from issue of borrowings from Group companies and associates		46	-
Redemption of debt instruments and other marketable securities		(33,820)	(21,171)
<b>Net cash provided by/(used in) financing activities</b>		<b>180,098</b>	<b>72,266</b>
Net increase/(decrease) in cash and cash equivalents		34	(12)
Effect of currency translations		-	-
Cash and cash equivalents at the beginning of the year		6	18
<b>Cash and cash equivalents at the end of the year</b>	<b>7</b>	<b>40</b>	<b>6</b>

The accompanying Notes 1 to 20 are an integral part of these financial statements.

# NOTES TO THE FINANCIAL STATEMENTS

Notes to the financial statements for the year ended December 31<sup>st</sup>, 2022 (Currency – Thousands of Euros).

## **1. Group affiliation, principal activity and tax regulation**

BBVA Global Securities B.V. (hereinafter, the “Company”), is a corporation with limited liability, incorporated under Dutch law, whose trade register code number is 81185774. The Company has its seat and statutory domicile in Amsterdam, the Netherlands, and its principal place of business and tax residence at Calle Saucedá, 28, 28050, Madrid, Spain. It was incorporated under the laws of the Netherlands on December 7<sup>th</sup>, 2020, and is a wholly owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the “Bank”, “BBVA”), a Spanish banking institution headquartered in Bilbao, Spain. The Company is integrated in the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the “Group” or “BBVA Group”).

The objectives for which the Company is established are to raise finance through the issuance of bonds, notes, warrants, certificates and other debt instruments, and invest the funds raised in of financial assets with BBVA. For these purposes, the Company may enter into (i) derivative transactions or other economic hedging agreements, and (ii) other agreements with third parties in connection with the above objectives.

The Company has no direct employees, and no remuneration is paid by the Company to the Managing Directors, which consists of two men.

## **2. Significant accounting policies**

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU-IFRS”) and with Part 9 of Book 2 of the Dutch Civil code, with significant policies applied below.

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

### ***a) Cash and cash equivalents***

The balance recorded under the heading “Cash and cash equivalents” are carried at amortized cost in the statement of financial position, and it represents the amount the Company holds as of December 31<sup>st</sup>, 2022 and 2021 on the current account held at BBVA.

### ***b) Debt securities and deposits due from Parent***

Debt securities issued and deposits due from Parent are initially accounted for at fair value. The best evidence of the fair value of a financial instrument at initial recognition shall be the transaction price.

As debt securities issued and deposits due from Parent are measured at fair value through profit and loss, the entity presents the entire fair value change on a net basis as a single amount including foreign exchange gains and losses and/or interest income and expense.

For subsequent measurement for the deposits due from parent are managed on a fair value basis and are classified within the “residual” other business model valued at fair value through profit and loss (IFRS 9. 4.1.4) since they represent assets that the entity manages and in which it measures its “performance” based on its fair value (IFRS 9 B4.1.6).

For subsequent measurement, debt securities issues are accounted for at fair value through profit and loss using the “fair value option of liability” to eliminate “accounting asymmetries”, (IFRS 9. 4.2.2) including the changes in the credit risk in profit and loss since if they were registered against other comprehensive income an accounting asymmetry with the related assets would be generated.

Issuing debt securities, sometimes, involves incurring costs and commissions in relation to the offering. These fees and costs are covered through an expense assumption agreement between the Company and BBVA.

**c) Recognition of revenues and expenses**

For accounting purposes, revenues and expenses are recorded on an accrual basis as they are earned or incurred.

**d) Statement of Profit or Loss and Other Comprehensive Income**

IAS 1 requires that all items of income and expense be presented either: in a single statement (a "statement of comprehensive income"), or in two statements (a separate "income statement" and "statement of comprehensive income"). The Company has elected to present a single statement of comprehensive income. The Company does not have separate components of other comprehensive income; therefore, comprehensive income is equal to the profit/(loss) reported for all periods presented.

**e) Cash flow statement**

The cash flow statement, based on the indirect method of calculation, gives details of the source of cash and cash equivalents which became available during the year and the application of these cash and cash equivalents over the course of the year.

The Company has used the exchanges rates as of the end of the year to calculate the amounts shown in the Cash flow statement and in the table below.

The table below details changes in the liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the cash flow statement as cash flows from financing activities:

<b>Total Liabilities from financing activities</b>	<b>2022</b>	<b>2021</b>
<b>Balance at the beginning of the year</b>	<b>67,596</b>	<b>-</b>
Cash movements		
Cash flows from proceeds and redemptions	180,098	72,266
Interest paid	(7,033)	(2,440)
Non-cash movements		
Fair value changes	(25,759)	(5,546)
Interest accrual	7,033	2,440
Foreign exchange differences (*)	8,457	876
<b>Balance at the end of the year</b>	<b>230,392</b>	<b>67,596</b>

*(\*) Exchange rate differences are presented on a net basis in the income statement under the caption "Exchange rate differences" as they arise from financial instruments that offset each other (both deposits due from Parent and debt securities issued).*

**f) Recognition and derecognition**

The Company recognises a financial asset or a financial liability in its statement of financial position when, and only when, the entity becomes party to the contractual provisions of the instrument.

Financial assets are derecognised when the contractual rights to receive cash flows from the financial assets have expired or transferred.

The Company derecognises a financial liability (or a part of a financial liability) from its statement of financial position when, and only when the obligation specified in the contract is discharged or cancelled, or expires.

**g) Income taxes**

The charge for current tax is based on the result for the year adjusted for items that are non-assessable or disallowed.

Deferred taxes are recognized to the extent that it is probable that taxable profits will be available.

The Company files consolidated tax returns as part of the 2/82<sup>1</sup> Group, whose Parent Company is Banco Bilbao Vizcaya Argentaria, S.A.

The Parent Company is part of a fiscal unity for corporate income tax and for that reason it is jointly and severally liable for the tax liabilities of the whole fiscal unity.

