

Financial Statements, Management Report and Auditors' Report

BBVA 2022

Audit Report on Financial Statements
issued by an Independent Auditor

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.
Financial Statements and Management Report
for the year ended
December 31, 2022

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

AUDIT REPORT ON FINANCIAL STATEMENTS ISSUED BY AN INDEPENDENT AUDITOR

(Translation of a report and financial statements originally issued in Spanish. In the event of discrepancy, the Spanish-language version prevails. See note 52.)

To the shareholders of Banco Bilbao Vizcaya Argentaria, S.A.:

Report on the financial statements

Opinion

We have audited the financial statements of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the "Bank"), which comprise the balance sheet as at December 31, 2022, the income statement, the statement of recognized income and expenses, the statement of total changes in equity, the statement of cash flows, and the notes thereto for the year then ended.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the equity and financial position of the Bank as at December 31, 2022 and of its financial performance and its cash flows for the year then ended in accordance with the applicable regulatory framework for financial information in Spain (identified in Note 1.2 to the accompanying financial statements) and, specifically, the accounting principles and criteria contained therein.

Basis for opinion

We conducted our audit in accordance with prevailing audit regulations in Spain. Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report.

We are independent of the Bank in accordance with the ethical requirements, including those related to independence, that are relevant to our audit of the financial statements in Spain as required by prevailing audit regulations. In this regard, we have not provided non-audit services nor have any situations or circumstances arisen that might have compromised our mandatory independence in a manner prohibited by the aforementioned requirements.

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

Key audit matters

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

Estimate of impairment losses due to credit risk on the portfolio of loans and advances to customers at amortized cost

Description The Bank's portfolio of loans and advances to customers at amortized cost presented a balance of Euros 212,297 million at December 31, 2022, net of valuation adjustments. Valuation adjustments included Euros 4,824 million of provisions for impairment losses due to credit risk, as disclosed in notes 5 and 12 to the accompanying financial statements. Estimating provisions for impairment on the portfolio of loans and advances to customers at amortized cost is important and complex. It considers a number of variables, such as classification of the financial assets, the use of measurement methods and models, and the estimate of assumptions used in the calculation. Allowances and provisions are calculated on both an individual and collective basis. This calculation requires high degree of judgment by management according to the principles and policies applied by the Bank, as described in notes 2 and 5 to the accompanying financial statements.

For the purpose of estimating impairment of financial assets classified as loans and advances to customers measured at amortized cost are classified into three categories or stages according to whether a significant increase in credit risk since their initial recognition has been identified (stage 2), whether the financial assets are credit-impaired (stage 3), or whether neither of these circumstances has arisen (stage 1). Establishing this classification is a relevant process for the Bank as the calculation of allowances and provisions for credit risk varies depending on the stage in which the financial asset has been included.

Individual estimates of impairment losses consider the borrower's payment capacity based on estimates of its future business performance and the market value of the collateral provided for credit transactions.

Meanwhile, collective estimates of impairment losses are performed by means of internal models that use large databases, different macroeconomic scenarios, and present, past and future information. Estimating impairment losses is a highly automated and complex process that relies on segmentation criteria for exposures and the use of judgment in determining exposure at default (EAD) and the parameters of expected loss: probability of default (PD) and loss given default (LGD). The Bank periodically recalibrates and performs contrast tests on its internal models and analyzes sensitivity to macroeconomic scenarios with a view to improving their predictive power on the basis of actual past experience.

Additionally, as described in note 5 of the accompanying financial statements, the Bank is exposed to risks derived from the macroeconomic, geopolitical environment or associated with pandemics such as COVID-19, which have increased with the outbreak of the conflict between Russia and Ukraine and increase the uncertainty around the variables considered by the Bank in the quantification of impairment losses. Consequently, as described in note 5, the Bank periodically reviews the effect of these situations on its estimate and, where appropriate, makes temporary adjustments to the results of the internal models to reflect the effects of the factors described above and that may not be identified in the general process of collective estimation of impairment losses.

Given the importance for the Bank of the portfolio of loans and advances to customers at amortized cost and, thus, the related allowances and provisions, the complexity and high degree of judgment used in classifying exposures and calculating those allowances and provisions, we determined the estimate of impairment losses due to credit risk on this portfolio to be a key audit matter.

**Our
response**

Our audit approach in relation to this matter included understanding the processes put in place by management to estimate impairment of loans and advances to customers at amortized cost due to credit risk, evaluating the design and implementation of the relevant controls established in those processes and verifying their operating effectiveness, and performing tests of detail on that estimate, to which end we involved our credit risk specialists. We focused on evaluating the methodology applied by the Bank to calculate expected losses, the data and assumptions used in determining the expected loss parameters, the macroeconomic variables used, and the qualitative and quantitative criteria used to adjust the collective allowances and provisions arising from the internal models and the mathematical accuracy of the calculations.

Our procedures related to the assessment of the design and implementation of the relevant controls and verification of their operating effectiveness focused primarily on:

- ▶ Credit risk management framework, including the design and approval of accounting policies, and of the methodologies and models for estimating expected loss.
- ▶ Classification of transactions into stages based on credit risk, whether or not there has been an increase in credit risk since their initial recognition or whether they are credit-impaired based on criteria defined by the Bank.
- ▶ The methods and assumptions used to estimate EAD, PD and LGD and to determine the macroeconomic variables and the integrity, accuracy and updating of the databases used to calculate expected loss.
- ▶ The control framework on internal models for the collective estimate of impairment losses and the variables used to estimate impairment losses calculated individually.

- ▶ The governance framework on additional adjustments to impairment losses identified in the general process and, where applicable, adaptation of the estimate accordingly, considering uncertainties in markets deriving from macroeconomic scenarios and other geopolitical issues.
- ▶ Activities by the Internal Validation Unit in relation to the recalibration and contrast testing of the models for estimating collective impairment losses.

Our tests of detail on the estimated impairment losses included the following:

- ▶ We assessed the suitability of accounting policies applied by the Bank in accordance with the applicable financial reporting framework.
- ▶ We performed a test of detail on the integrity, accuracy and updating of the databases used by the Bank in determining the stage of exposures and the estimate of expected loss parameters (e.g., days past due, existence of refinancing operations or value of collateral and guarantees and, with the involvement of our economic research specialists, the estimate of macroeconomic variables). We also performed tests of detail on a sample of transactions to assess the correctness of their classification and segmentation for purposes of estimating impairment.
- ▶ We assessed the suitability of the discounted cash flow models used by the Bank for estimating impairment losses on an individual basis. We also reviewed a sample of transactions to assess the correctness of their classification and the assumptions used by management to identify and quantify impairment losses, including the borrower's financial position, forecasts of future cash flows and, where applicable, the value of collateral and guarantees, as well as the discount rates applied. We evaluated, during our analysis, how management factored the aid initiatives promoted by the governments of the various countries in which the Bank operates into these borrowers' cash flow projections.
- ▶ We evaluated, with the assistance of our credit risk specialists, the approach and methodology used by the Bank for collectively estimating impairment losses by analyzing a sample of internal models. We also assessed the operation of the expected loss calculation engine by recalculating impairment losses on a collective basis for a sample of credit portfolios.
- ▶ We assessed the suitability of making additional adjustments to the impairment losses identified in the general process and evaluated the correctness of the data and assumptions used by the Bank in its calculation.

In addition, we assessed whether the detailed disclosures in the notes to the financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Bank.

Fair value measurement of financial instruments

Description	At December 31, 2022, the Bank had financial assets and financial liabilities recognized at fair value that had been measured using valuation techniques as no quoted price in an active market was available. Therefore, they were classified, for measurement purposes, in levels 2 or 3, as disclosed in note 6 to the accompanying financial statements.
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In the absence of a quoted price in an active market, determining the fair value of financial instruments requires an estimate using valuation techniques that may take into consideration market data that are neither directly nor indirectly observable, or complex pricing models which involves a high degree of judgment by management. Therefore, we determined the estimate of fair value using this valuation method to be a key audit matter.

**Our
response**

Our audit procedures focused on assessing the models and valuation methods used by the Bank to estimate fair value of financial instruments for which there is no quoted price in active markets. To do so, we obtained an understanding of the process followed by management to measure these financial instruments, assessed the design and implementation of the relevant controls established by the Bank in that process, and verified the operating effectiveness of those controls. We also performed tests of detail on the estimates made by the Bank, with the involvement of our financial instrument valuation specialists.

Our procedures related to the assessment of the design and implementation of the relevant controls of the process and verification of their operating effectiveness focused primarily on:

- ▶ Risk management framework and controls related to operations in financial markets.
- ▶ The design and approval of accounting policies, and of the methodologies and models for measuring fair value of financial instruments, and its effect on the fair value hierarchy.
- ▶ Analysis of the integrity, accuracy and updating of the data used for measuring financial instruments, and of the control and management process in place with regard to existing databases.

Our procedures as regards the tests of detail performed were as follows:

- ▶ We assessed the reasonableness of the most significant valuation models used by the Bank, and of the significant assumptions applied, particularly inputs not directly observable in the market, such as interest rates, issuer credit risk, volatility and correlations between these factors.
- ▶ For a sample of financial instruments for which there is no quoted price in active markets measured at fair value, we assessed the correctness of their classification for measurement purposes, the appropriateness of the valuation criteria applied and the reasonableness of their valuation by contrasting this with a valuation performed independently by our specialists.

In addition, we assessed whether the detailed disclosures in the notes to the financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Bank.

Tender offer and assessment of the impairment of the investment in Türkiye Garanti Bankası A.Ş.

Description As described in note 14 to the accompanying financial statements, on May 18, 2022, the Bank announced the end of the acceptance period for the voluntary takeover bid, announced on November 15, 2021, for the shares it did not control in Türkiye Garanti Bankası A.Ş. ("Garanti BBVA") with the acquisition of a 36.12% stake in Garanti BBVA.

The total amount paid by the Bank was approximately 22,758 million Turkish lira (approximately Euros 1.39 billion), including transaction costs and net of dividends received in proportion to the interest acquired.

The Bank holds the investment in Garanti BBVA valued at historical cost, evaluating the recoverability of the investment at each closing and accounting for the corresponding impairment. As of December 31, 2022, after analyzing the available evidence, the Bank has recorded an impairment recovery amounting to Euro 647 million. This analysis has been based on the estimate of the recoverable value of the cash-generating unit to which Garanti BBVA is assigned, and has entailed the use of judgment by the Bank's Management in determining the hypotheses to be considered in said valuation such as the cost of capital and the perpetual growth rate.

**Our
response**

Our audit approach for this transaction and the valuation of the investment included understanding the processes utilized by Management for the aforementioned valuation estimate, assessing the design and implementation of the relevant controls established for these processes, and verifying their operating effectiveness, as well as performing tests of detail on the estimate. For this purpose, we involved our valuation specialists, focusing on the evaluation of the methodology applied by the Bank, and the data and assumptions used.

Our procedures relating to assessing the design and implementation of the relevant controls and verifying the operating their effectiveness, included the following:

- ▶ Assessing the design and application of the governance framework and the Bank's accounting policies.
- ▶ Examining the key controls related to the process of valuing the group investments and, in particular the investment in Garanti BBVA.

The tests of detail primarily included:

- ▶ Reviewing the documentation related to the tender offer and checking that the transaction was properly recorded.
- ▶ Reviewing the business plan prepared by Garanti BBVA and the main financial projections used by management to calculate recoverable cash flows in the Turkish cash-generating unit.
- ▶ Involving our valuation specialists in assessing the reasonableness of the methodology used and the adequacy of the related valuation model, as well in reviewing the financial assumptions used in.
- ▶ Verifying the arithmetical accuracy of the calculations made in the valuation model.

In addition, we assessed whether the detailed disclosures in the notes to the financial statements were prepared in conformity with the criteria provided in the financial reporting framework applicable to the Bank.

Risks associated with information technology

Description The continuity of the Bank's business operations is highly dependent upon its IT infrastructure. In this respect, the Bank has a complex technological operating environment, with large data processing centers in Spain providing support to the various countries in which the Bank operates, as well as local data processing centers. This technological environment must reliably and efficiently satisfy business requirements and ensure that the Bank's financial information is processed correctly.

In this environment, it is essential to assess issues such as the organization and risk management framework of the Technology area, which must ensure appropriate management of technological risks that could impact on information systems, as well as controls on physical and logical security and managing, developing and exploiting systems, databases and applications used in the financial reporting process. We have therefore determined the risks associated with information technology to be a key audit matter.

Our response

Within the context of our audit, we obtained an understanding, with the assistance of our specialists in information technology, of the information flows and the internal control environment of the Bank regarding the operating systems, databases and applications involved in the financial reporting process. Our audit procedures included, among others:

- ▶ Evaluating the risk management framework related to technological risks.
- ▶ Testing access controls, change management and logical security to key operating systems, databases and applications for generating financial information.
- ▶ Testing controls over maintenance, development and use of applications and systems that are relevant to processing financial information.
- ▶ Testing automated controls operating in relevant processes used in generating financial information.
- ▶ Evaluating the design, degree of implementation and operation of the changes made by Management to strengthen access controls in the environment of certain applications, as well as testing compensating controls or other mitigating factors established by Management.

Other matters

On February 11, 2022, other auditors issued their audit report on the 2021 financial statements, in which they expressed an unqualified opinion.

Other information: management report

Other information refers exclusively to the 2022 management report, the preparation of which is the responsibility of the Bank's directors and is not an integral part of the financial statements.

Our audit opinion on the financial statements does not cover the management report. Our responsibility for the management report, in conformity with prevailing audit regulations in Spain, entails:

- a. Checking only that the non-financial statement and certain information included in the Corporate Governance Report and in the Board Remuneration Report, to which the Audit Law refers, was provided as stipulated by applicable regulations and, if not, disclose this fact.
- b. Assessing and reporting on the consistency of the remaining information included in the management report with the financial statements, based on the knowledge of the entity obtained during the audit, in addition to evaluating and reporting on whether the content and presentation of this part of the management report are in conformity with applicable regulations. If, based on the work we have performed, we conclude that there are material misstatements, we are required to disclose this fact.

Based on the work performed, as described above, we have verified that the information referred to in paragraph a) above is provided as stipulated by applicable regulations and that the remaining information contained in the management report is consistent with that provided in the 2022 financial statements and its content and presentation are in conformity with applicable regulations.

Responsibilities of the directors and the audit committee for the financial statements

The directors are responsible for the preparation of the accompanying financial statements so that they give a true and fair view of the equity, financial position and results of the Bank, in accordance with the regulatory framework for financial information applicable to the Bank in Spain, identified in Note 2 to the accompanying financial statements, and for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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

The audit committee is responsible for overseeing the Bank's financial reporting process.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- ▶ Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- ▶ Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- ▶ Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- ▶ Conclude on the appropriateness of the director's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.
- ▶ Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

We also provide the audit committee of the Bank with a statement that we have complied with relevant ethical requirements, including those related to independence, and to communicate with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the audit committee of the Bank, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters.

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

Report on other legal and regulatory requirements

European single electronic format

We have examined the digital file of the European single electronic format (ESEF) of Banco Bilbao Vizcaya Argentaria, S.A. for the 2022 financial year, consisting of an XHTML file containing the financial statements for the year, which will form part of the annual financial report.

The directors of Banco Bilbao Vizcaya Argentaria, S.A. are responsible for submitting the annual financial report for the 2022 financial year, in accordance with the formatting requirements set out in Delegated Regulation EU 2019/815 of 17 December 2018 of the European Commission (hereinafter referred to as the ESEF Regulation). In this regard, the Corporate Governance Report and the Board remuneration report have been incorporated by reference in the management report.

Our responsibility consists of examining the digital file prepared by the directors of the Bank, in accordance with prevailing audit regulations in Spain. These standards require that we plan and perform our audit procedures to obtain reasonable assurance about whether the contents of the financial statements included in the aforementioned digital file correspond in their entirety to those of the financial statements that we have audited, and whether the financial statements and the aforementioned file have been formatted, in all material respects, in accordance with the ESEF Regulation.

In our opinion, the digital file examined corresponds in its entirety to the audited financial statements, which are presented, in all material respects, in accordance with the ESEF Regulation.

Additional report to the Audit Committee

The opinion expressed in this audit report is consistent with the additional report we issued to the Audit Committee on February 13, 2023.

Term of engagement

The ordinary general shareholders' meeting held on March 18, 2022 appointed us as auditors for 3 years, commencing on January 1, 2022.

ERNST & YOUNG, S.L.
(Registered in the Official Register of
Auditors under No. S0530)

(Signed in the original version in Spanish)

José Carlos Hernández Barrasús
(Registered in the Official Register of
Auditors under No. 17469)

February 13, 2023

Contents

FINANCIAL STATEMENTS

Balance sheets	1
Income Statements	4
Statements of recognized income and expenses	5
Statements of changes in equity	6
Statements of cash flows	8

NOTES TO THE ACCOMPANYING FINANCIAL STATEMENTS

1. Introduction, basis for presentation of the Financial Statements, Internal Control over Financial Information and other information	9
2. Accounting policies and valuation criteria applied	10
3. Shareholder remuneration system	28
4. Earnings per share	30
5. Risk management	30
6. Fair value of financial instruments	68
7. Cash, cash balances at central banks and other demand deposits	80
8. Financial assets and liabilities held for trading	81
9. Non-trading financial assets mandatorily at fair value through profit or loss	82
10. Financial assets and liabilities designated at fair value through profit or loss	82
11. Financial assets at fair value through other comprehensive income	83
12. Financial assets at amortized cost	86
13. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk	88
14. Investments in joint ventures and associates	91
15. Tangible assets	94
16. Intangible assets	96
17. Tax assets and liabilities	96
18. Other assets and liabilities	99
19. Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale	100
20. Financial liabilities at amortized cost	101
21. Provisions	106
22. Post-employment and other employee benefit commitments	106
23. Common stock	112
24. Share premium	113
25. Retained earnings, Revaluation reserves and Other	113
26. Treasury shares	115
27. Accumulated other comprehensive income (loss)	116
28. Capital base and capital management	116
29. Commitments and guarantees given	120
30. Other contingent assets and liabilities	120
31. Purchase and sale commitments and future payment obligations	120
32. Transactions on behalf of third parties	121

33. Net interest income	121
34. Dividend income	122
35. Fee and commission income	122
36. Fee and commission expense	122
37. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net	123
38. Other operating income and expense	124
39. Administration cost	124
40. Depreciation	126
41. Provisions or (reversal) of provisions	126
42. Impairment or (reversal) of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	126
43. Impairment or (reversal) of impairment on investments in subsidiaries, joint ventures or associates.	127
44. Impairment or reversal of impairment on non-financial assets	127
45. Gain (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	127
46. Statements of cash flows	127
47. Accountant fees and services	128
48. Related-party transactions	129
49. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management	130
50. Other information	130
51. Subsequent events	138
52. Explanation added for translation into English	138

APPENDICES

APPENDIX I. BBVA Group Consolidated Financial Statements	140
APPENDIX II. Additional information on subsidiaries and structured entities composing the BBVA Group ..	149
APPENDIX III. Additional information on investments and jointly controlled companies accounted for under the equity method of consolidation in the BBVA Group as of December 31, 2022	155
APPENDIX IV. Changes and notification of investments and divestments in the BBVA Group in 2022	156
APPENDIX V. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2022	158
APPENDIX VI. BBVA Group's structured entities. Securitization funds as of December, 31 2022	160
APPENDIX VII. BBVA Group's structured entities. Securitization funds as of December 31, 2022	160
APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2022 and 2021	161
APPENDIX IX. Income statement corresponding to the first and second half of 2022 and 2021	162
APPENDIX X. Information on data derived from the special accounting registry and other information bonds	163
APPENDIX XI. Risks related to the developer and real-estate sector in Spain	170
APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012	173
Appendix XIII Agency Network	178
Glossary	181

MANAGEMENT REPORT



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2022 and 2021

ASSETS (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	7	52,973	38,821
FINANCIAL ASSETS HELD FOR TRADING	8	91,391	105,391
Derivatives		35,023	28,389
Equity instruments		3,361	15,146
Debt securities		11,318	11,546
Loans and advances to central banks		1,632	3,467
Loans and advances to credit institutions		23,969	31,300
Loans and advances to customers		16,089	15,543
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	9	546	437
Equity instruments		438	172
Debt securities		107	125
Loans and advances to customers		—	140
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	10	—	—
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	11	24,854	28,205
Equity instruments		977	1,103
Debt securities		23,877	27,102
FINANCIAL ASSETS AT AMORTIZED COST	12	246,950	231,276
Debt securities		25,313	22,312
Loans and advances to central banks		10	254
Loans and advances to credit institutions		9,329	8,371
Loans and advances to customers		212,297	200,339
DERIVATIVES - HEDGE ACCOUNTING	13	1,169	841
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	13	(148)	5
INVESTMENTS IN SUBSIDIARIES, JOINT VENTURES AND ASSOCIATES	14	21,960	17,504
Subsidiaries		21,644	17,226
Joint ventures		36	54
Associates		280	225
TANGIBLE ASSETS	15	3,531	3,482
Properties, plant and equipment		3,432	3,396
For own use		3,432	3,396
Other assets leased out under an operating lease		—	—
Investment properties		99	87
INTANGIBLE ASSETS	16	855	841
Goodwill		—	—
Other intangible assets		855	841
TAX ASSETS	17	12,479	12,294
Current tax assets		1,629	546
Deferred tax assets		10,850	11,748
OTHER ASSETS	18	1,677	2,296
Insurance contracts linked to pensions	22	1,337	1,882
Inventories		—	—
Other		340	414
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	19	651	885
TOTAL ASSETS		458,888	442,279

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the balance sheets as of December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2022 and 2021

LIABILITIES AND EQUITY (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
FINANCIAL LIABILITIES HELD FOR TRADING	8	80,853	77,859
Derivatives		30,954	27,054
Short positions		11,408	13,148
Deposits from central banks		2,161	8,946
Deposits from credit institutions		28,107	14,821
Customer deposits		8,224	13,890
Debt certificates		—	—
Other financial liabilities		—	—
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	10	1,859	2,238
Deposits from central banks		—	—
Deposits from credit institutions		—	—
Customer deposits		1,859	2,238
Debt certificates		—	—
Other financial liabilities		—	—
Subordinated liabilities		—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	20	335,941	321,848
Deposits from central banks		32,517	40,839
Deposits from credit institutions		20,200	14,936
Customer deposits		234,797	216,452
Debt certificates		38,511	37,866
Other financial liabilities		9,915	11,756
Memorandum item: Subordinated liabilities		9,106	9,912
DERIVATIVES - HEDGE ACCOUNTING	13	2,599	2,126
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	13	—	—
PROVISIONS	21	3,385	4,488
Pensions and other post-employment defined benefit obligations		2,085	3,027
Other long term employee benefits		433	600
Provisions for taxes and other legal contingencies		388	401
Commitments and guarantees given		280	310
Other provisions		198	150
TAX LIABILITIES	17	943	999
Current tax liabilities		190	187
Deferred tax liabilities		753	812
OTHER LIABILITIES	18	2,552	1,885
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE		—	—
TOTAL LIABILITIES		428,133	411,443

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the balance sheet as of December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Balance sheets as of December 31, 2022 and 2021

LIABILITIES AND EQUITY (Continued) (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
STOCKHOLDERS' FUNDS		32,928	32,296
Capital	23	2,955	3,267
Paid up capital		2,955	3,267
Unpaid capital which has been called up		—	—
Share premium	24	20,856	23,599
Equity instruments issued other than capital		—	—
Equity component of compound financial instruments		—	—
Other equity instruments issued		—	—
Other equity		49	49
Retained earnings	25	5,453	6,436
Revaluation reserves	25	—	—
Other reserves	25	(474)	(1,026)
Less: treasury shares	26	(3)	(574)
Profit or loss attributable to owners of the parent		4,816	1,080
Less: interim dividends	3	(724)	(533)
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	27	(2,172)	(1,461)
Items that will not be reclassified to profit or loss		(1,215)	(1,177)
Actuarial gains (losses) on defined benefit pension plans		(32)	(52)
Non-current assets and disposal groups classified as held for sale		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	11	(1,256)	(1,127)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedged item)		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income (hedging instrument)		—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		72	2
Items that may be reclassified to profit or loss		(957)	(284)
Hedge of net investments in foreign operations (effective portion)		—	—
Foreign currency translation		—	—
Hedging derivatives. Cash flow hedges (effective portion)		(492)	(626)
Fair value changes of debt instruments measured at fair value through other comprehensive income	11	(464)	342
Hedging instruments (non-designated items)		—	—
Non-current assets and disposal groups classified as held for sale		—	—
TOTAL EQUITY		30,756	30,836
TOTAL EQUITY AND TOTAL LIABILITIES		458,888	442,279
MEMORANDUM ITEM - OFF BALANCE SHEET EXPOSURES (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
Loan commitments given	29	95,948	89,353
Financial guarantees given	29	16,305	11,662
Other commitments given	29	26,850	24,181

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the balance sheet as of December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Income statements for the years ended December 31, 2022 and 2021.

INCOME STATEMENTS (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
Interest income	33	5,903	4,289
Financial assets at fair value through other comprehensive income		498	235
Financial assets at amortized cost		5,416	3,426
Other interest income		(11)	628
Interest expense	33	(2,083)	(861)
NET INTEREST INCOME		3,821	3,428
Dividend income	34	3,470	1,808
Fee and commission income	35	2,612	2,515
Fee and commission expense	36	(489)	(463)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	37	1	84
Financial assets at amortized cost		—	23
Other financial assets and liabilities		1	61
Gains or (losses) on financial assets and liabilities held for trading, net	37	438	295
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortized cost		—	—
Other profit or loss		438	295
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	37	(51)	114
Reclassification of financial assets from fair value through other comprehensive income		—	—
Reclassification of financial assets from amortized cost		—	—
Other profit or loss		(51)	114
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	37	128	45
Gains (losses) from hedge accounting, net	37	—	(36)
Exchange differences, net	37	(122)	56
Other operating income	38	339	170
Other operating expense	38	(642)	(546)
GROSS INCOME		9,503	7,470
Administrative expense	39	(3,755)	(3,693)
Personnel expense		(2,217)	(2,237)
Other administrative expense		(1,538)	(1,456)
Depreciation and amortization	40	(638)	(639)
Provisions or reversal of provisions	41	(50)	(950)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	42	(521)	(475)
Financial assets measured at amortized cost		(504)	(482)
Financial assets at fair value through other comprehensive income		(16)	7
NET OPERATING INCOME		4,539	1,714
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	43	642	(911)
Impairment or reversal of impairment on non-financial assets	44	7	(167)
Tangible assets		21	(164)
Intangible assets		(15)	(4)
Other assets		1	1
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		—	3
Negative goodwill recognized in profit or loss		—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	45	(26)	107
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS		5,163	746
Tax expense or income related to profit or loss from continuing operations	17	(347)	58
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS		4,816	803
Profit (loss) after tax from discontinued operations		—	277
PROFIT (LOSS) FOR THE YEAR		4,816	1,080

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the income statement for the year ended December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of recognized income and expense for the years ended December 31, 2022 and 2021.

STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)		
	2022	2021 ⁽¹⁾
PROFIT RECOGNIZED IN INCOME STATEMENT	4,816	1,080
OTHER RECOGNIZED INCOME (EXPENSE)	(713)	(349)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(40)	186
Actuarial gains (losses) from defined benefit pension plans	32	(4)
Non-current assets and disposal groups classified as held for sale	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(129)	167
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	100	33
Other valuation adjustments	—	—
Income tax related to items not subject to reclassification to income statement	(43)	(10)
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	(673)	(535)
Hedge of net investments in foreign operations [effective portion]	—	—
Foreign currency translation	—	—
Translation gains (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Cash flow hedges [effective portion]	191	(705)
Valuation gains (losses) taken to equity	191	(705)
Transferred to profit or loss	—	—
Transferred to initial carrying amount of hedged items	—	—
Other reclassifications	—	—
Hedging instruments [non-designated elements]	—	—
Valuation gains (losses) taken to equity	—	—
Transferred to profit or loss	—	—
Other reclassifications	—	—
Debt securities at fair value through other comprehensive income	(1,152)	(14)
Valuation gains (losses) taken to equity	(1,148)	49
Transferred to profit or loss	(4)	(63)
Other reclassifications	—	—
Non-current assets and disposal groups held for sale	—	—
Income tax relating to items subject to reclassification to income statements	288	184
TOTAL RECOGNIZED INCOME/EXPENSE	4,102	731

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the statement of recognized income and expense for the year ended December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2022 and 2021.

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2022	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulate d other comprehen sive income (Note 27)	Total
Balances as of January 1, 2022	3,267	23,599	—	49	6,436	—	(1,026)	(574)	1,080	(533)	(1,461)	30,836
Total income/expense recognized	—	—	—	—	—	—	—	—	4,816	—	(713)	4,102
Other changes in equity	(313)	(2,743)	—	1	(983)	—	553	572	(1,080)	(190)	1	(4,182)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Period or maturity of other issued equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	(313)	(2,743)	—	—	250	—	(355)	3,160	—	—	—	—
Dividend distribution	—	—	—	—	(1,467)	—	—	—	—	(724)	—	(2,190)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,879)	—	—	—	(2,879)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(6)	291	—	—	—	285
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Transfers between total equity entries	—	—	—	1	547	—	(2)	—	(1,080)	533	1	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	—	(313)	—	916	—	—	—	—	602
Balances as of December 31, 2022	2,955	20,856	—	49	5,453	—	(474)	(3)	4,816	(724)	(2,172)	30,756

The Notes and Appendices are an integral part of the statement of changes in equity for the year ended December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of changes in equity for the years ended December 31, 2022 and 2021 (continued)

STATEMENT OF CHANGES IN EQUITY (Millions of Euros)

2021 ⁽¹⁾	Capital (Note 23)	Share Premium (Note 24)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 25)	Revaluation reserves (Note 25)	Other reserves (Note 25)	(-) Treasury shares (Note 26)	Profit or loss attributable to owners of the parent	Interim dividends (Note 3)	Accumulate d other comprehen sive income (Note 27)	Total
Balances as of January 1, 2021	3,267	23,992	—	34	8,859	—	31	(9)	(2,182)	—	(1,124)	32,867
Total income/expense recognized	—	—	—	—	—	—	—	—	1,080	—	(349)	731
Other changes in equity	—	(393)	—	15	(2,423)	—	(1,058)	(565)	2,182	(533)	13	(2,763)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	(533)	—	(927)
Purchase of treasury shares	—	—	—	—	—	—	—	(925)	—	—	—	(925)
Sale or cancellation of treasury shares	—	—	—	—	—	—	(4)	360	—	—	—	356
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	(2)	(2,064)	—	(129)	—	2,182	—	13	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	—	—	—	—	—	—	—	—	—
Other increases or (-) decreases in equity	—	—	—	17	(359)	—	(925)	—	—	—	—	(1,267)
Balances as of December 31, 2021	3,267	23,599	—	49	6,436	—	(1,026)	(574)	1,080	(533)	(1,461)	30,836

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the statement of changes in equity for the year ended December 31, 2022.

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



BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

Statements of cash flows for the years ended December 31, 2022 and 2021.

CASH FLOWS STATEMENTS (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
A) CASH FLOWS FROM OPERATING ACTIVITIES (1+2+3+4+5)	46	23,057	(12,004)
1.Profit (loss) for the year		4,816	1,080
2.Adjustments to obtain the cash flow from operating activities:		(629)	1,313
Depreciation and amortization		638	639
Other adjustments		(1,268)	674
3.Net increase/decrease in operating assets		696	(15,123)
Financial assets held for trading		13,999	(20,093)
Non-trading financial assets mandatorily at fair value through profit or loss		(109)	(26)
Other financial assets designated at fair value through profit or loss		—	—
Financial assets at fair value through other comprehensive income		3,351	9,323
Financial assets at amortized cost		(15,757)	(5,494)
Other operating assets		(788)	1,167
4.Net increase/decrease in operating liabilities		18,825	928
Financial liabilities held for trading		2,995	10,724
Other financial liabilities designated at fair value through profit or loss		(379)	(1,029)
Financial liabilities at amortized cost		15,480	(9,209)
Other operating liabilities		729	443
5.Collection/Payments for income tax		(651)	(202)
B) CASH FLOWS FROM INVESTING ACTIVITIES (1+2)	46	(2,753)	10,049
1.Investment		(3,937)	(502)
Tangible assets		(60)	(56)
Intangible assets		(360)	(319)
Investments in subsidiaries, joint ventures and associates		(3,516)	(116)
Other business units		—	—
Non-current assets and disposal groups classified as held for sale and associated liabilities		—	(12)
Held-to-maturity investments		—	—
Other settlements related to investing activities		—	—
2.Divestments		1,184	10,551
Tangible assets		6	21
Intangible assets		—	—
Investments in subsidiaries, joint ventures and associates		852	77
Other business units		—	—
Non-current assets classified as held for sale and associated liabilities		326	10,453
Other collections related to investing activities		—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES (1 + 2)	46	(5,921)	(3,028)
1. Payments		(6,190)	(3,540)
Dividends (shareholders remuneration)		(2,190)	(927)
Subordinated liabilities		(881)	(1,684)
Treasury share amortization		(313)	—
Treasury share acquisition		(2,567)	(929)
Other items relating to financing activities		(240)	—
2. Collections		270	512
Subordinated liabilities		—	—
Common stock increase		—	—
Treasury share disposal		270	356
Other items relating to financing activities		—	156
D) EFFECT OF EXCHANGE RATE CHANGES		(231)	(303)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)		14,153	(5,286)
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR		38,821	44,107
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F)	46	52,973	38,821
COMPONENTS OF CASH AND EQUIVALENTS AT END OF THE YEAR (Millions of Euros)			
	Notes	2022	2021 ⁽¹⁾
Cash	7	972	830
Balance of cash equivalent in central banks	7	49,854	36,566
Other financial assets	7	2,147	1,424
Less: Bank overdraft refundable on demand		—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR		52,973	38,821

(1) Presented for comparison purposes only (see Note 1.3).

The Notes and Appendices are an integral part of the statement of cash flows for the year ended December 31, 2021.



Notes to the accompanying Financial Statements for the year ended December 31, 2022.

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

1.1. Introduction

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

The Bylaws and other public information are available for inspection at the Bank's registered address (Plaza San Nicolás, 4 Bilbao) as noted on its web site (www.bbva.com).

In addition to the activities it carries out directly, the Bank heads a group of subsidiaries, joint ventures and associates which perform a wide range of activities and which together with the Bank constitute the Banco Bilbao Vizcaya Argentaria Group (hereinafter the "Group" or the "BBVA Group"). In addition to its own separate financial statements, the Bank is required to prepare Consolidated Financial Statements comprising all consolidated subsidiaries of the Group.

The Bank's Financial Statements for the year ended December 31, 2021 were approved by the shareholders at the Annual General Meeting ("AGM") held on March 18, 2022.

The Bank's Financial Statements for the year ended December 31, 2022 are pending approval by their respective AGMs. However, the Board of Directors of the Bank believes that said financial statements will be approved without changes.

1.2. Basis for the presentation of the Financial Statements

The Bank's Financial Statements for 2022 are presented in compliance with Bank of Spain Circular 4/2017, dated November 27, and as amended thereafter (in the following, "Circular 4/2017"), and with any other legislation governing financial reporting which is applicable and with the format and mark-up requirements established in the EU Delegated Regulation 2019/815 of the European Commission. The aforementioned Circular 4/2017 constitutes the development and adaptation to the Spanish credit institutions sector of the International Financial Reporting Standards adopted by the European Union (IFRS-EU) in accordance with the provisions of Regulation 1606/2002 of the Parliament and Council regarding the application of these rules.

The Bank's Financial Statements for the year ended December 31, 2022 were prepared by the Bank's directors (at the Board of Directors meeting held on February 9, 2023) by applying the accounting policies and valuation criteria described in Note 2, so that they present fairly the Bank's equity and financial position as of December 31, 2022, together with the results of its operations and cash flows generated during the year ended on that date.

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

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

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

1.3. Comparative information

The comparative information included in the accompanying financial statements for the year ended December 31, 2021 has been subject of certain no significant modifications with the purpose of a better comparability with the 2022 year figures.

1.4. Seasonal nature of income and expense

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

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

1.5. Responsibility for the information and for the estimates made

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

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

- Loss allowances on certain financial assets (see Notes 5, 11, 12 and 14).
- The assumptions used to quantify certain provisions (see Note 21) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 22).
- The useful life and impairment losses of tangible and intangible assets (see Notes, 15, 16 and 19).
- The fair value of certain unlisted financial assets and liabilities in organized markets (see Notes 5, 6, 8, 9, 10, 11 and 13).
- The recoverability of deferred tax assets (see Note 17).

The great macroeconomic and geopolitical uncertainty (see Note 5.1) entails a greater complexity in developing reliable estimates and applying judgment. Therefore, while these estimates have been made on the basis of the best available information on the matters analyzed, as of December 31, 2022, 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 statements.

During 2022 there have been no other significant changes in the estimates made as of December 31, 2021, other than those indicated in these Financial Statements.

1.6. Control of the BBVA's Financial Reporting

The description of BBVA Internal Control over Financial Reporting model is described in the management report accompanying the consolidated Financial Statements for 2022.

1.7. Deposit guarantee fund and Resolution fund

The Bank is part of the "Fondo de Garantía de Depósitos" (Deposit Guarantee Fund). The expense incurred by the contributions made to this Agency in 2022 and 2021 amounted to €246 and €211 million, respectively. These amounts are registered under the heading "Other operating expenses" of the accompanying income statements (see Note 38).