During the 2022 financial year, the tax Group to which the Company belongs has reached an agreement to reclassify for accounting purposes the tax credits generated under the tax consolidation regime and pending application, assigning them to each of the entities of said Group in the proportion in which they have contributed to its creation. This new agreement has led to a change in the balances of negative tax bases of the Company, which are now recognized as a credit to the parent company to the extent that their compensation by the Group is foreseen and are subject to effective collection when used by the Tax Group.

For amounts not compensated by the Tax Group, are only recognized deferred tax assets originating from negative tax bases, deductions pending application and other deferred assets, to the extent that it is considered probable that the Tax Group to which the Company belongs will have future taxable profits against which to make them effective.

The Company has its place of effective management and registered office in Spain, and is a resident of Spain for tax purposes.

**h) Financial instruments offset**

Financial assets and liabilities may be netted, i.e., they are presented for a net amount on the balance sheet only when the Company complies with 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. As of December 31<sup>st</sup>, 2022, and 2021, there are no asset and liabilities presented netted in the balance sheet.

**i) Fair value hierarchy**

The fair value of financial instruments is defined as 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. It is therefore a market-based measurement and not specific to each entity.

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.

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 Company, 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 the 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.

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<sup>1</sup> Pursuant to current Spanish legislation, number code 2/82 refers to the BBVA Consolidated Tax Group, including the Parent Company and those subsidiaries that meet the requirements provided for under Spanish legislation.



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 (see notes 9 and 11).
- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market (see notes 9 and 11). Model selection and validation is undertaken by control areas outside the business areas.

***j) True and fair view***

The Company's financial statements for the year ended December 31<sup>st</sup>, 2022 which have been obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein, and they give a true and fair view of the Company's net worth and financial position as of December 31<sup>st</sup>, 2022 and the results of operations as well as the cash flows generated during the year then ended.

The Company's financial statements for 2021 were approved by its sole shareholder on April 26<sup>th</sup>, 2022.

***k) Related party transactions***

The Company is a wholly-owned subsidiary of BBVA and enters into transactions with related parties on an arm's length basis. All the outstanding amounts have been disclosed in the notes to each separate account balance when applicable (see Note 16).

***l) Use of estimates***

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

These estimates were made on the basis of the best available information on the matters analyzed, as of December 31<sup>st</sup>, 2022. However, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the corresponding income statement.

The preparation of financial statements in conformity with IFRS-IASB requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

There have not been any changes in the estimates made by the management during 2022 and 2021.

***m) Comparative information***

In order to improve the comparability, certain reclassifications have been made in the Statement of profit or loss for the year 2021.

Regarding the captions “Gains / (Losses) on financial assets designated at fair value through profit or loss” and “Gains / (Losses) on financial liabilities designated at fair value through profit or loss” of the accompanying Statement of profit or loss for the year 2021, only the effect of the interest settled in the year was disclosed, netting out the remaining effects of the fair value measurement of both, deposits and debt securities issued. This is a non-material error of presentation, as the net amount of this reclassifications amounts zero, and therefore there is no impact on the Company’s equity and result for the year.

In order to make this effect explicit, the following reclassifications have been made to both captions in the Statement of profit or loss for the year 2021:

Thousand of Euros	Gains / (Losses) on financial assets designated at fair value through profit or loss (Note 8)	Gains / (Losses) on financial liabilities designated at fair value through profit or loss (Note 9)	Total
Amount disclosed under this caption in 2021 Financial Statements	2,440	(2,440)	-
Fair value adjustments netted in 2021 (Notes 8 and 9)	(5,546)	5,546	-
<b>Amount disclosed under this caption in 2022 Financial Statements</b>	<b>(3,106)</b>	<b>3,106</b>	-

#### ***n) Going concern***

Given the Company's activity and its scope of operation, the Company's Directors are constantly monitoring the possible impacts, both financial and non-financial, that may occur on the Company's Financial Statements, due to the consequences caused by the volatile inflation dynamics, the recent turbulence in the banking sector, and the persistent military conflict between Russia and Ukraine, having concluded in the short term that there are no possible significant impacts from these facts and the going concern principle continues to be applied in the preparation of these financial statements as of December 31<sup>st</sup>, 2022.

### **3. Statement of compliance**

The financial statements for the year ended December 31<sup>st</sup>, 2022, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“EU-IFRS”) and with Part 9 of Book 2 of the Dutch Civil code.

### **4. Recent IFRS pronouncements**

*Standards and Interpretations that became effective in 2022:*

The following amendments to the IFRS standards or their interpretations (hereinafter “IFRIC” or “interpretation”) became effective in 2022:

- Minor changes to IFRS Standards (IAS 37 Provisions - Onerous contracts, IAS 16 Property, Plant and Equipment and IFRS 3 Business Combinations) and Annual Improvements to IFRS 2018 - 2020 (IFRS 1 - First application of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and modifications to the illustrative examples of IFRS 16 - Leases)

The amendments have had no impact on the Company’s financial statements.

#### *Standards and interpretations issued but not yet effective as of December 31<sup>st</sup>, 2022:*

The following new International Financial Reporting Standards and Interpretations or amendments had been published at the date of preparation of the financial statements, but are not mandatory as of December 31<sup>st</sup>, 2022. Although in some cases the IASB allows early adoption before their effective date, the Company has not proceeded with this option for any such new standards. No impact is expected on the Company's financial statements:

- IFRS 17 - Insurance contracts (applicable to annual reporting periods beginning on or after 1<sup>st</sup> January, 2023. Endorsed for use in the EU, albeit with an optional exemption from applying the annual cohort requirement).
- Amendments to IAS 1 - "Presentation of financial statements" (effective for annual reporting periods beginning on or after 1<sup>st</sup> January, 2023) and not yet endorsed for use in the EU, and IAS 8 - "Accounting policies, changes in accounting estimates and errors" (effective for annual reporting periods beginning on or after 1<sup>st</sup> January, 2023) and not yet endorsed for use in the EU.
- Amendment IAS 12 - "Income taxes", endorsed for use in EU.
- Amendment to IFRS 16 - "Leases", not yet endorsed for use in the EU.