On the other hand, the contributions made to the single European resolution fund in the years 2022 and 2021 have amounted to €251 and €194 million respectively (see Note 38).

1.8. Consolidated Financial Statements

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2022 have been prepared by the Group's Directors (at the Board of Directors meeting held on February 9, 2023) in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards adopted by the European Union (in the following "EU-IFRS") and applicable at the close of 2021, taking into account Bank of Spain Circular 4/2017, and with any other legislation governing financial reporting which are applicable and with the format and markup requirements established in the EU Delegated Regulation 2019/815 of the European Commission

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

These changes are reflected in the Consolidated Financial Statements of the BBVA Group for the year 2022, which the Bank's Board of Directors has also prepared. Appendix I includes the Group's Consolidated Financial Statements. In accordance with the content of these Consolidated Financial Statements prepared following the International Financial Reporting Standards adopted by the European Union, the total amount of the BBVA Group's assets and consolidated equity at the close of 2022 amounted to €713,140 million and €50,615 million, respectively, while the consolidated net profit attributed to the parent company of this period amounted to €6,420 million.

2. Accounting policies and valuation criteria applied

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

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

2.1 Investments in subsidiaries, joint ventures and associates

Subsidiaries are entities controlled by the Group (for definition of control, see Glossary).

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Associates are entities in which the Group is able to exercise significant influence (for definition of significant influence, see Glossary).

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

Valuation and impairment

Investments in the equity of group companies, joint ventures and associates are initially measured at cost, which is since the fair value of the consideration given plus directly attributable transaction costs. Subsequently, these investments are valued at cost less, if applicable, the accumulated amount of impairment adjustments.

At least at year-end, and whenever there is objective evidence that the carrying value may not be recoverable, the corresponding impairment test is performed to quantify the possible valuation adjustment. This valuation adjustment is calculated as the difference between the book value and the recoverable amount, the latter being understood as the higher of its fair value at that time, less costs to sell, and the value in use of the investment. Impairment losses and, if applicable, their reversal, are recorded as an expense or income, respectively, in the income statement. The reversal of an impairment will be limited to the carrying amount of the investment that would be recognized at the date of reversal if the impairment had not been recorded.

2.2 Financial instruments

Circular 4/2017 became effective as of January 1, 2018 and replace IAS 39 regarding the classification and measurement of financial assets and liabilities, the, impairment of financial assets and hedge accounting. However, the Bank has chosen to continue applying IAS39 for accounting for hedges as permitted by the Circular itself.

2.2.1 Classification and measurement of financial assets

Classification of financial assets

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

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

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

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

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

In this sense, the Bank has established policies and has developed procedures to determine when the sales of financial assets classified in the amortized cost category are considered infrequent (even when significant), or are insignificant (even when frequent), to ensure compliance with such business model.

Furthermore, it is considered that any sales that may occur because the financial asset is close to maturity, due to an increase in credit risk, or if necessary for liquidity needs, are compatible with the amortized cost model

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

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

- Modified time value: in the event that a financial asset includes a periodic interest rate adjustment but the frequency of this adjustment does not coincide with the term of the reference interest rate (for example, the interest rate reset every six months to a one-year rate), the Group assesses, at the time of the initial recognition, this mismatch to determine whether the contractual cash flows (undiscounted) differ significantly or not from the cash flows (undiscounted) of a benchmark financial asset, for which there would be no change in the time value of money. The defined tolerance thresholds are 10% for the differences in each period and 5% for the analysis accumulated throughout the financial asset life.

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- Contractual clauses: The contractual clauses that can modify the calendar or the amount of the contractual cash flows are analyzed to verify if the contractual cash flows that would be generated during the life of the instrument due to the exercise of those clauses are only payments of principal and interest on the principal amount outstanding. To do this, the contractual cash flows that may be generated before and after the modification are analyzed.

The main criteria taken into account in the analysis are:

- a. Early termination clauses: generally a contractual clause that permits the debtor to prepay a debt instrument before maturity is consistent with SPPI when the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding (which may include reasonable additional compensation for the early termination of the contract).
 - b. Instruments with an interest rate linked to contingent events:
 - An instrument whose interest rate is reset to a higher rate if the debtor misses a particular payment may meet the SPPI criterion because of the relationship between missed payments and an increase in credit risk.
 - An instrument with contractual cash flows that are indexed to the debtor's performance – e.g. net income or is adjusted based on a certain index or stock market value would not meet the SPPI criterion.
 - c. Perpetual instruments: to the extent that they can be considered instruments with continuous (multiple) extension options, they meet the SPPI test if the contractual flows meet it. When the issuer can defer the payment of interest, if such payment would affect their solvency, they would meet the SPPI test if the deferred interest accrues additional interest, while if they do not, they would not meet the test.
- Non-recourse financial instruments: In the case of debt instruments that are repaid primarily with the cash flows of specific assets or projects and the debtor has no legal responsibility, the underlying assets or cash flows are evaluated to determine whether the contractual cash flows of the instrument are consistent with payments of principal and interest on the principal amount outstanding.
 - a. If the contractual terms do not give rise to additional cash flows to payments of principal and interest on the amount of principal outstanding or limitations to these payments, the SPPI test is met.
 - b. If the debt instrument effectively represents an investment in the underlying assets and its cash flows are inconsistent with principal and interest (because they depend on the performance of a business), the SPPI test is not met.
 - Contractually linked instruments: a look-through analysis is carried out in the case of transactions that are set through the issuance of multiple financial instruments forming tranches that create concentrations of credit risk in which there is an order of priority that specifies how the flows of cash generated by the underlying set of financial instruments are allocated to the different tranches. The debt tranches of the instrument will comply with the requirement that their cash flows represent only payment of principal and interest on the outstanding principal if:
 - a. The contractual terms of the tranche being assessed for classification (without looking through to the underlying pool of financial instruments) give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding,
 - b. The underlying pool of financial instruments comprises instruments with cash flow that are solely payments of principal and interest on the principal amount outstanding, and
 - c. The exposure to credit risk in the underlying pool of financial instruments inherent in the tranche is equal to or lower than the exposure to credit risk of the underlying pool of financial instruments (for example, the credit rating of the tranche being assessed for classification is equal to or higher than the credit rating that would apply to a single tranche that funded the underlying pool of financial instruments).

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

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

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

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

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

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

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

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

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

Measurement of financial assets

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

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

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

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

Financial assets are recorded under the heading "Financial assets held for trading" if the objective of the business model is to generate gains by buying and selling these financial instruments or generate short-term results. The financial assets recorded in the heading "Non-trading financial assets mandatorily at fair value through profit or loss" are derived from a business model which objective is to obtain the contractual cash flows and / or to sell those instruments but its contractual cash flows do not comply with the requirements of the SPPI test. Financial assets are classified in "Financial assets designated at fair value through profit or loss" only if it eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from recognizing or measuring such financial assets on different bases.

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

"Financial assets at fair value through other comprehensive income"

- Debt instruments

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

The amounts recognized under the headings "Accumulated other comprehensive income (loss)- Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" continue to form part of the Bank's equity until the corresponding asset is derecognized from the balance sheet or until a loss allowance is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" in the accompanying income statements (see Note 37).

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The net loss allowances in “Financial assets at fair value through other comprehensive income” over the year are recognized under the heading “Impairment or reversal of impairment on financial assets, not measured at fair value through profit or loss net –gains by modification- Financial assets at fair value through other comprehensive income” in the income statements for that year (see Note 42). Interest income on these instruments is recorded in the profit and loss account (see Note 33). Changes in foreign exchange rates are recognized under the heading “Exchange differences, net” in the accompanying income statement (see Note 37).

- Equity instruments

At the time of initial recognition of specific investments in equity instruments, an irrevocable decision may be made to present subsequent changes in fair value in other comprehensive income. Subsequent changes in this valuation will be recognized Accumulated other comprehensive income - Items that will not be reclassified to profit or loss- Fair value changes of equity instruments measured at fair value through other comprehensive income” (see Note 27). Dividends received from these investments are recorded in the heading “Dividend income” in the income statement (see Note 34). These instruments are not subject to the impairment model.

“Financial assets at amortized cost”

The assets under this category are subsequently measured at amortized cost, after initial recognition, using the effective interest rate method. In the case of floating rate instruments, including inflation-linked bonds, periodic restatements of cash flows to reflect interest rate movements and incurred inflation change the effective interest rate prospectively.

Net loss allowances of assets recorded under these headings arising in each period, calculated under Circular 4/2017 model, are recognized under the heading “Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss –or net gains by modification -Financial assets measured at amortized cost” in the income statement for such year (see Note 42).

2.2.2 Classification and measurement of financial liabilities

Classification of financial liabilities

Financial liabilities are classified in the following categories:

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

Measurement of financial liabilities

Financial liabilities are initially recorded at fair value, less transaction costs that are directly attributable to the issuance of instruments, except for financial instruments that are classified at fair value through profit or loss.

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

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

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

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

“Financial liabilities at amortized cost”

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

Hybrid financial liabilities

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

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

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

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

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

Hedging financial derivatives are used to hedge changes in the value of assets and liabilities, changes in cash flows, or the net investment in a foreign business. Fair value hedging is established for fixed rate financial instruments, and cash flow hedges are used for variable rate financial instruments. The Bank also carries out exchange risk hedging operations.

Hedging accounting follows the standard, and the effectiveness of hedges is evaluated both retrospectively and prospectively, so that they remain within a range between 80% and 125%. The ineffectiveness of hedges, defined as the difference between the change in value of the hedging instrument and the hedged item in each period, attributable to the hedged risk, is recognized in the income statement. This includes both the amount of the ineffectiveness of the hedges established to manage interest rate risk in the period, as well as the ineffectiveness of the hedges established to manage exchange risk, which is mainly attributable to the temporary value of hedges established to manage exchange rate risk (see Notes 13 and 37).

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

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

2.2.4 Loss allowances on financial assets

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

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The standard classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition and which establish the calculation of the credit risk allowance.

– **Stage 1– without significant increase in credit risk**

Financial assets which are not considered to have significantly increased in credit risk have loss allowances measured at an amount equal to the expected credit loss that arises from all possible default events within 12 months following the presentation date of the financial statements (12 month expected credit losses).

– **Stage 2– significant increases in credit risk**

When the credit risk of a financial asset has increased significantly since the initial recognition, the loss allowances of that financial instrument is calculated as the expected credit loss during the entire life of the asset. That is, they are the expected credit losses that result from all possible default events during the expected life of the financial instrument.

– **Stage 3 – Impaired**

When there is objective evidence that the instrument is credit-impaired, the financial asset is transferred to this category in which the provision for losses of that financial instrument is calculated, as in stage 2, as the expected credit loss during the entire life of the asset.

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

The Bank has applied the following definitions:

– **Credit impaired asset**

An asset is credit-impaired (stage 3) if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset.

Historically, the definition of credit impaired asset under the Standard has been substantially aligned with the definition of default used by the Bank for internal credit risk management, which is also the definition used for regulatory purposes. In 2021 the Bank updated its definition of default to conform to that set forth in the European Banking Authority (hereinafter EBA) Guidelines, in compliance with article 178 of Regulation (EU) No 575/2013 (CRR). The Group has consequently updated the definition of credit impaired asset (Stage 3), considering it a change in accounting estimates, re-establishing the consistency with the definition of default and guaranteeing the integration of both definitions in credit risk management

The determination of an asset as impaired and its classification in stage 3 is based exclusively on the risk of default, without considering the effects of credit risk mitigating measures such as guarantees and collaterals. Specifically, the following financial assets are classified in stage 3:

1) Impaired assets for objective reasons or delinquency: when there are unpaid amounts of principal or interest for more than 90 days.

According to Circular 4/2017, the 90-days past due default is a presumption that can be rebutted in those cases where the entity considers, based on reasonable and supportable information, that it is appropriate to use a longer term. As of December 31, 2022, the Group has not used terms exceeding 90 days past due. Impaired assets for subjective reasons (other than delinquency): when circumstances are identified that show, even in the absence of defaults, that it is not probable that the debtor will fully comply with its financial obligations. For this purpose, the following indicators are considered, among others:

- Significant financial difficulties of the issuer or the borrower.
- Granting by the lender or lenders to the borrower, for economic or contractual reasons related to the latter's financial difficulties, of concessions or advantages that they would not have otherwise granted.
- Breach of contractual clauses, such as events of default or default.
- Increasing probability that the borrower will go into bankruptcy or some other situation of financial reorganization.
- Disappearance of an active market for the financial asset due to financial difficulties.
- Others that may affect the committed cash flows such as the loss of the debtor's license or that it has committed fraud.
- Generalized delay in payments. In any case, this circumstance exists when, during a continuous period of 90 days prior to the reporting date, a material amount has remained unpaid.
- Sales of credit exposures of a client with a significant economic loss will imply that the rest of its operations are considered impaired.

Relating to the granting of concessions due to financial difficulties, it is considered that there is an indicator of unlikeliness to pay, and therefore the client must be considered impaired, when the refinancing or restructuring measures may result in a diminished financial obligation caused by a forgiveness or material deferral of principal, interest or fees. Specifically, unless proven otherwise, transactions that meet any of the following criteria will be reclassified to the category of impaired assets:

- a. Irregular repayment schedule.
- b. Contractual clauses that delay the repayment of the loan through regular payments. Among others, grace periods of more than two years for the amortization of the principal will be considered clauses with these characteristics.
- c. Amounts of principal or interest written off from the balance sheet as its recovery is considered remote.

In any case, a restructuring will be considered impaired when the reduction in the net present value of the financial obligation is greater than 1%, in accordance with the management criteria introduced during 2021.

Credit risk management for wholesale counterparties is carried out at the customer (or group) level. For this reason, the classification of any of a client's material exposure as impaired, whether due to more than 90 days of default or due to any of the subjective criteria, implies the classification as impaired of all the client's exposures.

Regarding retail clients, which are managed at the individual loan level, the scoring systems review their score, among other factors, in the event of breach in any of their operations or incurring generalized delays in payments, which also triggers the necessary recovery actions. Among them are the refinancing measures that, where appropriate, may lead to all the client's operations being considered impaired. Furthermore, given the granularity of the retail portfolios, the differential behavior of these clients in relation to their products and collateral provided, as well as the time necessary to find the best solution, the Bank has established as an indicator that when a transaction of a retail client is in default in excess of 90 days or shows a general delay in payments and this represents more than 20% of the client's total balance, all its transactions are considered impaired.

When operations by entities related to the client fall into *stage 3*, including both entities of the same group and those with which there is a relationship of economic or financial dependence, the transactions of the holder will also be classified as *stage 3* if after the analysis it is concluded that there are reasonable doubts about the full payment of the loans.

The Stage 3 classification will be maintained for a cure period of 3 months from the disappearance of all indicators of impairment during which the client must demonstrate good payment behavior and an improvement in their credit quality in order to corroborate the disappearance of the causes that motivated the classification of the debt as impaired. In the case of refinancing and restructuring, the cure period is one year (see Appendix XII for more details)

Significant increase in credit risk

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

The model developed by the Bank for assessing the significant increase in credit risk has a two-prong approach that is applied globally (for more detail on the methodology used, see Note 5.2.1):

- Quantitative criterion: the Bank uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life.
- Qualitative criterion: most indicators for detecting significant risk increase are included in the Bank's systems through rating and scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Bank uses additional qualitative criteria to identify significant increase in credit risk and thus, to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used. Such qualitative criteria are the following:
 - a. More than 30 days past due: the default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2022, the Bank has not considered periods higher than 30 days.
 - b. Watch list: They are subject to special watch by the Risk units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
 - c. Refinance or restructuring that does not show evidence of impairment, or that, having been previously identified, the existence of significant increase in credit risk may still exist.

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

Method for calculating Expected Credit Loss (ECL)

Method for calculating expected loss

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

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

Expected losses are measured both individually and collectively.

The individualized estimate of credit losses results from calculating the difference between the expected cash flows discounted at the effective interest rate of the transaction and the carrying amount of the instrument (see Note 5.2.1):

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

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

The estimated losses are derived from the following parameters:

- PD: estimate of the probability of default in each period.
- EAD: estimate of the exposure in case of default at each future period, taking into account the changes in exposure after the closing date of the financial statements.
- LGD: estimate of the loss in case of default, calculated as the difference between the contractual cash flows and receivables, including guarantees. For these purposes, the probability of executing the guarantee, the moment until its ownership, and subsequent realization are achieved, the expected cash flows and the acquisition and sale costs, are considered in the estimation.
- CCF: cash conversion factor is the estimate made on off-balance sheet contractual arrangements to determine the exposure subject to credit risk in the event of a default.

At BBVA, the calculated expected credit losses are based on internal models developed for all portfolios within the scope of Circular 4/2017, except for the cases that are subject to individual analysis..

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

Use of present, past and future information

Circular 4/2017 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss losses, which must be carried out on a weighted probability basis.

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

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

The approach taken by BBVA consists of using a methodology based on the use of three scenarios. The first is the most probable scenario (base scenario) that is consistent with that used in the Bank's internal management processes, and two additional ones, one more positive and the other more negative. The combined outcome of these three scenarios is calculated considering the weight given to each of them. The main macroeconomic variables that are valued in each of the scenarios are the Gross Domestic Product (GDP), the real estate price index, interest rates, and the unemployment rate. The main goal of the Bank's approach is seeking the greatest predictive capacity with respect to the first two variables (see Note 5.2.1).

Derecognition of the balance due to impairment on financial assets (write-offs)

Debt instruments are classified as written-off once, after being analyzed, it is reasonably considered that their recovery is remote due to the notorious and irrecoverable deterioration of the solvency of the holder of the operation.

Based on their procedures and particularities, the Bank entities recognize operations as a write-off where, following their analysis, there are no reasonable expectations of recovery of the debt, taking into account aspects such as: the time elapsed since the classification as doubtful operations due to delinquency, the coverage levels achieved, type of portfolio or product, bankruptcy status of the holder and the existence of guarantees, their valuation and execution capacity. In those cases where the guarantee is significant, there is the possibility of making partial write-offs on the non-guaranteed portion.

The classification of an operation as written-off, entails the recognition of losses for the carrying amount of the related debt and results in a derecognition in the same amount from the balance sheet (see Note 5.2.5).

2.2.5 Transfers and derecognition of financial assets and liabilities

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

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

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

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

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

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

- Purchase and sale commitments: Financial instruments sold with a repurchase agreement are not derecognized from the balance sheets and the amount received from the sale is considered to be financing from third parties.
- Financial instruments acquired with an agreement to subsequently resell them are not recognized in the balance sheets and the amount paid for the purchase is considered to be credit given to third parties.
- Securitization: The Bank has applied the most stringent criteria for determining whether or not it retains substantially all the risk and rewards on such assets for all securitizations performed since January 1, 2004. As a result of this analysis, the Bank has concluded that none of the securitizations undertaken since that date meet the prerequisites for derecognizing the securitized assets from the balance sheets (see Note 12 and Appendix VI), as the Bank retains substantially all the expected credit risks and possible changes in net cash flows, while retaining the subordinated loans and lines of credit extended to these securitization funds.

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

2.3 Financial guarantees

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

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

Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying loss allowances on debt instruments measured at amortized cost (see Note 2.2.4).

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

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

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

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

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

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

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

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

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

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

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

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

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

2.5 Tangible assets

Property, plant and equipment for own use

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

For more information regarding the accounting treatment of right to use assets under lease terms, see Note 2.16 "Leases".

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

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

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

Depreciation rates for tangible assets

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

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

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

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

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

Other assets leased out under an operating lease

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

Investment properties

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

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

2.6 Intangible assets

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

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

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

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

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

2.7 Tax assets and liabilities

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

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

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

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

Deferred tax liabilities attributable to taxable temporary differences associated with investments in subsidiaries, associates or joint venture entities are recognized as such, except where the Bank can control the timing of the reversal of the temporary difference and it is unlikely that it will reverse in the future. Deferred tax assets are recognized to the extent that it is probable that the Bank will generate enough taxable profits to make deferred tax assets effective and do not correspond to those from initial recognition (except in the case of business combinations), which also does not affect the fiscal outcome.

In those circumstances in which it is unclear how a specific requirement of the tax law applies to a particular transaction or circumstance, and the acceptability of the definitive tax treatment depends on the decisions taken by the relevant taxation authority in future, the entity recognizes current and deferred tax liabilities and assets considering whether it is probable or not that a taxation authority will accept an uncertain tax treatment. Thus, if the entity concludes that it is not probable that the taxation authority will accept an uncertain tax treatment, the entity uses the amount expected to be paid to (recovered from) the taxation authorities.

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

2.8 Provisions, contingent assets and contingent liabilities

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

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

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

Among other items, these provisions include the commitments made to employees (mentioned in section 2.9), as well as provisions for tax and legal litigation.

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

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

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

2.9 Pensions and other post-employment commitments

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

Short-term employee benefits

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

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

Post-employment benefits – Defined-contribution plans

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

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

Post-employment benefits – Defined-benefit plans

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

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

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

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

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

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

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

Other long-term employee benefits

In addition to the above commitments, the Bank provides long-term service awards to their employees, consisting mainly of monetary amounts or periods of vacation granted upon completion of a number of years of qualifying service. This heading also includes the commitments related to the termination of employment contracts according to the collective layoff procedure carried out in BBVA, S.A. in 2021.

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

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

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

In establishing the actuarial assumptions we take into account that:

- They should be unbiased, i.e. neither unduly optimistic nor excessively conservative.
- Each assumption does not contradict the others and adequately reflects the existing relationship between economic variables such as price inflation, expected wage increases, discount rates and the expected return on plan assets, etc. Future wage and benefit levels should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.
- The interest rate used to discount benefit commitments is determined by reference to market yields, at the balance sheet date, on high quality bonds.

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

2.10 Equity-settled share-based payment transactions

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

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

2.11 Termination benefits

Termination benefits are recognized in the financial statements when the Bank agrees to terminate employment contracts with its employees or from the time the costs for a restructuring that involves the payment of compensation for the termination of contracts with its employees are recorded. This happens when there is a formal and detailed plan in which the fundamental modifications to be made are identified, and whenever said plan has begun to be executed or its main characteristics, or objective facts about its execution have been publicly announced. The collective layoff procedure carried out at BBVA, S.A. in 2021 complies with these conditions.

2.12 Treasury shares

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

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

In the event of a contractual obligation to acquire treasury shares, a financial liability is recorded as the present value of the amount committed (under the heading "Financial liabilities at amortized cost - Other financial liabilities") and the corresponding recognition in net equity (under the heading "Equity - Other Reserves") (see Notes 20.5 and 25).

2.13 Foreign-currency transactions

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

Assets, liabilities and derivatives

The assets and liabilities in foreign currencies, including those of branches abroad, are converted to euros at the average exchange rates on the European spot currency market at the end of each period.

Non-monetary items measured at historical cost have been translated at the exchange rate at the date of acquisition, and non-monetary items measured at fair value have been translated at the exchange rate at the date on which the fair value was determined.

The exchange differences produced when converting these balance in foreign-currency to Euro are recognized under the heading "Exchange differences, net" in the income statement. However the exchange differences in non-monetary items measured at fair value are recorded to equity under the heading "Accumulated other comprehensive income (loss) - Items that will not be reclassified to profit or loss - Fair value changes of equity instruments measured at fair value through other comprehensive income" (see note 27).

The breakdown of the main balances in foreign currencies as of December 31, 2022 and 2021, with reference to the most significant foreign currencies, is set forth in Appendix VIII.

Structural currency positions

As a general policy, the Bank's investments in foreign subsidiaries are financed in Euros, managing open currency risk through derivatives. The future currency risk arising from these transactions. In the case of endowment funds for foreign branches, they are financed in the same currency as the investment.

2.14 Recognition of income and expense

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

- Interest income and expense and similar items

As a general rule, interest income and expense and similar items are recognized on the basis of their period of accrual using the effective interest rate method. In the particular case of inflation-indexed bonds, interest income also includes the effect of actual inflation incurred during the period.

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

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

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

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

- Income from dividends received:

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

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

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

- a. Those relating to financial assets and liabilities measured at fair value through profit or loss, which are recognized immediately in the income statement.
- b. Those arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.
- c. Those relating to a singular transaction, which are recognized when this singular transaction is carried out.
- Non-financial income and expense

These are recognized for accounting purposes on an accrual basis.

- Deferred collections and payments

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

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

The heading "Other operating income" in the income statement includes the proceeds of the sales of assets and income from the services provided by the Bank that are not financial institutions (see Note 38).

2.16 Leases

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

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

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

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

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

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

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When electing one of the exceptions in order not to recognize the corresponding right to use and the liability in the balance sheets, payments related to the corresponding leases are recognized in the income statements, over the contract period, lineally, or in the way that best represents the structure of the lease operation, under the heading "Other operating expense" (see note 38).

Operating lease and sublease incomes are recognized in the income statements under the headings "Other operating income" (see Note 38).

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

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

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

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

2.17 Entities and branches located in countries with hyperinflationary economies

None of the functional currencies of the branches located abroad relate to hyperinflationary economies as defined by Circular 4/2017 and subsequent amendments. Accordingly, as of December 31, 2022 and 2021 it was not necessary to adjust the financial statements of any branch to correct for the effect of inflation.

2.18 Statements of recognized income and expense

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

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

2.19 Statements of changes in equity

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

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

2.20 Statements of cash flows

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

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

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

3. Shareholder remuneration system

Shareholder remuneration during financial year 2021

Cash distributions

BBVA notified on January 29, 2021, by means of an Inside Information filing with the CNMV (hereinafter, "Inside Information"), that it intended to resume its shareholder remuneration policy announced on February 1, 2017, by means of Relevant Information number 247679 in 2021, contingent upon the repealing of recommendation ECB/2020/62 and the absence of further restrictions or limitations.

The Annual General Shareholders' Meeting held on April 20, 2021 approved, in the third item of its agenda, a cash distribution from the share premium account of BBVA of €0.059 gross for each of the Bank's outstanding shares which are entitled to participate in the aforementioned distribution, all this in compliance with recommendation ECB/2020/62 on dividend payments during the COVID-19 pandemic, which was paid on April 29, 2021. The total amount was €393 million and was recognized under the heading "Total Equity – Shareholder's Funds – Share Premium" of the consolidated balance sheet as of December 31, 2021 (see Note 24).

On July 23, 2021, the ECB published the approval of recommendation ECB/2021/31 repealing recommendation ECB/2020/62 from September 30, 2021, whereby the ECB indicated that it would assess capital, dividend distribution and share buyback plans of each financial institution in the context of its ordinary supervisory process, eliminating the remaining restrictions on dividend and share buyback related matters established in recommendation ECB/2020/62.

In line with the above, BBVA communicated by means of an Inside Information on September 30, 2021 that the Board of Directors of BBVA had approved the payment of a cash interim dividend of €0.08 gross (€0.0648 net of withholding tax) per each outstanding BBVA share on account of the 2021 dividend. The total amount paid to shareholders on October 12, 2021, amounted to €533 million and is recognized under the heading "Shareholder's funds - Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2021.

Amendment of Shareholder Remuneration Policy

BBVA's Board of Directors announced, on November 18, 2021, the amendment of the Group's shareholder remuneration policy (announced on February 1, 2017 by means of Relevant Information number 247679), establishing as a policy to distribute annually between 40% and 50% of the consolidated ordinary profit for each year (excluding amounts and items of an extraordinary nature included in the consolidated income statement), compared to the previous policy that established a distribution between 35% and 40%.

This policy is implemented through the distribution of an interim dividend for the year (which is expected to be paid in October of each year) and a final dividend or final distribution (which is expected to be paid at the end of the year and once the application of the result is approved, foreseeably in April of each year), with the possibility of combining cash distributions with share buybacks (the execution of the share buyback program scheme described below is considered as extraordinary shareholder remuneration and is therefore not included in the scope of the policy), all subject to the corresponding authorizations and approvals applicable at any given time.

Shareholder remuneration during financial year 2022

Cash distributions

During the 2022 financial year, the Annual General Shareholders' Meeting and the Board of Directors approved the payment of the following cash amounts:

- The Annual General Meeting of BBVA held on March 18, 2022, approved, under item 2 of the Agenda, a cash distribution from the voluntary reserves account as additional shareholder remuneration for the 2021 fiscal year, for an amount equal to €0.23 (€0.1863 net of withholding tax) per outstanding BBVA share entitled to participate in this distribution, which was paid on April 8, 2022. The total amount paid amounted to €1,467 million.
- The Board of Directors communicated by means of an Inside Information on September 29, 2022 that the Board of Directors of BBVA approved the payment of a cash interim dividend of €0.12 (€0.0972 net of withholding tax) per outstanding BBVA share against 2022 results. The total amount paid to shareholders on October 11, 2022, amounted to €722 million and is recognized under the heading "Total Equity- Interim Dividends" of the balance sheet as of December 31, 2022.

The forecasted financial statement, drawn up in compliance with the applicable legal requirements, which evidenced the existence of sufficient liquidity to distribute the abovementioned amount approved by the Board of Directors of BBVA on September 28, 2022 was the following:

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Available amount for interim dividend payments (Millions of Euros)

	August 31, 2022
Profit of BBVA, S.A., after the provision for income tax	2,828
Maximum amount distributable	2,828
Amount of proposed interim dividend	724
BBVA cash balance available to the date	46,768

Other shareholder remuneration

On February 1, 2023, it was announced that a cash distribution for the amount of €0.31 gross per share in April as a final dividend for the year 2022 and the execution of a share buyback program of BBVA for an amount of €422 million were planned to propose to the corresponding corporate bodies for consideration, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before the inception of its execution.

Share buyback program

On October 26, 2021, BBVA obtained the pertinent authorization from the ECB to buy back up to 10% of its share capital for a maximum of €3,500 million, in one or several tranches and over the course of a 12-month period (the "Authorization").

Upon receiving the Authorization and making use of the delegation conferred by the BBVA Annual General Meeting held on March 16, 2018, at its meeting of October 28, 2021, BBVA Board of Directors resolved to carry out a share buyback program scheme in compliance with Regulation (EU) no. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse and Delegate Regulation (EU) no. 2016/1052 of the Commission, of March 8, 2016, executed in various tranches up to a maximum of €3,500 million, with the aim of reducing BBVA's share capital (the "Program Scheme"), notwithstanding the possibility of terminating or cancelling the Program Scheme at an earlier date where advisable due to the concurrence of a series of specific circumstances, as well as to carry out a first share buyback program within the scope of the Program Scheme (the "First Tranche") for the purpose of reducing BBVA's share capital, which was notified by means of Inside Information on October 29, 2021.

On November 19, 2021, BBVA notified by means of Inside Information that the First Tranche would be executed externally, starting on November 22, 2021, through J.P. Morgan AG as lead manager, for a maximum amount of €1,500 million, for the purchase of a maximum of 637,770,016 shares representing, approximately, 9.6% of BBVA's share capital. By means of Other Relevant Information filing dated March 3, 2022, BBVA announced the completion of the execution of the First Tranche upon reaching the maximum monetary amount of €1,500 million, having acquired 281,218,710 own shares representing, approximately, 4.22% of BBVA's share capital as of that date. On June 15, 2022, BBVA notified the partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Tranche and which were held in treasury shares (see Notes 23, 24 and 26).

On February 3, 2022, BBVA notified by means of Inside Information that its Board of Directors had agreed, within the scope of the Program Scheme, to carry out a second buyback program for the repurchase of own shares (the "Second Tranche") aimed at reducing BBVA's share capital, for a maximum amount of €2,000 million and a maximum number of shares to be acquired equal to the result of subtracting from 637,770,016 own shares (9.6% of BBVA's share capital at that date) the number of own shares finally acquired in execution of the First Tranche.

As a continuation of the previous communication, on March 16, 2022 BBVA informed by means of Inside Information that it had agreed to execute the Second Tranche: i) through the execution of a first segment for an amount of up to €1,000 million, and with a maximum number of shares to be acquired of 356,551,306 shares (the "First Segment"), externally through Goldman Sachs International as lead manager, who would execute the purchase transactions through the broker Kepler Cheuvreux, S.A.; and (ii) once execution of the First Segment had been completed, through the execution of a second segment that would complete the Framework Program (the "Second Segment").

By means of Other Relevant Information dated May 16, 2022, BBVA announced the completion of the execution of the First Segment upon reaching the maximum monetary amount of €1,000 million, having acquired 206,554,498 shares representing, approximately, 3.1% of BBVA's share capital as of said date.

On June 28, 2022, BBVA communicated through Inside Information the agreement to complete the Program Scheme by executing the Second Segment, for a maximum amount of €1,000 million and a maximum number of own shares to be acquired of 149,996,808. The execution of the Second Segment take place through Citigroup Global Markets Europe AG as lead manager, as BBVA informed through Inside Information on June 29, 2022. By means of Other Relevant Information dated August 19, 2022, BBVA announced the completion of the execution of the Second Segment upon reaching the maximum number of shares (149,996,808) representing, approximately, 2.3% of BBVA's share capital as of said date (which amounted to approximately €660 million). On September 30, 2022, BBVA notified through Other Relevant Information an additional partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the share buyback program scheme and which were held in treasury shares (see Notes 23, 24 and 26).

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Proposal on allocation of earnings for 2022

Below is included a breakdown of the distribution of the Bank's earnings for financial year 2022, which the Board of Directors will submit to the Annual General Meeting for approval.

Allocation of earnings (Millions of Euros)	
	2022
Profit (loss) for the year	4,816
Distribution	
Interim dividends	724
Final dividend	1,869
Reserves / Accumulated gains	2,223

4. Earnings per share

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

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

Basic and Diluted Earnings per Share		
	2022	2021
Numerator for basic and diluted earnings per share (millions of euros)		
Profit attributable to parent company	6,420	4,653
Adjustment: Additional Tier 1 securities ⁽¹⁾	(313)	(359)
Profit adjusted (millions of euros) (A)	6,107	4,293
Profit (loss) from continued operations (net of remuneration of Additional Tier 1 capital instruments)	6,107	4,014
Profit (loss) from discontinued operations (net of non-controlling interest) (B)	—	280
Denominator for basic earnings per share (number of shares outstanding)		
Weighted average number of shares outstanding	6,424	6,668
Average treasury shares	(9)	(12)
Share buyback program ⁽²⁾	(225)	(255)
Adjusted number of shares - Basic earnings per share (C)	6,189	6,401
Adjusted number of shares - diluted earnings per share (D)	6,189	6,401
Earnings (losses) per share	0.99	0.67
Basic earnings (losses) per share from continuing operations (Euros per share) A-B/C	0.99	0.63
Diluted earnings (losses) per share from continuing operations (Euros per share) A-B/D	0.99	0.63
Basic earnings (losses) per share from discontinued operations (Euros per share) B/C	—	0.04
Diluted earnings (losses) per share from discontinued operations (Euros per share) B/D	—	0.04

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

(2) On August 19, 2022, BBVA announced the completion of the execution of the share buyback program. In order to calculate the attributable earnings per share in 2022, it includes the average number of shares taking into account the two redemptions of shares which took place in 2022. During the year ended December 31, 2021, it takes into account 112 million shares acquired under the shares buyback program and the estimated number of shares pending to be acquired under the first tranche as of December 31, 2021 (see Note 3).

As of December 31, 2022 and 2021, there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same.

5. Risk management

5.1 Risk factors

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

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

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Risks are identified and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyzes and stress testing and considers the controls to which the risks are subjected.

As part of this process, a forward projection of the Risk Appetite Framework (RAF) variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Bank's business. These risks are included in the following blocks:

– Macroeconomic and geopolitical risks

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey. Additionally, the Group is exposed to sovereign debt, especially in these areas. Furthermore, the Group has recently increased its shareholding stake in Türkiye Garanti Bankası A.Ş. (Garanti BBVA) in an additional 36.12% (reaching 85.97%) as a result of the voluntary takeover bid for the shares of Garanti BBVA not already owned by BBVA announced in November 2021.

In addition to the significant macroeconomic problems triggered by the COVID-19 pandemic, the global economy is currently facing a number of extraordinary challenges. Russia's invasion of Ukraine, the largest military attack on a European state since World War II, has led to significant disruption, instability and volatility in global markets, as well as higher inflation (including by contributing to further increases in the prices of oil, gas and other commodities and further disrupting supply chains) and lower economic growth. The European Union, the United States and other governments have imposed significant sanctions and export controls against Russia and Russian interests and additional sanctions and controls cannot be ruled out.

The conflict has represented a significant supply shock for the global economy, which has hampered economic growth and added to the inflationary pressures, mainly in European countries, due to their relatively significant economic ties with Ukraine and Russia. The economic effects are being felt mainly through the higher commodity prices, mainly of energy commodities, despite their moderation over the last few months in 2022. While the Group's direct exposure to Ukraine and Russia is limited, the war could adversely affect the Group's business, financial condition and results of operations. Geopolitical and economic risks have also increased lately as a result of trade tensions between the United States and China, Brexit and the rise of populism, among others. Growing tensions may lead, among others things, to a deglobalization of the world economy, an increase in protectionism, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could materially and adversely affect the Group's business, financial condition and results of operations.

Moreover, the world economy could be vulnerable to other factors such as the aggressive interest rate hikes by central banks due to growing and widespread inflationary pressures, which could cause a significant growth slowdown - and, even, a sharp economic recession - as well as financial crises. The central banks of many developed and emerging economies have significantly augmented policy rates over the last year and the process of tightening monetary conditions is likely to continue going forward in many economies. The United States Federal Reserve (FED) and the European Central Bank have raised policy interest rates respectively by 425 and 250 basis points throughout 2022 and further adjustments are expected to be announced in the coming months (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively), taking them up to around 5.0% in the first case and 3.75% in the case of the interest rates for refinancing operations in the Eurozone. The Group's results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in funding costs. Further, increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of its counterparties.