#### **5. Foreign currency translation**

The financial performance of the Company is reported using the currency ("functional currency") that best reflects the economic substance of the underlying events and circumstances relevant to the entity, which is the Euro. Transactions in a currency that differs from the functional currency are translated into functional currency at the foreign currency exchange rate at transaction date.

Monetary assets and liabilities denominated in foreign currencies are retranslated at the foreign exchange rates prevailing at the balance sheet date. Currency translation differences on all monetary financial assets and liabilities are included in foreign exchange gains and losses income.

As of December 31<sup>st</sup>, 2022, the Company had 283 outstanding issuances in US dollars, constituting, at the same time, 283 deposits with the full amounts of the funds obtained and in the same currency. The interest rates related to the deposits are identical to those related to the issues. As a result, the exchange differences in this connection were no significant.

#### **6. Risk exposure**

The use of financial instruments may involve the transfer of one or more types of risk. The risks associated with these financial instruments are:

- Credit risk: Credit risk is defined as the risk that one party entitled to a financial instrument will cause a financial loss to another party by failing to discharge an obligation. In accordance with IFRS 7 "Financial Instruments: Disclosures", the maximum credit risk exposure in the balance sheet as of December 31<sup>st</sup>, 2022 and 2021, amounted to EUR 230,314 thousand and EUR 67,596 thousand, respectively.

As of December 31<sup>st</sup>, 2022 and 2021, credit risk is concentrated geographically in Spain, with the Parent Company (see Note 16). As of December 31<sup>st</sup>, 2022 and 2021 there are no impaired assets. The financial performance and positions of Banco Bilbao Vizcaya Argentaria, S.A. are important for the recoverability of the exposures in place.

In the case of the Company, since there is a perfect relationship between changes in the value of deposits due from parent and debt securities issued, as they are fully matched, the liability will be accounted for at Fair value through profit or loss under the Fair value option for liabilities to eliminate "accounting asymmetries". See Notes 8 and 9, for the amount associated with Credit Valuation Adjustments and Own Credit Risk Adjustments respectively.

The Company's debt instruments are guaranteed by BBVA. No additional collateral is established. The Company's deposits are totally due from BBVA.

- Market risks: These are defined as the risks arising from the maintenance of financial instruments whose value may be affected by changes in market conditions. It includes four types of risk:
  - Interest rate risk: This risk arises as a result of changes in market interest rates. Changes in interest rates affect the interest received from deposits and the interest paid on issues equally. Therefore, the changes in interest rates offset each other.
  - Foreign exchange risk: This is the risk resulting from variations in foreign exchange rates. Since the funds obtained by the Company from the issues are invested in deposits in the same currency, the exposure to currency risk is not relevant. Changes in foreign exchange rates affect face value and interests from deposits and face value and interests paid on issues equally. Therefore, the changes in foreign exchange rates offset each other.
  - Price risk: This is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market. The fair value of the issues launched does not differ significantly from the fair value of the deposits since their features (amount, term and interest rate) are the same.
  - Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in derivative products whose underlying asset is a share or an equity index. Changes in share prices affect face value and payments of derivatives on deposits and face value and interests paid on issues equally. Therefore, the changes in share prices offset each other.
  
- Liquidity risk: This is the possibility that a company cannot meet its payment commitments duly, or, to do so, must resort to borrowing funds under onerous conditions, or risking its image and the reputation of the entity. The Company obtains the liquidity required to meet interest payments, redemptions of issues from deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria, S.A. The liquidity to meet the interest payments on the debt securities is derived from interest earned on BBVA deposits, which have the same maturities.
  
- Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

The breakdown of the nominal amounts, in thousands of euros, of the deposits and issues by maturities as of December 31<sup>st</sup>, 2022 and 2021 is as follows:

December 31st, 2022	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total (*)
<b>ASSETS:</b>								
<i>Non-current assets</i>								
- Long-Term deposits due from Parent	-	-	-	-	153,619	48,425	9,953	<b>211,997</b>
<i>Current assets</i>								
- Short-Term part of deposits due from Parent	-	2,663	8,410	39,181	-	-	-	<b>50,254</b>
<b>LIABILITIES:</b>								
<i>Long-Term liabilities</i>								
- Long-Term debt securities issued	-	-	-	-	153,619	48,425	9,953	<b>211,997</b>
<i>Short-Term liabilities</i>								
- Short-Term debt securities issued	-	2,663	8,410	39,181	-	-	-	<b>50,254</b>

(\*) Only the nominal amounts associated with deposits due from Parent and debt securities issued are included, as the contractual conditions defining other payment components are not observable at the year-end.

December 31st, 2021	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total (*)
<b>ASSETS:</b>								
<i>Non-current assets</i>								
- Long-Term deposits due from Parent	-	-	-	-	62,590	1,077	-	<b>63,667</b>
<i>Current assets</i>								
- Short-Term part of deposits due from Parent	-	-	-	10,768	-	-	-	<b>10,768</b>
<b>LIABILITIES:</b>								
<i>Long-Term liabilities</i>								
- Long-Term debt securities issued	-	-	-	-	62,590	1,077	-	<b>63,667</b>
<i>Short-Term liabilities</i>								
- Short-Term debt securities issued	-	-	-	10,768	-	-	-	<b>10,768</b>

(\*) Only the nominal amounts associated with deposits due from Parent and debt securities issued are included, as the contractual conditions defining other payment components are not observable at the year-end.

The breakdown of the outstanding debt securities by currency is included in Note 9, and Note 8 includes a detail by currency of outstanding deposits in BBVA to cover the liquidity necessary for such maturities.

All the expenses of the Company are covered through an expense assumption agreement between the Company and BBVA. Thus, BBVA covers the full amount of the expenses generated by the Company.

- Concentration risk: The Company is a wholly-owned subsidiary of BBVA, and is therefore integrated in the BBVA Group.

Risk concentration limits are established at a Group level and not at the company level. 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 Company's debt instruments are guaranteed by BBVA. No additional collateral is established. The Company's deposits are totally due from BBVA.