Another risk is a sharp slowdown in the global GDP growth caused by a deceleration in the Chinese economy, due to the disruptions generated by the coronavirus infections following the flexibilization of the COVID-19 policies or other factors, such as the imbalances on real estate markets.

The Group bears, among others, the following general risks with respect to the economic and institutional environment in which it operates: a deterioration in economic activity in the countries in which it operates, including recession scenarios; more persistent inflationary pressures, which could trigger a more severe tightening of monetary conditions; stagflation due to more intense or prolonged supply crises; changes in exchange rates; an unfavorable evolution of the real estate market; very high oil and gas prices could have a negative impact on disposable income levels in areas that are net energy importers, such as Spain or Turkey, to which the Group is particularly exposed; changes in the institutional environment of the countries in which the Group operates could give rise to sudden and sharp drops in GDP and/or changes in regulatory or government policy, including in terms of exchange controls and restrictions on the distribution of dividends or the imposition of new taxes or charges; a growth in the public debt or in the external deficit could lead to a downward revision of the credit ratings of the sovereign debt and even a possible default or restructuring of said debt; and episodes of volatility in the markets, which could cause the Group significant losses.

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

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

In May 2022, the Group increased its shareholding stake in Garanti BBVA (Turkey) from 49.85% to 85.97% following the completion of a voluntary takeover bid (see Note 3).

Turkey has, from time to time, experienced volatile political, economic and social conditions. As of the date of the approval of these Consolidated Financial Statements, Turkey is facing an economic crisis characterized by strong depreciation of the Turkish lira, high inflation (the Turkish Statistical Institute, TUIK, established the inflation rate at 64.3% for the twelve months ended December 31, 2022; see Note 2.2.19 of the BBVA Group Consolidated Financial Statements for the year 2022 for information on the impact of the application of IAS 29), a soaring trade deficit, depletion of the central bank's foreign reserves and rising external financing costs. Continuing unfavorable economic conditions in Turkey, such as the elevated inflation and devaluation of the Turkish lira, may result in a potential deterioration in the purchasing power and creditworthiness of our clients (both individual and corporate).

Additionally, certain ongoing geopolitical and domestic political factors, referred to in this section, as well as continuing regional conflicts (such as in Syria, Armenia/Azerbaijan), may pose further strain on the country's economy.

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

– The risks associated with pandemics such as the COVID-19.

The COVID-19 (coronavirus) pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates. Among other challenges, these countries have had to deal with supply disruptions and increasing inflationary pressures, while public debt has increased significantly due to the support and spending measures implemented by the government authorities. Furthermore, there has been an increase in loan losses from both companies and individuals, which has been slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures. With the outbreak of COVID-19, the Group experienced a decline in its activity. For example, the granting of new loans to individuals decreased during lockdowns. In addition, in several countries, including Spain, the Group closed a significant number of its branches and reduced the opening hours of working with the public, with central services teams having to work remotely. Furthermore, the Group has been affected by the measures or recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the modification of prudential requirements, the temporary suspension of dividend payments, changes to the terms of payment deferrals and the granting of guarantees or public guarantees for credit granted to companies and self-employed persons, the adoption of further similar measures or the modification or termination of those already approved, as well as changes in the financial assets purchase programs by the ECB.

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

Further, pandemics such as the COVID-19 pandemic may exacerbate other risks disclosed in this section, including but not limited to risks associated with the credit quality of the Group's borrowers and counterparties or collateral, any withdrawal of ECB funding, the Group's exposure to sovereign debt and rating downgrades, the Group's ability to comply with its regulatory requirements, including MREL (Minimum Requirement for Own Funds and Eligible Liabilities) and other capital requirements, and the deterioration of economic conditions or changes in the institutional environment.

– Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. Regulatory activity in recent years has affected multiple areas, including changes in accounting standards; strict regulation of capital, liquidity and remuneration; bank charges (such as the new tax for banks recently approved in Spain, see Note 19.6) and taxes on financial transactions; regulations affecting mortgages, banking products and consumers and users; recovery and resolution measures; stress tests; prevention of money laundering and terrorist financing; market abuse; conduct in the financial markets; anti-corruption; and requirements as to the periodic publication of information. Governments, regulatory authorities and other institutions continually make proposals to strengthen the resistance of financial institutions to future crises. Further, there is an increasing focus on the climate-related financial risk management capabilities of banks. Any change in the Group's business that is necessary to comply with any particular regulations at any given time, especially in Spain, Mexico or Turkey, could lead to a considerable loss of income, limit the Group's ability to identify business opportunities, affect the valuation of its assets, force the Group to increase its prices and, therefore, reduce the demand for its products, impose additional costs on the Group or otherwise adversely affect its business, financial condition and results of operations.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the Group could arise and might affect the regular course of business.

– Business, operational and legal risks

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

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorized disclosure, destruction or use of confidential information, as well as prevent the normal operation of the Group and impair its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a significant adverse impact on the Group's business, financial condition and results of operations.

Regarding legal risks, the financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are frequently party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. The Group is also party to government procedures and investigations, such as those carried out by the antitrust authorities in certain countries which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others. In addition, the regulatory framework in the jurisdictions in which the Group operates is evolving towards a supervisory approach more focused on the opening of sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

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

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

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

As of December 31, 2022, the Group had €685 million in provisions for the proceedings it is facing (included in the line "Provisions for taxes and other legal contingencies" in the consolidated balance sheet), of which €524 million correspond to legal contingencies and €161 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

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

– Climate change risks

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

- Transition Risks: Risks linked to the transition to a low-carbon economy as a response to climate change, and that come from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change. Transition risks include:
 - a. Legal and regulatory risks: Legislative or regulatory changes related to the way banks manage climate risk or that otherwise affect banking practices or the disclosure of climate-related information may lead to increased costs and compliance risks, operational and credit. Group customers and counterparties may also face similar challenges.
 - b. Technological risks: Among others, those risks derived from the transition costs to low-emission technologies or from non-adaptation to them, which could eventually reduce the credit capacity of the Group's customers.
 - c. Market risks: BBVA is exposed to risks of a considerable increase in the cost of financing for customers with greater exposure to climate change risk, in such a way that their solvency or credit rating is affected. BBVA is also exposed to risks derived from changes in demand, changes in supply or the cost of energy, among others.
 - d. Reputational risks: The perception of climate change as a risk by society, shareholders, customers, governments and other interested parties continues to increase, encompassing the operations and strategy of the financial sector. This may lead to increased scrutiny of activities, policies, objectives and the way in which aspects related to climate change are disclosed. The Group's reputation may be damaged if its efforts to reduce environmental and social risks are deemed insufficient.
- Physical risks: Risks that come from climate change and can be caused by greater frequency and severity of extreme weather events or long-term weather changes, and that can lead to physical damage to the assets of the Group or its customers, the interruption of their operations, disruptions in the supply chain or increased expenses necessary to deal with them, thus impacting the value of assets or the solvency of customers.

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

5.2 Credit risk

Credit risk is the potential loss assumed by the Bank as a result of the failure by the Bank's counterparties to meet their contractual obligations.

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

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

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

At Bank level: frameworks for action and standard rules of conduct are defined for handling risk, specifically, the channels, procedures, structure and supervision.

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

Support measures

Since the beginning of the pandemic, the Bank has offered COVID-19 support measures to its customers, consisting of both deferrals on existing loans and new public-guaranteed lending. The deadline for applying for these measures has expired.

Only measures related to new financing with BBVA's public guarantee remain in force in the following:

- The Official Credit Institute (ICO by its Spanish acronym) published several support programs aimed at the self-employed, small and medium-sized enterprises (hereinafter "SMEs") and companies, through which a guarantee of between 60% and 80% was granted by the ICO (for a term of up to 5 years for new financing granted under RDL Mar/2020, RDL Nov/2020, RDL 5/2021 and the Code of Good Practices).
- In March 2022, the Council of Ministers agreed to modify the Code of Good Practices to lessen access conditions given the difficulties of clients, which are facing sharp increases in costs due to their special exposure to tensions in the prices of energy and other raw materials.
- As an additional measure of the Code of Good Practices, the Council of Ministers approved the agreement to establish the possibility of term extensions of ICO financing given to self-employed and companies, after June 30, 2022, after the expiry of the Temporary Framework of state support approved by the European Commission.

In addition, on November 23, 2022, Royal Decree-Law 19/2022, of November 22, was published. It amends the Code of Good Practices, establishes a new Code of Good Practices easing the interest rates hike on mortgage loans agreements related to primary residences, and provides for other structural measures aiming to improve the loan market. BBVA has adhered to the new Code of Good Practices with effect from January 1, 2023.

The outstanding balance of existing loans for which a payment deferral was granted (split by those existing at year-end and those that were completed by year-end) under EBA standards and for which financing was granted with public guarantees given at Bank level, as well as the number of customers of both measures, as of December 31, 2022 and 2021 are as follows:

Amount of payment deferral and financing with public guarantees (Millions of Euros)

	Payment deferral				Financing with public guarantees		Total payment deferral and guarantees	(%) credit investment
	Existing	Completed	Total	Number of customers	Total	Number of customers		
December 2022	—	5,066	5,066	71,365	12,342	159,057	17,408	7.7%
December 2021	147	5,607	5,754	79,566	13,168	153,708	18,922	8.8%

The outstanding balance of existing loans for which a payment deferral was granted (split by those existing at year-end and those that were completed by year-end) under EBA standards and for which financing was granted with public guarantees given at Bank level, broken down by segment, as of December 31, 2022 and 2021 are as follows:

Amount of payment deferral and financing with public guarantees by concept (Millions of Euros)

	Payment deferral						Financing with public guarantees	
	Existing		Completed		Total		2022	2021
	2022	2021	2022	2021	2022	2021		
BBVA, S.A.	—	147	5,066	5,607	5,066	5,754	12,342	13,168
Households	—	107	4,660	5,109	4,660	5,215	1,193	1,150
Of which: mortgages	—	96	4,107	4,385	4,107	4,481	—	—
SMEs	—	40	317	347	317	387	8,355	8,524
Non-financial corporations	—	—	77	138	77	138	2,777	3,477
Other	—	—	11	14	11	14	17	16

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Amount of financing with public guarantees by stages (Millions of Euros)						
	Stage 1 and 2		Stage 3		Total	
	2022	2021	2022	2021	2022	2021
BBVA, S.A.	11,616	12,682	726	487	12,342	13,168
Households	1,139	1,127	54	24	1,193	1,150
Of which: mortgages	—	—	—	—	—	—
SMEs	7,826	8,203	529	321	8,355	8,524
Non-financial corporations	2,634	3,336	143	142	2,777	3,477
Other	17	16	—	—	17	16

In Spain, in the case of a doubtful transaction with an ICO guarantee, the Ministry of Economic Affairs and Digital Transformation becomes the principal obligee of the guaranteed obligations from the time of communication to the ICO of the execution of the guarantee. This also occurs in the event of early maturity of the debt, without prejudice to the fact that payments are made according to the schedule initially agreed between the client and the entity. From that moment on, the original debt with the client will be derecognized, simultaneously recognizing a credit right before the Ministry for the guaranteed amount.

5.2.1 Measurement of Expected Credit Loss

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

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

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

Risk parameters by homogeneous groups

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

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

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

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

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

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- CCF – Wholesale/retail, percentage of initial drawn balance, debtor's commercial segment, days past due, forbearance, credit limit activity, time on books.

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

Low Default Portfolios, which include portfolios with high credit quality such as exposures to other credit institutions, sovereign debt or corporates and small client's portfolios with high exposures such as specialized lending or fixed income, are characterized by a low number of defaults, so the Group's historical bases do not contain sufficiently representative information to build impairment models based on them. However, there are external sources of information that, based on broader observations, are capable of providing the necessary inputs to develop models of expected losses. Therefore, based on the rating assigned to these exposures and taking into account the inputs obtained from these sources, the calculations of expected losses are developed internally, including their projection based on the macroeconomic perspectives.

Individual estimation of Expected Credit Losses

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

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

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

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

Finally, the Bank has so-called Workout Committee, which analyze not only the situation and evolution of significant clients in Watch List and impaired situations, but also those significant clients in which, although not on Watch List, may present some stage 2 rated exposure for a quantitative reason (PD comparison from origination). This analysis is carried out in order to decide if, derived from this situation, all the client's exposures should be considered in the Watch List category, which would imply the migration of all the client's operations to stage 2 regardless of the date on which they originated.

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

- For clients with exposures in stage 3. The analysis of clients with total risk above this threshold implies analyzing at least 40% of the total risk of the wholesale portfolio in stage 3. Although the calibration of the threshold is done on the wholesale portfolio, clients of other portfolios must be analyzed if they exceed the threshold, staying in stage 3.
- For all other situations. The analysis of clients with total risk above this threshold implies analyzing at least 20% of the total risk of the Watch List wholesale portfolio. Although the threshold calibration is carried out on the exposure classified as Watch List, wholesale clients or clients belonging to other portfolios that have exposures classified in stage 2 and whose total exposure exceeds the mentioned threshold must be analyzed individually, considering both the exposures classified in stage 1 as in stage 2.

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

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

- The present value of estimated future cash flows discounted at the financial asset's original effective interest rate; and
- The estimation of the recoverable amount of a collateralized exposure reflects the cash flows that may result from the settlement of the collateral, as well as prospective information the analyst may implicitly include in the analysis.

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

- Going concern scenario: when the entity has updated and reliable information about the solvency and ability of payment of the holders or guarantors. The operating cash flows of the debtor, or the guarantor, continue and can be used to repay the financial debt to all creditors. In addition, collateral may be exercised to the extent it does not influence operating cash flows. The following aspects should be taken into account:
 - a. Future operating cash flows should be based on the financial statements of the debtor.
 - b. When the projections made on these financial statements assume a growth rate, a constant or decreasing growth rate must be used over a maximum growth period of 3 to 5 years, and subsequently constant cash flows.
 - c. The growth rate should be based on the analysis of the evolution of the debtor's financial statements or on a sound and applicable business restructuring plan, taking into account the resulting changes in the structure of the company (for example, due to divestments or the interruption of unprofitable lines of business).
 - d. (Re)-investments that are needed to preserve cash flows should be considered, as well as any foreseeable future cash-flow changes (e.g. if a patent or a long-term loan expires).
 - e. When the recoverability of the exposure relies on the realization of the disposal of some assets by the debtor, the selling price should reflect the estimated future cash flows that may result from the sale of the assets less the estimated costs associated with the disposal.
- Gone concern scenario: when the entity does not have updated and reliable information, it should consider that the estimation of loan receivable flows is highly uncertain. Estimation should be carried out through the estimation of recoverable amounts from the effective real guarantees received. It will not be admissible as effective guarantees, those whose effectiveness depends substantially on the creditworthiness of the debtor or economic group in which it takes part. Under a gone concern scenario, the collateral is exercised and the operating cash flows of the debtor cease. This could be the case if:
 - a. The exposure has been past due for a long period. There is a rebuttable presumption that the allowance should be estimated under a gone concern criterion when arrears are greater than 18 months.
 - b. Future operating cash flows of the debtor are estimated to be low or negative.
 - c. Exposure is significantly collateralized, and this collateral is central to cash-flow generation.
 - d. There is a significant degree of uncertainty surrounding the estimation of the future cash flows. This would be the case if the earnings before interest, taxes, depreciation and amortization (EBITDA) of the two previous years had been negative, or if the business plans of the previous years had been flawed (due to material discrepancies in the backtesting).
 - e. Insufficient information is available to perform a going concern analysis.

Significant increase in credit risk

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

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

This set of information is the basis for determining the rating and scoring (see Note 5.2.4 for more information on rating and scoring systems) corresponding to each of the exposures and which are assigned a probability of default (PD) that, as already mentioned, is subject to an annual review process that assesses its representativeness (backtesting) and is updated with new observations. Furthermore, the projection of these PDs over time has been modeled based on macroeconomic expectations, which allows obtaining the probabilities of default throughout the life of the operations.

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

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

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

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

$$(\text{Current PD}) / (\text{Origination PD}) - 1 * 100 > \text{Relative Threshold (\%)} \text{ and}$$

$$\text{Current PD} - \text{Origination PD} > \text{Absolute threshold (bps)}$$

These absolute and relative thresholds are consistently established for each portfolio, taking into account their particularities and based on the principles described. The thresholds are included within the annual review process and, generally speaking, are in the range of 80% to 200% for the relative threshold and from 30 to 100 basis points for the absolute threshold. Specifically, in BBVA, S.A.'s wholesale portfolio the relative threshold is from 160% to 180% and the absolute threshold ranges from 30 to 100 basis points; in the retail portfolio the relative threshold is between 150% and 200% while the absolute threshold ranges between 50 and 100 basis points.

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

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

Risk Parameters Adjusted by Macroeconomic Scenarios

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

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

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

How economic scenarios are reflected in the calculation of ECL

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

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

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

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

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

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

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

Multiple scenario approach

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

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

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

Alternative macroeconomic scenarios

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

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

It is important to note that in general, it is expected that the effect of the overlay is to increase the ECL. It is possible to obtain an overlay that does not have that effect, whenever the relationship between macro scenarios and losses is linear.

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

Macroeconomic scenarios

The COVID-19 pandemic generated uncertainty over macroeconomic outlooks, having a direct impact on the credit risk of entities, particularly, on the expected credit losses under Circular 4/2017. For this reason, practically all accounting and prudential authorities in a coordinated manner issued recommendations or measures with respect to how situations caused by COVID-19 should be treated for purposes of the expected loss estimation models under Circular 4/2017 in the year 2020. The BBVA Group considered these recommendations in calculating expected credit risk losses under Circular 4/2017 based on the assumption that the economic situation caused by the COVID-19 pandemic would be transitory and that it would be accompanied by a recovery, in light of the uncertainties regarding its gravity and duration. Therefore, to calculate such losses, various scenarios were considered, recording the one that, in the opinion of the Bank, best reflected the economic prospects and the set of recommendations from authorities.

In 2021, once the most critical phase of the pandemic was overcome, the forward-looking information incorporated in the calculation of expected losses was in line with the macroeconomic perspectives published by BBVA Research, as was usual until the beginning of the pandemic.

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BBVA Research forecasts a maximum of five years for the macroeconomic variables. The following forecasts (favorable, base and unfavorable scenarios) of the Gross Domestic Product (GDP) growth, unemployment rate and House Price Index (HPI), carried out by BBVA Research, were used for the calculation of the ECL as of December 31, 2022:

Main BBVA, S.A. variables.

Date	GDP negative scenario	GDP base scenario	GDP positive scenario	HPI negative scenario	HPI base scenario	HPI positive scenario	Unemployment negative scenario	Unemployment base scenario	Unemployment positive scenario
2022	4.33%	4.61%	4.90%	(4.13)%	(3.50)%	(2.96)%	13.26%	12.78%	12.27%
2023	0.58%	1.20%	1.85%	(4.02)%	(2.41)%	(0.61)%	14.26%	12.83%	11.35%
2024	3.15%	3.37%	3.60%	(0.40)%	0.55%	1.58%	12.95%	11.38%	9.75%
2025	2.93%	2.98%	3.00%	0.79%	1.30%	1.67%	11.53%	9.95%	8.36%
2026	2.91%	2.95%	2.95%	0.99%	1.74%	2.20%	10.14%	8.58%	7.02%
2027	2.89%	2.93%	2.93%	1.10%	1.86%	2.31%	8.77%	7.18%	5.87%

The estimate for the next five years of the following rates, used in the measurement of the expected loss as of December 31, 2021, consistent with the latest estimates made public at that date, was:

Main BBVA, S.A. variables.

Date	GDP negative scenario	GDP base scenario	GDP positive scenario	HPI negative scenario	HPI base scenario	HPI positive scenario	Unemployment negative scenario	Unemployment base scenario	Unemployment positive scenario
2021	4.95%	5.23 %	5.52%	(0.82)%	(0.20)%	0.33%	15.41%	14.93 %	14.42%
2022	4.88%	5.49 %	6.14%	1.31%	2.91 %	4.70%	15.41%	13.98 %	12.50%
2023	4.68%	4.89 %	5.13%	1.09%	2.04 %	3.06%	13.25%	11.68 %	10.05%
2024	2.54%	2.59 %	2.61%	0.99%	1.50 %	1.87%	11.65%	10.08 %	8.48%
2025	2.18%	2.22 %	2.22%	0.35%	1.10 %	1.56%	10.62%	9.05 %	7.49%
2026	2.15%	2.19 %	2.19%	(0.01)%	0.74 %	1.19%	9.61%	8.15 %	6.71%

Sensitivity to macroeconomic scenarios

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

Variation in expected loss is determined both by re-staging (that is: in worse scenarios due to the recognition of lifetime credit losses for additional operations that are transferred to *stage 2* from *stage 1* where 12 months of losses are valued: or vice versa in improvement scenarios) as well as variations in the collective risk parameters (PD and LGD) of each financial instrument due to the changes defined in the macroeconomic forecasts of the scenario. The variation in the expected loss and the main portfolios is shown below:

Expected loss variation as of December 31, 2022

GDP	Total Portfolio	Companies	Retail
-100pb	118	54	62
+100pb	(95)	(42)	(52)
Housing price			
-100pb		1	23
+100pb		(1)	(22)

Expected loss variation as of December 31, 2021

GDP	Total Portfolio	Companies	Retail
-100pb	92	19	58
+100pb	(88)	(18)	(57)
Housing price			
-100pb		4	54
+100pb		(4)	(53)

Additional adjustments to expected loss measurement

The Bank periodically reviews its individual estimates and its models for the collective estimate of expected losses as well as the effect of macroeconomic scenarios on them. In addition, the Bank may supplement the expected losses to account for the effects that may not be included, either by considering additional risk factors, or by the incorporation of sectorial particularities or particularities that may affect a set of operations or borrowers, following a formal internal approval process established for this purpose.

During 2022, in the case of Spain, the expected losses of operations considered unlikely to pay were reviewed, adjusting, in the model, the severity of these transactions to align it with that of impaired loans, which resulted in the recording of an additional provision of €250 million in the income statement for the year 2022. Similarly, during 2021, for clients benefiting from the measures of RDL 6/2012, loss given default were reviewed, resulting in an adjustment whose remaining amount at the end of 2022 was €138 million, with no significant variation in year.

The complementary adjustments pending allocation to specific operations or clients as of December 31, 2022 totaled €170 million. In comparison, as of December 31, 2021, the complementary adjustments pending allocation to specific operations or clients amounted to €226 million. The variation in the year is due to, on the one hand, the revision or partial consumption of the adjustments that were deemed necessary in connection with payment deferrals, public guarantees or sectors most affected by the pandemic and, on the other hand, the additional losses amounting to €62 million relating to exposures to the corporate portfolios (wholesale borrowers and small and medium enterprises), which could be more affected by the economic context of high inflation, interest rates or energy prices.

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5.2.2 Credit risk exposure

BBVA's maximum credit risk exposure (see definition below) by headings in the balance sheets as of December 31, 2022 and 2021 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to guarantee compliance with payment obligations. The details are broken down by financial instruments:

Maximum credit risk exposure (Millions of Euros)					
	Notes	December 2022	Stage 1	Stage 2	Stage 3
Financial assets held for trading		56,368			
Equity instruments	8	3,361			
Debt securities	8	11,318			
Government		9,225			
Credit institutions		759			
Other sectors		1,333			
Loans and advances	8	41,690			
Non-trading financial assets mandatorily at fair value through profit or loss		546			
Equity instruments	9	438			
Debt securities	9	107			
Government		20			
Credit institutions		47			
Other sectors		40			
Loans and advances to customers	9	—			
Financial assets designated at fair value through profit or loss	10	—			
Derivatives (trading and hedging) ⁽¹⁾		42,468			
Financial assets at fair value through other comprehensive income		24,875	—	—	26
Equity instruments	11.2	977			
Debt securities		23,898	23,872	—	26
Government		18,090	18,090	—	—
Credit institutions		995	995	—	—
Other sectors		4,813	4,787	—	26
Financial assets at amortized cost		251,786	224,645	19,678	7,464
Debt securities		25,320	25,317	—	3
Loans and advances to central banks		10	10	—	—
Loans and advances to credit institutions		9,335	9,277	58	—
Loans and advances to customers		217,121	190,040	19,620	7,461
Total financial assets risk		376,043			
Total loan commitments and financial guarantees		139,104	133,635	4,732	738
Loan commitments given	29	95,948	92,853	2,972	123
Financial guarantees given	29	16,305	15,657	473	175
Other commitments given	29	26,850	25,124	1,286	439
Total maximum credit exposure		515,147			

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

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Maximum credit risk exposure (Millions of Euros)					
	Notes	December 2021	Stage 1	Stage 2	Stage 3
Financial assets held for trading		77,002			
Equity instruments	8	15,146			
Debt securities	8	11,546			
Government		9,265			
Credit institutions		493			
Other sectors		1,788			
Loans and advances	8	50,310			
Non-trading financial assets mandatorily at fair value through profit or loss		437			
Equity instruments	9	172			
Debt securities	9	125			
Government		—			
Credit institutions		48			
Other sectors		77			
Loans and advances to customers	9	140			
Financial assets designated at fair value through profit or loss	10	—			
Derivatives (trading and hedging) ⁽¹⁾		34,288			
Financial assets at fair value through other comprehensive income		28,209			
Equity instruments	11.2	1,103			
Debt securities		27,107	27,107	—	—
Government		21,316	21,316	—	—
Credit institutions		1,295	1,295	—	—
Other sectors		4,496	4,496	—	—
Financial assets at amortized cost		236,539	207,009	21,391	8,139
Debt securities		22,320	22,308	10	3
Loans and advances to central banks		254	254	—	—
Loans and advances to credit institutions		8,372	8,370	2	—
Loans and advances to customers		205,593	176,078	21,378	8,137
Total financial assets risk		376,475			
Total loan commitments and financial guarantees		125,197	116,942	7,582	672
Loan commitments given	29	89,353	84,611	4,633	109
Financial guarantees given	29	11,662	10,615	877	170
Other commitments given	29	24,181	21,716	2,072	393
Total maximum credit exposure		501,672			

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

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

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

As of December 31, 2022, there are no financial assets classified as purchased or originated credit impaired in the balance sheets of BBVA S.A.

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

The breakdown by counterparty of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by stages of loans and advances to customers as of December 31, 2022 and 2021 is shown below:

December 2022 (Millions of Euros)												
	Gross exposure				Accumulated allowances				Net amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Public administrations	12,716	12,469	208	38	(18)	(3)	(4)	(11)	12,697	12,466	204	27
Other financial corporations	11,528	11,291	224	12	(20)	(2)	(11)	(7)	11,507	11,289	213	5
Non-financial corporations	96,725	84,941	8,573	3,210	(2,394)	(243)	(404)	(1,747)	94,332	84,699	8,169	1,464
Households	96,153	81,338	10,615	4,200	(2,392)	(227)	(344)	(1,821)	93,761	81,111	10,271	2,379
Loans and advances to customers ⁽¹⁾	217,121	190,040	19,620	7,461	(4,824)	(475)	(763)	(3,586)	212,297	189,565	18,858	3,875
Of which: individual					(751)	—	(181)	(570)				
Of which: collective					(4,073)	(475)	(582)	(3,016)				

(1) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc, S.A. (as of December 31, 2022, the remained balance was €190 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

December 2021 (Millions of Euros)												
	Gross exposure				Accumulated allowances				Net amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Public administrations	13,008	12,693	252	62	(34)	(11)	(4)	(19)	12,974	12,682	248	43
Other financial corporations	9,568	9,476	77	15	(14)	(3)	(4)	(7)	9,554	9,472	73	8
Non-financial corporations	85,430	69,071	12,872	3,487	(2,801)	(384)	(627)	(1,790)	82,629	68,687	12,245	1,697
Households	97,587	84,838	8,177	4,573	(2,405)	(280)	(300)	(1,826)	95,182	84,558	7,877	2,747
Loans and advances to customers ⁽¹⁾	205,593	176,078	21,378	8,137	(5,254)	(679)	(934)	(3,641)	200,339	175,400	20,444	4,495
Of which: individual					(823)	—	(203)	(620)				
Of which: collective					(4,431)	(679)	(732)	(3,021)				

(1) The amount of the accumulated impairment includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2020 the remained balance was €266 million). These valuation adjustments are recognized in the income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.

The breakdown by counterparty and product of loans and advances, net of loss allowances, as well as the gross carrying amount by type of product, classified in different headings of the assets, as of December 31, 2022 and 2021 is shown below:

December 2022 (Millions of Euros)									
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount	
On demand and short notice	—	—	—	222	32	29	284	351	
Credit card debt	—	1	—	1	144	2,529	2,674	2,775	
Commercial debtors	—	1,018	23	363	20,194	29	21,627	21,806	
Finance leases	—	96	—	11	5,179	205	5,491	5,609	
Reverse repurchase loans	—	—	1,429	102	—	—	1,531	1,532	
Other term loans	—	11,370	2,380	7,598	67,842	90,832	180,022	184,387	
Advances that are not loans	10	212	5,498	3,210	940	137	10,007	10,007	
LOANS AND ADVANCES	10	12,697	9,330	11,507	94,332	93,761	221,637	226,467	
By secured loans									
Of which: mortgage loans collateralized by immovable property		255	—	294	8,874	71,995	81,417	83,141	
Of which: other collateralized loans	—	—	1,429	159	1,370	435	3,393	3,562	
By purpose of the loan									
Of which: credit for consumption						14,637	14,637	15,469	
Of which: lending for house purchase						72,283	72,283	73,247	
By subordination									
Of which: project finance loans					3,675		3,675	3,723	

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December 2021 (Millions of Euros)								
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	—	—	176	34	32	242	331
Credit card debt	—	—	—	1	119	2,358	2,478	2,624
Commercial debtors		783	16	468	14,543	24	15,834	16,024
Finance leases	—	88	—	12	4,738	201	5,039	5,207
Reverse repurchase loans	—	—	150	2	—	—	152	152
Other term loans	1	11,903	2,447	5,873	61,103	92,393	173,720	178,380
Advances that are not loans	252	340	5,759	3,022	2,092	175	11,640	11,640
Loans and advances	254	13,114	8,371	9,554	82,629	95,182	209,104	214,359
By secured loans								
Of which: mortgage loans collateralized by immovable property		279	—	179	9,141	74,524	84,123	85,835
Of which: other collateralized loans	—	—	152	26	1,230	485	1,893	2,159
By purpose of the loan								
Of which: credit for consumption						13,467	13,467	14,290
Of which: lending for house purchase						74,729	74,729	75,651
By subordination								
Of which: project finance loans					3,676		3,676	3,744

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

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

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

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

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

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

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

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

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

- Debt instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument (mainly guarantees of the issuer).

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

- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees and collaterals, depending on counterparty solvency and the nature of the transaction (mainly collaterals).

The summary of the offsetting effect (via netting and collateral) for derivatives and securities operations as of December 31, 2022 is presented in Note 5.4.2

- Other financial assets designated at fair value through profit or loss and financial assets at fair value through other comprehensive income: The guarantees or credit enhancements obtained directly from the issuer or counterparty are inherent to the structure of the instrument (mainly personal guarantees).

As of December 31, 2022 and 2021 BBVA had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 5.2.2).

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

The disclosure of impaired loans and advances at amortized cost covered by collateral (see Note 5.2.5), by type of collateral, as of December 31, 2022 and 2021, is the following:

Impaired loans and advances at amortized cost covered by collateral (Millions of Euros)						
	Maximum exposure to credit risk	Of which secured by collateral				
		Residential properties	Commercial properties	Cash	Others	Financial
December 2022	7,461	1,664	609	1	3	6
December 2021	8,139	1,933	787	2	4	7

The maximum credit risk exposure of impaired financial guarantees and other commitments as of December 31, 2022 and 2021 amounts to €738 and €672 million of euros (see Note 5.2.2).

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

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

Scoring

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

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

- Reactive scoring: measures the risk of a transaction requested by an individual using variables relating to the requested transaction and to the customer's socio-economic data available at the time of the request. The new transaction is approved or rejected depending on the score.
- Behavioral scoring: scores transactions for a given product in an outstanding risk portfolio of the entity, enabling the credit rating to be tracked and the customer's needs to be anticipated. It uses transaction and customer variables available internally. Specifically, variables that refer to the behavior of both the product and the customer.

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- Proactive scoring: gives a score at customer level using variables related to the individual's general behavior with the entity, and to his/her payment behavior in all the contracted products. The purpose is to track the customer's credit quality and it is used to pre-approve new transactions.

Rating

Rating tools, as opposed to scoring tools, focus on the rating of customers: companies, corporations, SMEs, general governments, etc. A rating tool is an instrument that, based on a detailed financial study, helps determine a customer's ability to meet his/her financial obligations. The final rating is usually a combination of various factors: on one hand, quantitative factors, and on the other hand, qualitative factors. It is a middle road between an individual analysis and a statistical analysis.

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

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

The probability of default of transactions or customers is calibrated with a long-term view, since its purpose is to measure the risk quality beyond its time of estimation, seeking to capture information representative of the behavior of the portfolios during a complete economic cycle (a long-term average probability of default). This probability is mapped to the master scale developed by the Bank in order to facilitate a homogeneous classification of its different risk portfolios.

The table below shows the abridged scale used to classify the bank's outstanding risk as of December 31, 2022:

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

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

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The table below outlines the distribution of exposure, including derivatives, by internal ratings, to corporates, financial entities and institutions (excluding sovereign risk), of the main BBVA Group entities as of December 31, 2022 and 2021:

Credit Risk Distribution by Internal Rating				
	2022		2021	
	Amount (Millions of Euros)	%	Amount (Millions of Euros)	%
AAA/AA	163,327	35.00 %	36,843	11.65 %
A	132,195	28.30 %	111,465	35.25 %
BBB+	53,141	11.40 %	54,557	17.25 %
BBB	39,854	8.50 %	35,243	11.14 %
BBB-	28,882	6.20 %	35,117	11.10 %
BB+	14,770	3.20 %	12,299	3.89 %
BB	10,968	2.30 %	9,184	2.90 %
BB-	7,778	1.70 %	6,879	2.18 %
B+	4,894	1.00 %	5,127	1.62 %
B	3,400	0.70 %	4,356	1.38 %
B-	2,180	0.50 %	2,819	0.89 %
C	1,977	0.40 %	2,359	0.75 %
D	3,757	0.80 %	—	0.00 %
Total	467,123	100%	316,246	100%

5.2.5 Impaired loan risks

The breakdown of loans and advances within financial assets at amortized cost by counterparties, including their respective gross carrying amount, impaired amount and accumulated impairment as of December 31, 2022 and 2021 is as follows:

December 2022 (Millions of Euros)				
	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	10	—	—	—%
General governments	12,716	38	(18)	0.3%
Credit institutions	9,335	—	(6)	—%
Other financial corporations	11,528	12	(20)	—%
Non-financial corporations	96,725	3,210	(2,394)	3.0%
Agriculture, forestry and fishing	1,678	89	(54)	5.3 %
Mining and quarrying	2,347	10	(7)	0.4 %
Manufacturing	24,936	509	(349)	2.0 %
Electricity, gas, steam and air conditioning supply	9,511	19	(52)	0.2 %
Water supply	813	17	(11)	2.1 %
Construction	6,354	527	(351)	8.3 %
Wholesale and retail trade	15,287	620	(391)	4.1 %
Transport and storage	5,691	120	(96)	2.1 %
Accommodation and food service activities	4,249	300	(153)	7.1 %
Information and communications	5,760	98	(34)	1.7 %
Financial and insurance activities	6,612	150	(148)	2.3 %
Real estate activities	5,459	301	(190)	5.5 %
Professional, scientific and technical activities	2,910	131	(114)	4.5 %
Administrative and support service activities	2,453	77	(47)	3.1 %
Public administration and defense, compulsory social security	154	—	(5)	0.3 %
Education	245	19	(11)	7.9 %
Human health services and social work activities	942	131	(39)	13.9 %
Arts, entertainment and recreation	658	55	(38)	8.4 %
Other services	666	37	(303)	5.6 %
Households	96,153	4,200	(2,392)	4.4%
LOANS AND ADVANCES	226,467	7,461	(4,830)	3.3%

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December 2021 (Millions of Euros)

	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
Central banks	254	—	—	—%
General governments	13,008	62	(34)	0.5%
Credit institutions	8,371	—	—	—%
Other financial corporations	9,568	15	(14)	0.2%
Non-financial corporations	85,430	3,487	(2,801)	4.1%
Agriculture, forestry and fishing	1,638	73	(55)	4.5 %
Mining and quarrying	1,806	10	(10)	0.6 %
Manufacturing	18,987	553	(405)	2.9 %
Electricity, gas, steam and air conditioning supply	8,019	35	(46)	0.4 %
Water supply	730	17	(16)	2.4 %
Construction	6,419	607	(416)	9.5 %
Wholesale and retail trade	13,388	692	(525)	5.2 %
Transport and storage	5,218	186	(123)	3.6 %
Accommodation and food service activities	4,380	336	(205)	7.7 %
Information and communications	5,145	105	(44)	2.0 %
Financial and insurance activities	5,825	148	(141)	2.5 %
Real estate activities	5,427	335	(208)	6.2 %
Professional, scientific and technical activities	3,146	140	(108)	4.4 %
Administrative and support service activities	1,776	107	(70)	6.0 %
Public administration and defense, compulsory social security	171	3	(8)	1.8 %
Education	258	16	(11)	6.3 %
Human health services and social work activities	912	39	(26)	4.3 %
Arts, entertainment and recreation	729	66	(49)	9.0 %
Other services	1,456	19	(334)	1.3 %
Households	97,587	4,573	(2,405)	4.7%
LOANS AND ADVANCES	214,218	8,137	(5,254)	3.8%

The changes during the years 2022 and 2021 of impaired financial assets and guarantees given are as follows:

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

	2022	2021
Balance at the beginning	8,700	8,654
Additions	2,737	3,120
Decreases ⁽¹⁾	(2,402)	(2,290)
Net additions	335	830
Amounts written-off	(539)	(828)
Exchange differences and other	(421)	44
Balance at the end	8,075	8,700
Recoveries on entries (%)	88%	73%

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

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The changes during the years 2022 and 2021 in financial assets derecognized from the accompanying balance sheet as their recovery is considered unlikely ("write-offs"), is shown below:

Changes in impaired financial assets written-off from the balance sheet (Millions of Euros)			
	Notes	2022	2021
Balance at the beginning		16,951	17,297
Increase		894	1,351
Assets of remote collectability		539	828
Past-due and not collected income		355	523
Decrease		(693)	(1,704)
Re-financing or restructuring		(1)	—
Cash recovery	42	(228)	(253)
Foreclosed assets		(22)	(18)
Sales ⁽¹⁾		(270)	(1,066)
Debt forgiveness		(151)	(243)
Time-barred debt and other causes		(19)	(124)
Net exchange differences		3	7
Balance at the end		17,155	16,951

(1) Includes principal and interest.