All debt securities registered by the Company are back-to-back and therefore, there is no effect in the income statement. Taking into account this consideration and assuming that the credit spread of BBVA and the Company is the same (same interest rate, maturity and other features), the estimation of the counterparty credit risk associated to financial instruments would be the same in assets and liabilities.

Any adverse changes affecting the Spanish economy are likely to have an adverse impact on the BBVA's financial situation and consecutively, on the Company's financial condition, results of operations and cash flows. Negative economic conditions are mitigated by BBVA and its subsidiaries, showing a great and demonstrated capacity for generating earnings based on the diversification of its geographical business areas. As of the date of these financial statements the qualifications of BBVA Group Long Term Senior preferred debt by Fitch Ratings, one of the main rating agencies, shows a grade A-.

Additionally, there has not been any default position to the date. All Company's deposits due from BBVA related to securities with maturity in the year ended December 31<sup>st</sup>, 2022, and previous years until the date of this report, have been reimbursed.

- Other risks: The Company as a wholly-owned subsidiary of BBVA, is subject to risks and uncertainties ensuing from changes in legislation and regulation in Banking and Capital Markets in Europe. In addition, considering the operations of the Company, risks arisen from internal and external reporting is limited.

The great uncertainty associated to the unprecedented nature of the COVID-19 pandemic and the geopolitical uncertainties entails a greater complexity of developing reliable estimations and applying judgment.

#### **7. Cash and cash equivalents**

The balance of this heading of the statements of financial position as of December 31<sup>st</sup>, 2022 and 2021 includes the amount of demand deposits held by the Company at BBVA as of that date, which bears no interest. The aforementioned amount is recorded as a freely disposable liquid assets (see Note 16).

#### **8. Deposits due from Parent**

The finance raised by the Company (see Note 9) is invested in deposits with BBVA and are back to back with the securities issued (same interest rate, maturity and other features).

As of December 31<sup>st</sup>, 2022 and 2021, the amounts registered under these captions of the statement of financial position are composed as follows:

<b>Deposits due from Parent</b>	<b>Thousands of Euros</b>	
	<b>December 31st 2022</b>	<b>December 31st 2021</b>
Long-Term deposits due from Parent	183,804	58,355
Short-Term deposits due from Parent	46,510	9,241
<b>Total</b>	<b>230,314</b>	<b>67,596</b>

As of December 31<sup>st</sup>, 2022 and 2021, and as required by IFRS 7 “Financial Instruments: Disclosures”, the credit risk associated to the deposits placed at BBVA represented a negative amount of EUR 1,297 thousand in 2022 and a positive amount of EUR 148 thousand in 2021. The impact for the period is a negative amount of EUR 1,445 thousand.

The breakdown of the heading “Gains / (Losses) on financial assets designated at fair value through profit or loss” in the accompanying statements of profit or loss and other comprehensive income, that includes the interest generated for the Company by all of the deposits placed at Parent and the effect of the fair value adjustments, is as follows:

<b>Gains / (Losses) on financial assets designated at fair value through profit or loss</b>	<b>Thousands of Euros</b>	
	<b>2022</b>	<b>2021</b>
Interest income from deposits (Note 16)	7,033	2,440
Fair value changes	(25,759)	(5,546)
<b>Total</b>	<b>(18,726)</b>	<b>(3,106)</b>

The interest generated for the Company by all of the deposits placed at the Parent Company in 2022 and 2021 amounted to EUR 7,033 thousand and EUR 2,440 thousand, respectively, and was recorded under the heading “Gains / (Losses) on financial assets designated at fair value through profit or loss” in the accompanying statements of profit or loss and other comprehensive income (see Note 16).

The breakdown by currency of the balance of this heading in the accompanying statements of financial position is as follows:

<b>2022</b>		
<b>Currency</b>	<b>Number of Deposits at Parent</b>	<b>Fair Value (Thousands of Euros)</b>
EUR	2	1,045
USD	283	229,269
<b>Total Deposits at Parent as of December 31, 2022</b>	<b>285</b>	<b>230,314</b>

<b>2021</b>		
<b>Currency</b>	<b>Number of Deposits at Parent</b>	<b>Fair Value (Thousands of Euros) (*)</b>
USD	106	67,596
<b>Total Deposits at Parent as of December 31, 2021</b>	<b>106</b>	<b>67,596</b>

During the year ended on December 31<sup>st</sup>, 2022, full early redemption was applied for 36 outstanding issues (30 outstanding issues during 2021) and, therefore, the Company cancelled the associated deposits whose nominal value was the same amount. The detail by currency is as follows:

<b>2022</b>		
<b>Currency</b>	<b>Number of Issues / Deposits at Parent</b>	<b>Redemption Nominal Amount (Thousands of original Currency)</b>
USD	36	24,466

<b>2021</b>		
<b>Currency</b>	<b>Number of Issues / Deposits at Parent</b>	<b>Redemption Nominal Amount (Thousands of original Currency)</b>
USD	30	23,978

There has not been early redemption of partially amortized issues during 2022 and 2021.

Additionally, the detail of the deposits by currency, both placed and matured during the year ended December 31<sup>st</sup>, 2022 is as follows:

<b>2022</b>		
<b>Currency</b>	<b>Number of deposits / debt securities</b>	<b>Initial and Redemption Nominal Amount (Thousands of original Currency)</b>
EUR	1	1,280
USD	22	11,269

There has not been any deposit placed and matured during the year ended December 31<sup>st</sup>, 2021.

## 9. Debt securities issued

All the debt instruments issued by the Company have been issued under the following programmes approved by the Company's Board of Directors:

- Structured Medium Term Securities Programme to issue notes and certificates up to an aggregated amount of EUR 8,000,000,000 (or its equivalent in other currencies). The last update of the Programme was on June 24<sup>th</sup>, 2022. Notes and certificates issued under this Programme are linked to a range of underlyings embedded derivatives including indices, shares, ETF's, funds, credit and FX, or any combination thereof.

All the debt instruments issued by the Company are cash settled.

The obligations of the Company in respect of the debt instruments issued under the aforementioned programmes, are unconditionally and irrevocably guaranteed by BBVA, as guarantor.