As indicated in Note 2.1.4, although they have been derecognized from the balance sheet, the BBVA continues to attempt to collect on these written-off financial assets, until the rights to receive them are fully extinguished, either because it is a time-barred financial asset, the financial asset is forgiven, or other reason.

5.2.6 Loss allowances

Movements, measured over a 12-month period, in gross accounting balances and accumulated allowances for loan losses during 2022 and 2021 are recorded on the accompanying balance sheet as of December 31, 2022 and 2021, in order to cover the estimated loss allowances in loans and advances and debt securities measured at amortized cost.

Changes in gross accounting balances of loans and advances at amortized cost. Year 2022 (Millions of Euros)				
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	184,700	21,381	8,137	214,218
Transfers of financial assets:	(2,096)	1,184	912	—
Transfers from stage 1 to Stage 2	(7,481)	7,481	—	—
Transfers from stage 2 to Stage 1	5,958	(5,958)	—	—
Transfers to Stage 3	(719)	(1,087)	1,806	—
Transfers from Stage 3	146	748	(894)	—
Net annual origination of financial assets	16,241	(2,894)	(1,049)	12,298
Becoming write-offs	—	—	(539)	(539)
Foreign exchange	483	7	—	489
Modifications that do not result in derecognition	—	—	—	—
Other	—	—	—	—
Balance at the end	199,328	19,678	7,461	226,467

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Changes in allowances of loans and advances at amortized cost. Year 2022 (Millions of Euros)				
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	679	934	3,641	5,254
Transfers of financial assets:	(23)	(38)	371	310
Transfers from stage 1 to stage 2	(35)	142	—	107
Transfers from stage 2 to stage 1	18	(187)	—	(169)
Transfers to stage 3	(7)	(45)	524	472
Transfers from stage 3	1	52	(153)	(100)
Net annual origination of allowances	(124)	(29)	42	(111)
Becoming write-offs	—	—	(462)	(462)
Foreign exchange	1	—	—	1
Modifications that do not result in derecognition	—	—	—	—
Other	(54)	(102)	(6)	(162)
Balance at the end	479	765	3,586	4,830

For the year ended December 31, 2022, the impairment charges recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification" amounted to €521 million (€475 million for the year ended December 31, 2021) (see Note 42). Additionally, as of December 31, 2021, the Bank estimated that the update in the definition of credit impairment (default) (see Note 2.2) led to an increase of €350 million in impaired financial assets. In terms of allowances for impairment, the impact of this update was considered non-significant.

During 2022, the macroeconomic environment has deteriorated, with a downward revision of growth expectations in an inflationary environment with a generalized increase in energy commodity prices and interest rates. This has resulted in an increase in allowances for impairment of financial assets with respect to the previous year, through additional adjustments in an environment of global growth throughout the year and through the adjustments reflected in the portfolios and sectors most vulnerable to this environment.

Changes in gross accounting balances of loans and advances at amortized cost. Year 2021 (Millions of Euros)				
	Stage 1	stage 2	Stage 3	Total
Balance at the beginning	183,760	16,385	8,193	208,338
Transfers of financial assets:	(7,482)	6,296	1,186	—
Transfers from stage 1 to stage 2	(9,980)	9,980	—	—
Transfers from stage 2 to stage 1	3,203	(3,203)	—	—
Transfers to stage 3	(723)	(1,315)	2,038	—
Transfers from stage 3	18	834	(852)	—
Net annual origination of financial assets	7,655	(1,330)	(416)	5,909
Becoming write-offs	—	—	(828)	(828)
Foreign exchange	767	30	2	799
Modifications that do not result in derecognition	—	—	—	—
Other	—	—	—	—
Balance at the end	184,700	21,381	8,137	214,218

Changes in allowances of loans and advances at amortized cost. Year 2021 (Millions of Euros)				
	Stage 1	Stage 2	Stage 3	Total
Balance at the beginning	709	862	4,094	5,665
Transfers of financial assets:	(7)	102	318	413
Transfers from stage 1 to stage 2	(31)	231	—	200
Transfers from stage 2 to stage 1	30	(127)	—	(97)
Transfers to stage 3	(6)	(59)	521	456
Transfers from stage 3	—	57	(203)	(146)
Net annual origination of allowances	114	83	(126)	71
Becoming write-offs	—	—	(642)	(642)
Foreign exchange	—	—	—	—
Modifications that do not result in derecognition	—	—	—	—
Other	(137)	(113)	(3)	(253)
Balance at the end	679	934	3,641	5,254

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The loss allowances recorded in the attached balance sheet to cover the impairment or reversal of impairment estimated in the debt securities amounted to €27 and €13 million as of December 31, 2022 and 2021 respectively. The variation is mainly due to changes due to variation in credit risk.

Additionally, the loss allowances recorded in the attached balance sheet to cover the impairment or reversal of the impairment estimated in the commitments and guarantees given amounted to €280 and €310 million as of December 31, 2022 and 2021 respectively (see Note 21).

5.3 Structural risk

The structural risks are defined, in general terms, as the possibility of suffering losses in the banking book due to adverse movements in market risk factors.

In the BBVA, the following types of structural risks are defined, according to their nature: interest rate risk, credit spread risk, exchange rate risk and equity risk.

The scope of structural risks in the Bank excludes market risks in the trading book that are clearly delimited and separated and make up the type of Market Risks.

The Assets and Liabilities Committee (ALCO) is the main responsible body for the management of structural risks regarding liquidity/funding, interest rate, credit spread, currency, equity and solvency. Every month, with the participation of the CEO and representatives from the areas of Finance, Risks and Business Areas, this committee monitors the structural risks and is presented with proposals with regard to action plans related with its management for its approval. These management proposals are made by the Finance area with a forward-looking focus, maintaining the alignment with the risk appetite framework, trying to guarantee the recurrence of results and financial stability, as well as to preserve the solvency of the entity. All balance sheet management units have a local ALCO, which is permanently attended by members of the Corporate Center, and there is a corporate ALCO where management strategies are monitored and presented in the Group's subsidiaries.

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

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

Additionally, both the management system and the control and measurement system for structural risks are necessarily adjusted to the Group's internal control model, complying with the evaluation and certification processes that comprise it. In this sense, the tasks and controls necessary for its scope of action have been identified and documented, supporting a regulatory framework which includes specific processes and measures for structural risks, from a broad geographical perspective.

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

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

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

The third line of defense is represented by the Internal Audit area, an independent unit within BBVA Group, which is responsible for reviewing specific controls and processes.

5.3.1 Interest rate risk and credit spread in the banking book

The structural interest-rate risk (IRRBB) is related to the potential impact that variations in market interest rates have on an entity's net interest income and equity. In order to properly measure IRRBB, BBVA Group takes into account all the main sources of this risk: repricing risk, yield curve risk, option risk and basis risk.

The assessment of structural interest rate risk is carried out with an integral vision, combining two complementary points of view: the effects of interest rate shifts in net interest income (short term) and their impact on the economic value of equity (long term). In addition, the impact on the market value of the financial instruments of the banking book, as a result of changes in the market interest rates (IRRBB) or the credit spreads (CSRBB), will be assessed as it may have an impact on the income statement and/or equity due to their accounting treatment.

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

In BBVA, the purpose of structural interest rate risk management is to maintain the stability of the net interest income in the event of interest rate fluctuations. It contributes to a recurrent generation of earnings, limit the capital consumption due to structural interest rate risk and monitor potential mark-to-market impacts on "held to collect and sell" (HtC&S) portfolios. Likewise, the spread risk management in banking book portfolios is aimed at limiting the impact on the valuation of fixed income instruments, which are used for balance sheet liquidity and interest rate risk management purposes in order to increase diversification, and maintain the spread risk at levels aligned with the total volume of the investment portfolio and the equity of the Bank.

These functions falls to the Global ALM (Asset & Liability Management) unit, within the Finance area, who, through ALCO, aims to guarantee the recurrence of results and preserve the solvency of the entity, always adhering to the risk profile defined by the management bodies of the Bank.

Structural interest rate risk management is decentralized, and is carried out independently in each entity included in the structural balance sheet (banking book) of the Bank, keeping the exposure to interest rates and credit spreads movements aligned with the strategy and the target risk profile of the Bank, and in compliance with the regulatory requirements according to the EBA guidelines.

Nature of interest rate risk and credit spread risk

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

Furthermore, the credit spread risk (CSRBB) of fixed-income portfolios in the banking book arises from the potential impact on the value of fixed-income portfolios and credit derivatives registered at fair value produced by a variation in the level of credit spreads associated with those instruments/issuers and that are not explained by default risk or by movements in market interest rates.

BBVA's structural interest-rate risk management and control process includes a set of metrics and tools that enable the capture of additional sources to properly monitor the risk profile of the Bank, backed-up by assumptions that aim to characterize the behavioral of the balance sheet items with the maximum accuracy.

The IRRBB and CSRBB measurement is carried out on a monthly basis, and includes probabilistic measures based on simulation methods of interest rate curves and credit spread shocks. The corporate methodology enables to capture additional sources of risk to the interest rate parallel shifts, such as the changes in slope shape and the basis of yield curves. Additionally, sensitivity analysis to multiple parallel shocks of different magnitude are also assessed on a regular basis. The process is ran separately for each currency to which the Bank is exposed.

The risk measurement model is complemented by the assessment of ad-hoc scenarios, stress tests and reverse stress. Stress tests incorporate extreme scenarios both in market interest rates and in behavioral assumptions, in addition to the assessment of market scenarios by BBVA Research and the set of prescriptive scenarios defined according to EBA guidelines.

The internal measurement systems and models are subjected to a process of review and continuous improvement in order to keep them aligned with EBA guidelines.

Key assumptions of the model

In order to measure structural interest rate risk, the setting of assumptions on the evolution and behavior of certain balance sheet items is particularly relevant, especially those related to products without an explicit or contractual maturity which characteristics are not established in their contractual terms and must be therefore estimated.

The assumptions that characterize these balance sheet items must be understandable for the areas and bodies involved in risk management and control and remain duly updated, justified and documented. The modeling of these assumptions must be conceptually reasonable and consistent with the evidence based on historical experience, reviewed at least once a year and, if any, the behavior of the customers induced by the business areas. These assumptions are regularly subject to a sensitivity analysis to assess and understand the impact of the modelling on the risk metrics.

The approval and update of the IRRBB behavioral models is subject to the corporate governance under the scope of GRM analytics. Thus, all the models must be duly inventoried and catalogued and comply with the requirements for their development, updating and changes management set out in the internal procedures. They are also subject to the corresponding internal validations and follow-up requirements established based on their relevance, as well as to backtesting procedures against experience to ratify the validity of the assumptions applied.

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

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

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In order to establish the remuneration of each segment, the relationship between the evolution of market interest rates and the interest rates of managed accounts is analyzed, with the aim of determining the translation dynamic (percentages and lags) of interest rates variations to the remuneration of the accounts. In this regard, consideration is given to the potential limitations in the repricing of these accounts in scenarios of low or negative rates, with special attention to retail customers, through the establishment of floors in the remuneration.

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

In addition, the behavior modeling incorporates, where appropriate, the relationship between the evolution of the balance of deposits and the levels of market interest rates, especially in low rate environments. Consequently, the effect of rate variations on the stability of the deposits as well as the potential migration between the different types of products (on demand and time deposits) in each interest rate scenario are incorporated.

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

The detailed analysis of the historical information related to prepayment data, both partial and total prepayment, combined with other variables such as interest rates, allows estimating future amortizations and, where appropriate, their behavior linked to the evolution of such variables through the relationship between the incentive of the customer to prepay and the early cancellation speed.

The year 2022 was characterized by a change in the cycle in terms of monetary policy as a result of the high inflation rates observed in most Western economies. The effects of the high energy prices and the bottlenecks in the supply chain, which still persisted due to the COVID-19 pandemic, were exacerbated from March onwards by the outbreak of the war between Russia and Ukraine. In this context, the central banks embarked on a restrictive monetary policy strategy with interest rate hikes, which is still in force and is expected to last during most of 2023.

At an aggregate level, BBVA continues to maintain a moderate risk profile, in accordance with the established objective, having positive sensitivity to interest rate hikes in the net interest income.

Regarding relevant events in the financial markets, the ECB began the process of raising interest rates in July 2022 with the aim of curbing inflation, with a rise of 250 basis points in the year, and the FED, for its part, implemented increases of 425 basis points in 2022. Although, additional increases are expected in 2023 (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively) since inflation remains at high levels. In relation to fixed income markets, valuations have been affected by the strong general increase in interest rates and the widening of risk premiums, in line with inflation expectations, which are expected to continue above reference levels. Spanish and Italian debt spreads worsened with widenings relative to the German curve, especially in the case of Italy.

Spain has a balance sheet characterized by a high proportion of variable-rate loans (basically mortgages and corporate lending) and liabilities composed mainly by customer demand deposits. The ALCO portfolio acts as a management lever and hedging for the bank's balance sheet, mitigating its sensitivity to interest rate fluctuations. The balance sheet interest rate risk profile remained stable during the year, being Spain the geographical area of the Group with the highest positive sensitivity to rates.

On the other hand, as mentioned, at the end of September 2022 the ECB set the benchmark interest rate at 2.5%, held the marginal deposit facility rate at 2.0% and the marginal loan facility rate at 2.75%. Thus, the European benchmark interest rates (EURIBOR) showed significant increases in the year. In this regard, customer spread is starting to benefit from interest rate hikes, expected to continue in the coming quarters.

5.3.2 Equity risk in the banking book

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

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

The structural equity risk management is aimed at increasing the income-generating capacity of those shares held by the Group, limiting the capital requirements for equity risk and narrowing the impact on the solvency level through a proactive management of the portfolio using hedges. The function of managing the main structural equity portfolios is a responsibility of the specialized units of the corporate areas of Global ALM, Strategy & M&A and Client Solutions (Banking for Growth Companies). Their activity is subject to the corporate structural equity risk management policy, complying with the defined management principles and Risk Appetite Framework

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

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

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

Equity markets in Europe and the United States were negatively affected in 2022 by the tightening of financial conditions carried out by the Central Banks due to the rise in inflation. In many cases, the adjustment in share prices is attributed mainly to a correction in the valuation metrics than to a significant deterioration in relation to the expectation of corporate profits. The Spanish stock market closed the year with smaller falls than those presented by the main indices of other geographies in the euro area.

Structural equity risk, measured in terms of economic capital, has raised during the last year due to the higher exposure taken. The aggregate sensitivity of the BBVA Group's consolidated equity to a 1% fall in the price of shares of the companies making up the equity portfolio increased to €-24 million as of December 31, 2022, compared to €-27 million as of December 31, 2021. This estimation takes into account the exposure in shares valued at market prices, or if not applicable, at fair value (excluding the positions in the Treasury Area portfolios) and the net delta-equivalent positions in derivatives on the same underlyings.

5.3.3 IBOR reform

On August 27, 2020, the IASB issued the second phase of the reform of the IBOR reference indices, which involves the introduction of amendments to Standard, to ensure that the financial statements reflect the economic effects of this reform in the best possible way.

These amendments focus on the accounting for financial instruments, once a new risk-free reference index (Risk Free Rate, hereinafter "RFR") has been introduced. The modifications introduce the accounting relief for changes in the cash flows of financial instruments directly caused by the IBOR reform if they take place in a context of "economic equivalence", by updating the effective interest rate of the instrument. Additionally, they introduce a series of exemptions to the hedging requirements so as not to have to interrupt certain hedging relationships. However, similar to the phase 1 amendments (which entered into force already in 2020) (see Note 13), the phase 2 amendments do not contemplate exceptions to the valuation requirements applicable to hedged items and hedging instruments in accordance with the Standard. Thus, once the new reference index has been implemented, the hedged items and hedging instruments must be valued in accordance with the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in profit or loss.

The IBOR transition to RFR is considered to be a complex initiative, which affects BBVA,S.A. in a multitude of products, systems and processes. The main risks to which the Bank is exposed due to the transition are: (1) risk of litigation related to the products and services offered by the Bank; (2) legal risks derived from changes in the documentation required for existing operations; (3) financial and accounting risks, derived from market risk models and from the measurement, hedging, cancellation and recognition of the financial instruments associated with the benchmark indices; (4) price risk, derived from how changes in the indices could impact the pricing mechanisms of certain instruments; (5) operational risks, as the reform may require changes to the Bank's IT systems, business reporting infrastructure, operational processes and controls, and (6) behavioral risks derived from the potential impact of customer communications during the transition period, which could lead to customer complaints, regulatory penalties or reputational impact.

BBVA has established a transition program, provided with a robust governance structure by means of senior management. The coordination among different working groups is realized through the Project Management Office (PMO) and the Global Working Groups that incorporate a transversal view on the areas of Legal, Risk, Regulatory, Finance and Accounting and Engineering.

This transition project has taken into account the different approaches and periods of transition to the new RFRs when evaluating the various risks associated with the transition, as well as defining the lines of action in order to mitigate them. BBVA is aligned with the Good Practices issued by the ECB that outline how banks can better structure their governance, identify related risks and create contingent action plans and documentation in relation to the transition of reference rates.

The entity has actively collaborated in the IBOR transition, both for its support and participation in the sectorial working groups and for its commitment to remediate the contracts with its counterparties. In this sense, the entity has carried out a process of communication and contact with the counterparties to modify the terms of the contractual relations in such a way that said agreements have been modified using different mechanisms: through the inclusion of addenda to the contracts, by the adherence to industry standard protocols, the transition of operations by clearing house, the cancellation of contracts and subscription of new ones, or by the transition through other legislative mechanisms. This process has been managed through the monitoring mechanisms and indicators that have been developed by the working groups within the Bank.