The finance raised by the Company is invested in deposits with BBVA (see Note 8) and are back to back with the securities issued (same interest rate, maturity and other features).

As of December 31<sup>st</sup>, 2022, and December 31<sup>st</sup> 2021, the debt instruments fair values are composed of the host contract, its derivatives, as well as the interests payable to third parties of the issuances (see Note 11), as follows:

Debt securities issued	Thousands of Euros	
	December 31st 2022	December 31st 2021
Long-Term debt securities issued	183,804	58,355
Short-Term debt securities issued	46,510	9,241
<b>Total</b>	<b>230,314</b>	<b>67,596</b>

As of December 31st, 2022 and 2021, and as required by IFRS 7 "Financial Instruments: Disclosures", the credit risk associated to the debt securities issued represented a negative amount of EUR 1,297 thousand in 2022 and a positive amount of EUR 148 thousand in 2021. The impact for the period is a negative amount of EUR 1,445 thousand.

The breakdown of the heading "Gains / (Losses) on financial liabilities designated at fair value through profit or loss" in the accompanying statements of profit or loss and other comprehensive income, that includes the interest expense of the securities issued and the effect of the fair value adjustments, is as follows:

Gains / (Losses) on financial liabilities designated at fair value through profit or loss	Thousands of Euros	
	2022	2021
Interest expense from securities	(7,033)	(2,440)
Fair value changes	25,759	5,546
<b>Total</b>	<b>18,726</b>	<b>3,106</b>

The interests generated by the Company for the debt issuances as of December 31st, 2022 and 2021 amounted to EUR 7,033 thousand and EUR 2,440 thousand, respectively, and was recorded under the heading "Gains / (Losses) on financial liabilities designated at fair value through profit or loss" in the accompanying statements of profit or loss and other comprehensive income.



The breakdown by currency of the balance of this heading in the accompanying statements of financial position is as follows:

<b>2022</b>		
<b>Currency</b>	<b>Number of Issues</b>	<b>Fair Value (Thousands of Euros)</b>
EUR	2	1,045
USD	283	229,269
<b>Total Deposits at Parent as of December 31, 2022</b>	<b>285</b>	<b>230,314</b>

<b>2021</b>		
<b>Currency</b>	<b>Number of Issues</b>	<b>Fair Value (Thousands of Euros)</b>
USD	106	67,596
<b>Total Deposits at Parent as of December 31, 2021</b>	<b>106</b>	<b>67,596</b>

During 2022, full early redemption was applied for 36 outstanding issues (30 outstanding issues during 2021). The detail of those issues is included in "Note 8 – Deposits due from Parent".

There has not been early redemption of partially amortized issues during 2022 and 2021.

A detail of issues made by the Company during the years ended December 31<sup>st</sup>, 2022 and 2021 with maturity in the same issuance year is included in "Note 8 – Deposits due from Parent".

All the securities issued outstanding as of December 31<sup>st</sup>, 2022 and 2021 are listed.

#### **10. Shareholder's equity**

The movement's detail of shareholder's equity during the year ended on December 31<sup>st</sup>, 2022 and 2021 is presented in the "Statements of Changes in Equity".

##### *Issued Share Capital*

The authorized share capital of the Company is EUR 18,000 divided into 180 ordinary shares of EUR 100 par value each, fully paid, The Company is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

#### **11. Financial instruments**

We refer to Note 6 for the Company's risk management.

##### Interest rate risk management

Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

This risk arises as a result of changes in market interest rates. Changes in interest rates affect the interest received from deposits and the interest paid on issues equally. Therefore, the changes in interest rates offset each other.

##### Fair value of financial instruments

As of December 31<sup>st</sup>, 2022, the floating interest rate deposits at Parent (see Note 8) are related to the Company's debt instruments, the return on which is based on floating interest rates as appropriate.

From BBVA levelling criteria, even if the securities issued are listed, they have no prices from an active market to guarantee its classification as Level 1. The fair value levelling is referred to the implied note and the inputs applied in its valuations.

In the following breakdown, the financial instruments classified as “Fair value (Level 2)” are those, which have been measured with techniques using inputs drawn from observable market data. Referring to the instruments that are included in “Fair value (Level 3)” are those which values are based on models and unobservable inputs (see Note 2.i).

The valuation techniques and the inputs used in fair value measurement of the Level 2 and Level 3 positions are showed as follows:

	2022			2021			Valuation technique(s)	Observable inputs	Unobservable inputs
	Carrying Amount	Level 2	Level 3	Carrying Amount	Level 2	Level 3			
<b>ASSETS</b>									
<b>Long and short term deposits due from Parent</b>	<b>230,314</b>	<b>196,580</b>	<b>33,734</b>	<b>67,596</b>	<b>59,684</b>	<b>7,912</b>			
Loans and advances	230,314	196,580	33,734	67,596	59,684	7,912	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates
Interest rate derivatives							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 - Current market interest rates - Underlying assets prices: shares, funds, etc. - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity derivatives (*)							Equity Options: Local Volatility, Black, Momentum adjustment, Heston Stochvol model.		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long-term repos - Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Credit derivatives							Credit Derivatives: Default model and Gaussian copula		

(\*) Derivatives relative to coupons linked to equity risk factors should be valued at fair value through mark to model.

	2022			2021			Valuation technique(s)	Observable inputs	Unobservable inputs
	Carrying Amount	Level 2	Level 3	Carrying Amount	Level 2	Level 3			
<b>LIABILITIES</b>									
<b>Long and short term debt securities issued</b>	<b>230,314</b>	<b>196,580</b>	<b>33,734</b>	<b>67,596</b>	<b>59,684</b>	<b>7,912</b>			
Debt securities	230,314	196,580	33,734	67,596	59,684	7,912	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates
Interest rate derivatives							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 - Current market interest rates - Underlying assets prices: shares, funds, etc. - Market observable volatilities	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity derivatives (*)							Equity Options: Local Volatility, Black, Momentum adjustment, Heston Stochvol model.	- 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
Credit derivatives							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility

(\*) Derivatives relative to coupons linked to equity risk factors should be valued at fair value through mark to model.

There has not been any significant changes in the valuation techniques in the current year for any class of assets or liabilities.

## 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:
  - a) 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.
  - b) 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 (Credit Default Swaps). 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, the volatility, instead of being static, evolves deterministically over time according to the level of moneyness (i.e. probability that the option has a positive value on its date of expiration) of the underlying, capturing the existence of volatility smiles. The volatility smile of an option is the empirical relationship observed between its implied volatility and its strike price. These models are appropriate for options whose value depends on the historical evolution of the underlying which use Monte Carlo simulation technique for their valuation.

#### Unobservable inputs

Quantitative information of unobservable inputs used to calculate level 3 valuations is presented below as of December 31<sup>st</sup>, 2022 and 2021:

#### **Unobservable inputs, December 2022**

<b>Financial instrument</b>	<b>Valuation technique(s)</b>	<b>Significant unobservable inputs</b>	<b>Min</b>	<b>Average</b>	<b>Max</b>	<b>Units</b>
Debt Securities	Present value method	Credit spread	0	111	1,538	bp
		Recovery rate	0%	39%	40%	%
	Comparable Pricing		2%	94%	139%	%
Loans and advances	Present value method					
Credit Derivatives	Gaussian Copula	Correlation default	26%	44%	58%	%
	Black 76	Price volatility	0	0	0	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (1)				
		Correlations	(93 %)	59%	99%	%
		Volatility	7.81	32.62	98.71	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	5.32	11.93	20.73	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25%	2%	18%	%
		Correlation rate/credit	(100 %)		100%	%
		Correlation rate/inflation	51%	66%	76%	%

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

### Unobservable inputs, December 2021

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	3	125	2,374	bp
		Recovery rate	0%	37%	40%	%
	Comparable Pricing		0.1%	97%	144%	%
Loans and advances	Present value method					
Credit Derivatives	Gaussian Copula	Correlation default	35%	43%	53%	%
	Black 76	Price volatility	-	-	-	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends (1)				
		Correlations	(88%)	60%	99%	%
		Volatility	5.57	26.30	62.00	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	3.96	9.71	16.34	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25%	2%	18%	%
		Correlation rate/credit	(100%)		100%	%
		Credit default volatility	-	-	-	Vegas

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

#### Transfers between levels

The financial instruments transferred between the different levels of measurement for the year ended December 31<sup>st</sup>, 2022 are recorded at the following amounts:

	From:	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
<b>ASSETS</b>							
Deposits due from parent		-	-	-	6,694		4,777
<b>LIABILITIES</b>							
Debt securities issued		-	-	-	6,694		4,777

During 2021 there have not been transfers between levels.

Transfers between levels (notwithstanding from Level 3 to Level 2 or from Level 2 to Level 3) are based on the observability of inputs according to their valuation (see Note 2.i). Thus the market and its deepness determines if a position is Level 2 (according to observable input valuation) or Level 3 (according to observable input valuation).

The financial instrument fair value is reported based on the IFRS13 Level assigned to each deposit, whose classification depends on the derivative embedded in the notes issued by the Company. In case the derivative is classified as Level 3, the total deposit should be classified as Level 3. In any other case, the total deposit should be classified as Level 2.

This way of classification focuses on a market snapshot at a given date and the observability of its inputs (being said inputs understood as pure market inputs as market parameters), at it being a classification based on “mark-to-market”, there is a constant flow of reclassifications in place, based on the situation of inputs at any given moment in time, justifying certain positions passing from level 3 to level 2 or from level 2 to level 3.

During 2022, the net increase in Level 3 positions is mainly due to the increase in non-observability inputs in certain underlying assets with Vega Equity and correlation with Equity risk factors sensitivity, affecting the total non-observability of those notes whose coupons are linked to equity volatility or equity correlation variables.

#### Level 3 fair value

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying balance sheets during 2022 and 2021 are as follows:

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
<b>Balance at the beginning of the year</b>	<b>7,912</b>	<b>7,912</b>	-	-
Changes in fair value recognized in profit and loss	(518)	(518)	-	-
Changes in fair value not recognized in profit and loss	-	-	-	-
Acquisitions, disposals and liquidations	24,423	24,423	7,912	7,912
Net transfers to Level 3	1,917	1,917	-	-
Exchanges differences and others	-	-	-	-
<b>Balance at the end of the year</b>	<b>33,734</b>	<b>33,734</b>	-	-

#### 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 based on the prudent valuation criteria of the Capital Requirements Regulation, 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<sup>st</sup>, 2022, the effect on profit for the year 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:

	<b>Potential impact on income statement</b>	
	<b>Most favourable hypothesis</b>	<b>Least favourable hypothesis</b>
<b>ASSETS</b>		
<b>Long and short term deposits due from Parent</b>		
Loans and advances	-	-
Interest rate derivatives	-	-
Equity derivatives	33	(33)
Credit derivatives	-	-
<b>Total</b>	<b>33</b>	<b>(33)</b>
<b>LIABILITIES</b>		
<b>Long and short term debt securities issued</b>		
Debt securities	-	-
Interest rate derivatives	-	-
Equity derivatives	33	(33)
Credit derivatives	-	-
<b>Total</b>	<b>33</b>	<b>(33)</b>

## **12. Personnel**

The Company had no employees during the year ended on December 31<sup>st</sup>, 2022 and the year ended on December 31<sup>st</sup> 2021. The Managing Directors are employees at Banco Bilbao Vizcaya Argentaria, S.A. All administrative and accounting tasks are performed by employees of the Parent Company.

## **13. Operating segments**

For management purposes, the Company is organized into one main operating segment.

## **14. Auditor remuneration**

The auditor's remuneration for year 2022 amounted to EUR 15 thousand, and was recorded under the heading "Other operating expenses" in the accompanying statements of profit or loss and other comprehensive income.

## **15. Tax matters**

Pursuant to the provisions of Law 27/2014, of November 27<sup>th</sup>, of Corporate Income Tax, the Company is subject to corporate income tax in Spain. The Company also files consolidated tax returns as part of the 2/82 Group, whose parent company is Banco Bilbao Vizcaya Argentaria, S.A.

The company qualifies since December 7<sup>th</sup>, 2020 to the Special Regime of Group Entities (REGE for its acronym in Spanish) pursuant to the provisions of article 163 and followings of the 37/1992 Law of Value Added Tax. According to this Law, the tax base of the services granted in Spain within the Group is made up of the costs of the services incurred, in which VAT has been supported, and therefore the entity can deduct the whole VAT supported. The right to deduct is of the Company, the parent entity (BBVA, S.A.) is the legal representative of the group.

At the date of preparation of these financial statements, the Company has open for inspection by tax authorities the main taxes since constitution date.

### **Current Balances with Public Administrations**

The composition of the current balances with the Public Administrations as of December 31<sup>st</sup>, 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
<b>ASSETS:</b>		
Input VAT	-	67
	-	<b>67</b>
<b>LIABILITIES:</b>		
Output VAT	15	-
	<b>15</b>	-

### **Reconciliation between taxable income and taxable corporate income tax**

The breakdown of the account reconciliation between taxable income and taxable corporate income tax as of December 31<sup>st</sup>, 2022 and 2021 is as follows:

	Thousands of Euros	
	2022	2021
<b>Profit before taxes</b>	-	-
Permanent differences		
Increases	-	-
Decreases	-	-
<b>Adjusted profit</b>	-	-
Temporary differences		
Increases	-	-
Decreases	-	-
Set-off of tax losses	-	-
<b>Taxable base</b>	-	-
Tax rate	30%	30%
<b>Gross tax payable</b>	-	-
Deductions	-	-
Tax withholdings and pre-payments	-	-
<b>Net tax payable</b>	-	-

### **Corporate income tax expense**

Below is the calculation of the Company Tax expense for years 2022 and 2021:

	Thousands of Euros	
	2022	2021
<b>Taxable base</b>	-	-
30% on the taxable base	-	-
<b>Impact due to temporary differences</b>	-	-
Deduction due to double taxation	-	-
<b>Tax accrued in the fiscal year</b>	-	-
(Activation) / Set-off activated tax loss carry forward	-	-
Adjust due to Corporate Income Tax on variation of temporary difference	-	-
Adjust due to Corporate Income Tax in previous fiscal years	-	-
<b>Expense / (Income) due to Corporate Income Tax</b>	-	-

## **16. Related party balances and transactions**

The detail of the main balances and transactions made by the Company on an arm's length basis as of December 31<sup>st</sup>, 2022 and 2021, respectively, correspond in full to balances and transactions with the sole-shareholder, Banco Bilbao Vizcaya Argentaria, S.A., and are as follows:

<i>Thousands of Euros</i>	2022	2021
<b>STATEMENTS OF FINANCIAL POSITION</b>		
<b>Assets-</b>		
Long-Term deposits due from Parent (Note 8)	183,804	58,355
Short-Term part of deposits due from Parent (Note 8)	46,510	9,241
Other assets	71	67
<b>STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME</b>		
<b>Income/(Expenses)-</b>		
Gains / (Losses) on financial assets designated at fair value through profit or loss (Note 8)	(18,726)	(3,106)
Other operating income	146	63

The Company's debt instruments are guaranteed by BBVA. No additional collateral is established. The Company's deposits are totally due from BBVA.

No remuneration is paid by the Company to the Managing Directors as they are not employed by the Company, as they are employees of the Parent Company.

All the notes are unconditionally and irrevocably guaranteed by the Parent Company.

## **17. Proposed appropriation of results**

The Company recorded a nil result for the years ended on December 31<sup>st</sup>, 2022 and December 31<sup>st</sup>, 2021. The result for the year is set out on statements of profit or loss and other comprehensive income for the year ended December 31<sup>st</sup>, 2022 and 2021. Results of the Company are at the disposal of the Annual General Meeting.

## **18. Subsequent events**

From January 1<sup>st</sup>, 2023 to the date of preparation of these Financial Statements, no other subsequent events have taken place that could significantly affect the Company's earnings or its equity position.

**19. Remuneration of directors**

No remuneration is paid by the Company to the Managing Directors. The Managing Directors receive remuneration from Banco Bilbao Vizcaya Argentaria, S.A. The Managing Directors are as follows:

<b>Name</b>	<b>Position of the Company</b>	<b>Present Principal Occupation Outside of the Company</b>
Juan Antonio Garat Pérez	Managing Director	Head of Global Sales & Structuring of BBVA
Víctor Martínez San Martín	Managing Director	Head of Global Equity GM's of BBVA

**20. Sign off**

Madrid, April 26<sup>th</sup>, 2023

Board of Directors:

Juan Antonio Garat Pérez

Víctor Martínez San Martín

# OTHER INFORMATION

## **Statutory provisions concerning the appropriation of results**

The appropriation of profit is governed by Article 21 of the articles of association. The profit is at free disposal of the general meeting. The general meeting may decide to pay dividend (if the Company is profitable), only after adoption of the annual accounts and if profit so permits.

## Independent auditor's report

To: the shareholder of BBVA Global Securities B.V.

## Report on the audit of the financial statements 2022 included in the annual report

### Our opinion

We have audited the financial statements 2022 of BBVA Global Securities B.V. based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of BBVA Global Securities B.V. as at 31 December 2022 and of its result and its cash flows for 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- ▶ The statement of financial position as at 31 December 2022
- ▶ The following statements for 2022: the statements of profit or loss and other comprehensive income, changes in equity and cash flows
- ▶ The notes comprising a summary of the significant accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the Our responsibilities for the audit of the financial statements section of our report.

We are independent of BBVA Global Securities B.V. (the company) in accordance with the Wet toezicht accountantsorganisaties (Wta, Audit firms supervision act), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore, we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

## Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

### Our understanding of the business

BBVA Global Securities B.V. is incorporated as a wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (the parent) to assist the parent and its subsidiaries (the group) in raising funds and on-lending the proceeds to one or more companies within the group. Debt securities issued by the company are guaranteed by the parent (or its New York Branch). The parent is a Spanish banking institution headquartered in Bilbao, Spain. The attributes of the debt securities issued are mirrored in the deposits due from the parent and operating expenses are covered through an expense assumption agreement by the parent. The company has its tax residency in Spain.

The company has no employees and relies on the human resources, systems as well as the policies, processes and procedures of the parent. References to executives or (staff) functions in this section concern the executives or functions from the parent.

We paid specific attention in our audit to a number of areas driven by the activities of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

### Materiality

Materiality	€1.6 million
Benchmark applied	0.75% of total assets as at 31 December 2022
Explanation	We determined materiality based on our understanding of the company's business and our perception of the financial information needs of users of the financial statements. We considered that the total of assets reflects the source of income and repayments to the holders of the debt securities issued by the company.

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the board of directors that misstatements in excess of €0.1 million, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

### **Teaming and use of specialists**

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a finance company. We used the work performed by the EY Global member firm in Spain under our instruction and supervision, and included specialists in the areas of income taxes and valuation of financial instruments.

### **Our focus on fraud and non-compliance with laws and regulations**

#### **Our responsibility**

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. 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.

#### **Our audit response related to fraud risks**

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the board of directors' process for responding to the risks of fraud and monitoring the system of internal control as well as the outcomes. We refer to section Principal Risks and Uncertainties of the directors' report for the board of directors' risk assessment, after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the code of conduct, whistleblower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in the section "I) Use of estimates" in note 2 to the financial statements. We have also performed procedures to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. We particularly evaluated whether transactions with related parties were accounted for at arm's length and in accordance with contractual agreements. These risks did however not require significant auditor's attention during our audit.

We did not identify a risk of fraud in revenue recognition.



We considered available information and made enquiries of relevant executives, the auditor of the group and the company's board of directors.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

#### **Our audit response related to risks of non-compliance with laws and regulations**

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the board of directors, reading minutes, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected correspondence with regulatory authorities, enquired with the auditor of the group and remained alert to any indication of (suspected) non-compliance throughout the audit. Finally, we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

#### **Our audit response related to going concern**

As disclosed in the section "n) Going concern" in note 2 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the board of directors made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the board of directors exercising professional judgment and maintaining professional skepticism. We considered whether the board of directors' going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern including considerations relating to the financial position of the group in cooperation with the group auditor. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. 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 a company to cease to continue as a going concern.

#### **Our key audit matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matter to the board of directors. The key audit matter is not a comprehensive reflection of all matters discussed.

## Valuation of long-term and short-term deposits due from parent

<p>Risk</p>	<p>Term deposits due from parent are measured at fair value through profit and loss as disclosed in note 2 to the financial statements. The company presents the entire fair value gains and losses, including foreign exchange gains and losses and/or interest income and expense as well as fair value changes from changes in the credit risk on the face of the statement of profit or loss and other comprehensive income. The credit risk, concentration risk, liquidity risk and market risks, inter alia due to the derivative attributes of the embedded derivatives which are an integral part of the instruments measured at fair value, where the return is linked to equity, credit and interest rate related attributes (embedded derivatives), as well as other risks are disclosed in note 6. to the financial statements.</p> <p>As term deposits due from parent represent the most significant portion of the company's assets and given the inherent complexity of the fair value estimate, we have identified the valuation of deposits due from parent as a key audit matter.</p>
<p>Our audit approach</p>	<p>Our audit procedures included, amongst others, evaluating the appropriateness of the company's accounting policy relating to the valuation of the term deposits due from parent in accordance with IFRS 13 "Fair Value Measurement" as well as current and emerging industry practices and whether these have been applied consistently.</p> <p>We have obtained an understanding of the valuation process, evaluated the design and tested operating effectiveness of internal controls. This includes those controls within the model validation process and the independent price verification process that address the risk of material misstatements relating to management's assessment of the significant inputs and estimates included in the fair value measurement, specifically related to credit risk and derivative attributes. It also included testing of model performance and suitability controls in the current market conditions.</p> <p>Furthermore, we evaluated valuation methodologies and tested the most significant valuation input, which is the input reflecting the creditworthiness of the parent company, by comparing the input to independently sourced market data. We also performed substantive procedures on a sample basis to determine that derivative attributes of the embedded derivatives which are an integral part of the instruments measured at fair value were identified and correctly recognized based on the underlying documentation. We performed independent testing on fair values with the support of our own valuation specialists.</p> <p>Finally, we evaluated the related disclosures in the financial statements in accordance with IFRS 13 Fair Value Measurement and IFRS 7 Financial Instruments: Disclosures.</p>
<p>Key observations</p>	<p>Based on our procedures performed, we have no material findings on the valuation of the term deposits due from parent and agree with the board of directors' assessment of the measurement and disclosures in accordance with EU-IFRS.</p>

## Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- ▶ Is consistent with the financial statements and does not contain material misstatements
- ▶ Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The board of directors is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.

## Report on other legal and regulatory requirements

### Engagement

We were engaged by the board of directors as auditor of BBVA Global Securities B.V. on 21 November 2022, as of the audit for the year 2022.

## Description of responsibilities regarding the financial statements

### Responsibilities of the board of directors for the financial statements

The board of directors is responsible for the preparation and fair presentation of the financial statements in accordance with EU-IFRS and Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the board of directors is responsible for such internal control as the board of directors determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the board of directors is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, board of directors should prepare the financial statements using the going concern basis of accounting unless the shareholder either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The board of directors should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

## **Our responsibilities for the audit of the financial statements**

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The Information in support of our opinion section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion. Our audit further included among others:

- ▶ Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- ▶ Obtaining 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 company's internal control
- ▶ Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the board of directors
- ▶ Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- ▶ Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

### **Communication**

We communicate with the board of directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

We provide the board of directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the board of directors, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matters or when, in extremely rare circumstances, not communicating the matters is in the public interest.

Amsterdam, 26 April 2023

Ernst & Young Accountants LLP

signed by P. Sira