The official discontinuation date for LIBORs exUSD (GBP, CHF, EUR, JPY), LIBOR USD 1-week and 2-month indices was December 31, 2021, and for EONIA was January 3, 2022. However, the Financial Conduct Authority (FCA) and the European Commission have established a legal safeguard in the event that there are some operations that could not be migrated before such discontinuation dates. In the case of the FCA, said legal safeguard, called Synthetic LIBOR, would apply only to contracts referenced to LIBOR GBP and LIBOR JPY in terms of 1, 3 and 6 months, and allows the index to continue to be applied for an additional period. However, the FCA has announced its decision to continue publishing the synthetic LIBOR JPY for all its terms until December 31, 2022, the synthetic LIBOR GBP 1 month and 6 months until March 31, 2023 and the synthetic LIBOR GBP 3 month until March 2024.

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Moreover, the European Commission, through what is known as the "Statutory Fallback", provides a legal safeguard for EONIA contracts and for LIBOR CHF (which entered into force on January 1, 2022), so that in the contracts subject to this measure, said indices are automatically replaced and by legal requirement, by the new indices. BBVA maintains immaterial balances in the aforementioned LIBOR GBP and synthetic JPY. The latter already have a transition solution communicated and agreed with the clients pending execution in systems at the beginning of 2023.

Regarding the LIBOR USD, in the terms still in force these will be discontinued on June 30, 2023 (except for the one-week and two-month terms that were already discontinued in 2021, as we have said previously). Currently the different international regulators are studying the application of legal safeguards similar to the one mentioned above. Such is the case in the US, where a federal law has already been approved to designate a statutory fallback in contracts that do not contemplate or regulate a transition of the LIBOR USD index.

In this regard, the Bank is actively working to modify all its contracts referenced to LIBOR USD to the corresponding RFRs (SOFR). As of December 31, 2022, the Bank continues to maintain financial assets and liabilities whose contracts are referenced to LIBOR USD when used, among others, for loans, deposits and debt issuances as well as underlying derivative financial instruments.

In the case of the EURIBOR, the European authorities have encouraged modifications in its methodology so that it meets the requirements of the European Regulation of Reference Indices, so this index does not disappear.

Below is the BBVA exposure to financial assets and liabilities maturing after the transition dates of these IBORs to their corresponding RFRs. The table shows the gross amounts as of December 31, 2022 in the case of loans and advances, asset and liability debt instruments, deposits and commitments, their gross amounts and, in the case of derivatives, their notional value, in each case as of December 31, 2022:

Millions of Euros					
	Loans & Advances	Debt Securities Assets	Debt Securities Issued (Liabilities)	Deposits	Derivatives (notional)
Synthetic LIBOR GBP and JPY	76	—	—	—	—
LIBOR USD with maturity > June 30, 2023	10,187	31	—	109	362,406
Total	10,263	31	0	109	362,406

The 97% of the exposure of derivative instruments is either settled by Clearing Houses (mainly the London Clearing House) or are operations with counterparties currently adhering to the International Swaps and Derivatives Association (ISDA) protocols, specifically the following: ISDA 2020 IBOR Fallback Protocol and June 2022 Benchmark Module of the ISDA 2021 Fallback Protocol.

5.4 Market risk

Market risk originates from the possibility of experiencing losses in the value of positions held as a result of movements in market variables that affect the valuation of financial assets and liabilities. Market risk in the Bank's trading portfolios stems mainly from the portfolios originated by Global Markets valued at fair value and held for the purpose of trading and generating short-term results. Market risk in the field of banking book is clearly and distinctly addressed and can be broken down into structural risks relating to interest rate, exchange rate and equity (see Note 5.3).

5.4.1 Market risk in trading portfolios

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

- Interest-rate risk: This arises as a result of exposure to movements in the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to the movements in interest rates are money-market products (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products are exposed to interest-rate movements due to the effect that such movements have on the valuation of the financial discount.
- Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in shares or any derivative products whose underlying asset is a share or an equity index. Dividend risk is a sub-risk of equity risk, arising as an input for any equity option. Its variation may affect the valuation of positions and it is therefore a factor that generates risk on the books.
- Exchange-rate risk: This is caused by movements in the exchange rates of the different currencies in which a position is held. As in the case of equity risk, this risk is generated in spot currency positions, and in any derivative product whose underlying asset is an exchange rate. In addition, the quanto effect (operations where the underlying asset and the instrument itself are denominated in different currencies) means that in certain transactions in which the underlying asset is not a currency, an exchange-rate risk is generated that has to be measured and monitored.
- Credit-spread risk: Credit spread is an indicator of an issuer's credit quality. Spread risk occurs due to variations in the levels of spread of both corporate and government issues, and affects positions in bonds and credit derivatives.

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- Volatility risk: This occurs as a result of changes in the levels of implied price volatility of the different market instruments on which derivatives are traded. This risk, unlike the others, is exclusively a component of trading in derivatives and is defined as a first-order convexity risk that is generated in all possible underlying assets in which there are products with options that require a volatility input for their valuation.

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

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

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

With respect to the risk measurement models used by the BBVA, the Bank of Spain has authorized the use of the internal market risk model to determine bank capital requirements deriving from risk positions on the BBVA S.A.

The current management structure includes the monitoring of market-risk limits, consisting of a scheme of limits based on specific metrics according to market activities, (VaR (Value at Risk), economic capital, as well as stop-loss limits for each of the Bank's business units).

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

VaR figures are estimated with the following methodologies:

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

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

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

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

- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the risk factors inherent to market operations (including interest-rate risk, exchange-rate risk, equity risk and credit risk, among others). Both VaR and stressed VaR are rescaled by a regulatory multiplier (between three and four) and by the square root of ten to calculate the capital charge.
- Specific Risk - Incremental Risk Capital ("IRC"). Quantification of the risks of default and changes of the credit ratings of the bond and derivative positions and debt funds with daily look-through or significant benchmark (correlation > 90%) in the trading portfolio. The IRC charge is exclusively applied in entities in respect of which the internal market risk model is used (i.e. BBVA, S.A. and BBVA Mexico). The IRC charge is determined based on the associated losses (calculated at 99.9% confidence level over a one year horizon under the hypothesis of constant risk) due to a rating change and/or default of the issuer with respect to an asset. In addition, the price risk is included in sovereign positions for the specified items.
- Specific Risk: Securitization, correlation portfolios and Investment funds without look-through. Capital charges for securitizations and correlation portfolios are assessed based on the potential losses associated with the occurrence of a credit event in the underlying exposures. They are calculated by the standard model. The scope of the correlations portfolios refers to the First To Default (FTD)-type market operation and/or tranches of market CDOs and only for positions with an active market and hedging capacity. Capital charge for Funds include losses associated with volatility and credit risk of the underlying positions of the fund. All charges are calculated by the standard model.

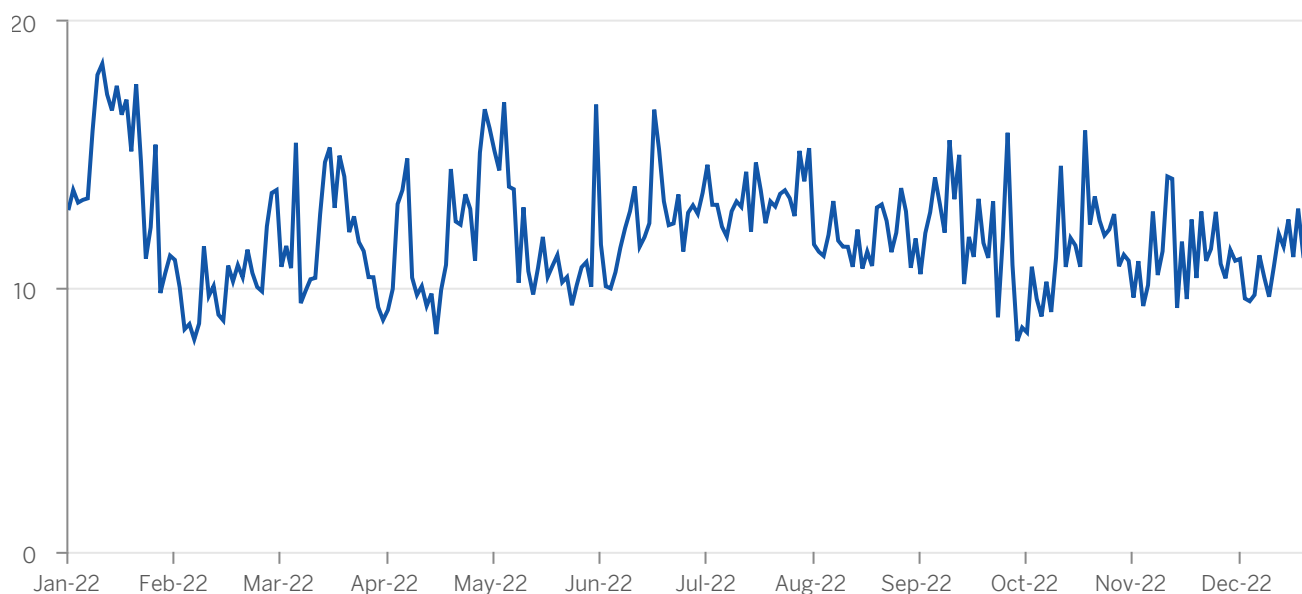
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Validity tests are performed regularly on the risk measurement models used by the Bank. They estimate the maximum loss that could have been incurred in the assessed positions with a certain level of probability (backtesting), as well as measurements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

Market risk in 2022

The Bank's market risk related to its trading portfolio remained in 2022 at low levels compared to other risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2022, the market risk of trading book has decreased versus the previous year and, in terms of VaR, stood at €14 million at the close of the period.

The average VaR for 2022 stood at €12 million, in comparison with the €13 million registered in 2021, with a high for the year on January 12, 2022 at €18 million.



By type of market risk assumed by the Bank's trading portfolio, the main risk factor in BBVA at the end of 2022 is still linked to the interest rates (this figure includes the spread risk) which represents a 44% of the total weight, increasing its relative weight compared to the year end 2021 (40%). The weight associated with the exchange rate and variable income risk is 20% and 18% respectively, at the end of the 2022 financial year, increasing compared to the end of the 2021 financial year, where they represented 20% and 13% respectively.

The risk related to volatility and correlation accounts represent 10% of the total weight at the end of 2022, decreasing its proportion with respect to the end of the 2021 (27%).

Market risk by risk factor (Millions of euros)

	2022	2021
Interest + credit spread	16	15
Exchange rate	10	7
Equity	7	5
Volatility	4	10
Diversification effect ⁽¹⁾	(23)	(23)
Total	14	16
Average VaR	12	13
Maximum VaR	18	21
Minimum VaR	8	8

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

Validation of the internal market risk model

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

Two types of backtesting have been carried out in 2022 and 2021:

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

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

For the period between the year ended December 31, 2021 and the year ended December 31, 2022, the backtesting of the internal VaR calculation model was carried out, comparing the daily results obtained to the risk level estimated by the internal VaR calculation model. In that period, there were none negative exception in BBVA S.A.

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

Stress testing analysis

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

Historical scenarios

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

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

Simulated scenarios

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

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

5.4.2 Financial instruments offset

Financial assets and liabilities may be netted in certain cases. In particular, they are presented for a net amount on the balance sheet only when the Bank satisfy the provisions of Bank of Spain Circular 4/2017 and IAS 32, so they have both the legal right to net recognized amounts, and the intention of settling the net amount or of realizing the asset and simultaneously paying the liability.

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

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

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

A summary of the effect of offsetting (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2022 and 2021:

Effect of offsetting for derivatives and securities operation (Millions of Euros)												
	2022						2021					
	Gross amounts not offset in the balance sheets (D)						Gross amounts not offset in the balance sheets (D)					
	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)	Gross amounts recognized (A)	Gross amounts offset in the balance sheets (B)	Net amount presented in the balance sheets (C=A-B)	Financial instruments	Cash collateral received/ Pledged	Net amount (E=C-D)
Trading and hedging derivatives	46,746	10,554	36,192	26,276	9,491	424	32,841	3,611	29,230	21,947	8,442	(1,159)
Reverse repurchase, securities borrowing and similar agreements	42,666	—	42,666	42,735	970	(1,039)	49,939	—	49,939	50,045	—	(106)
Total assets	89,411	10,554	78,857	69,011	10,461	(615)	82,780	3,611	79,169	71,993	8,442	(1,265)
Trading and hedging derivatives	44,107	10,554	33,553	26,276	7,619	(342)	32,765	3,584	29,181	21,947	8,784	(1,551)
Repurchase, securities lending and similar agreements	42,477	—	42,477	40,798	586	1,093	41,089	—	41,089	40,548	5	536
Total liabilities	86,584	10,554	76,030	67,074	8,205	751	73,854	3,584	70,270	62,495	8,789	(1,015)

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

5.5 Liquidity and Funding risk

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

5.5.1 Liquidity and Funding Strategy and Planning

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

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

- The principle of the funding self-sufficiency of its subsidiaries, meaning that each of the Liquidity Management Units (LMU) must cover its funding needs independently on the markets where it operates. This avoids possible contagion due to a crisis affecting one or more of the Group's LMU.
- Stable customer deposits as the main source of funding in all the LMU, in accordance with the Group's business model.
- Diversification of the sources of wholesale funding, in terms of maturity, market, instruments, counterparties and currencies, with recurring access to the markets.

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- Compliance with regulatory requirements, ensuring the availability of ample liquidity buffers, of high quality, as well as sufficient instruments as required by regulations with the capacity to absorb losses.
- Compliance with the internal Liquidity Risk and Funding metrics, while adhering to the Risk Appetite level established for each LMU at any time.

Liquidity and Funding Risk Management aims, in the short term, to prevent an entity from having difficulties in meeting its payment commitments in due time and form or that, to meet them, it has to resort to obtaining funds in burdensome conditions that deteriorate the image or reputation of the entity.

In the medium term, its objective is to ensure the suitability of the Group's financial structure and its evolution, within the framework of the economic situation, the markets and regulatory changes.

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

Within this strategy, the BBVA Group is organized into eight LMU composed of the parent company and the bank subsidiaries in each geographical area, plus the branches that depend on them.

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

Liquidity and funding planning is part of the strategic processes for the Group's budgetary and business planning. This objective is to allow a recurrent growth of the banking business with suitable maturities and costs within the established risk tolerance levels by using a wide range of instruments which allow the diversification of the funding sources and the maintenance of a high volume of available liquid assets.

5.5.2 Governance and monitoring

The responsibility for liquidity and funding management in the development of normal business activity lies with the Finance area as a first line of defense in managing the risks inherent to this activity, in accordance with the principles established by the European Banking Authority (EBA) and in line with the most demanding standards, policies, procedures and controls in the framework established by the governing bodies. Finance, through the Balance-Sheet Management area, plans and executes the funding of the structural long-term gap and proposes to the Assets and Liabilities Committee (ALCO) the actions to be taken on this matter, in accordance with the policies established by the Risk Committee in line with the metrics of the Risk Appetite Framework approved by the Board of Directors.

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

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

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

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

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

The LCR ratio is a regulatory metric that aims to guarantee the resilience of entities in a scenario of liquidity tension within a time horizon of 30 days. Within its risk appetite framework and system of limits and alerts, BBVA has established a required LCR compliance level. The internal levels required are aimed at efficiently meeting the regulatory requirement, at a loose level above 100%.

The LtSCD ratio measures the relationship between net lending and stable customer funds. The aim is to preserve a stable funding structure in the medium term, taking into account that maintaining an adequate volume of stable customer funds is key to achieving a sound liquidity profile. In geographical areas with dual-currency balances, the indicator is also controlled by currency to manage the mismatches that might occur.

Stable customer funds are considered to be the financing obtained and managed among their target customers. Those funds are characterized by their low sensitivity to market changes and by their less volatile behavior at aggregated level per operation due to the loyalty of the customer to the entity. The stable resources are calculated by applying to each identified customer segment a haircut determined by the analysis of the stability of the balances by which different aspects are evaluated (concentration, stability, level of loyalty). The main source of stable resources arises from wholesale funding and retail customer funds.

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

Additionally, liquidity and funding risk management aims to achieve a proper diversification of the funding structure, avoiding excessive dependence on short-term funding by establishing a maximum level for the short-term funds raised, including both wholesale financing and the least stable proportion of customer funds. In relation to long-term financing, the maturity profile does not present significant concentrations, which makes it possible to adapt the schedule of the planned issuance plan to the best financial conditions in the markets. Lastly, concentration risk is monitored with the aim of ensuring a correct diversification of both the counterparty and type of instrument.

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

The Finance area is responsible for the collateral management and determining the liquidity buffer within BBVA. In addition, the liquidity buffer must be aligned with the liquidity and funding risk tolerance as well as the management limits set and approved for each case.

In this context, the short-term resistance of the liquidity risk profile is promoted, ensuring that each LMU has sufficient collateral to deal with the risk of the closing of wholesale markets. Basic capacity is the internal metric for the management and control of short-term liquidity risk, which is defined as the relationship between the explicit assets available and the maturities of wholesale liabilities and volatile resources, at different time periods up to one year, with special relevance at 30 and 90 days, with the objective of preserving the survival period above 3 months with the available buffer, without considering the balance inflows.

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

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

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

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

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

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

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

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

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

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

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

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

The table below shows the liquidity available by instrument as of December 31, 2022 and 2021 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

December (Millions of Euros)	BBVA, S.A.	
	2022	2021
Cash and withdrawable central bank reserves	48,271	35,258
Level 1 tradable assets	33,081	37,272
Level 2A tradable assets	3,450	5,234
Level 2B tradable assets	3,471	9,492
Other tradable assets	22,708	27,870
Non tradable assets eligible for central banks	—	—
Cumulated counterbalancing capacity	110,981	115,127

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

The LCR, NSFR and LtSCD of BBVA at December 31, 2022, is 186%, 125% and 98%, respectively.

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

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December 2022. Contractual maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	3,675	46,987	—	—	—	—	—	—	—	—	50,662
Deposits in credit entities	—	343	161	189	302	307	200	171	35	353	2,062
Deposits in other financial institutions	—	1,842	481	455	372	221	718	724	493	2,580	7,887
Reverse repo, securities borrowing and margin lending	—	26,404	5,794	3,102	1,432	1,127	4,582	1,354	2,400	289	46,485
Loans and advances	—	13,377	13,903	12,303	7,656	9,891	24,146	21,003	26,777	67,946	197,001
Securities' portfolio settlement	—	333	668	5,860	1,274	2,765	11,904	3,669	13,579	28,055	68,107

December 2022. Contractual maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	—	1,343	3,250	675	2,629	1,249	4,448	7,679	9,513	13,011	43,798
Deposits in financial institutions	1,064	7,286	436	116	21	39	232	32	78	376	9,679
Deposits in other financial institutions and international agencies	6,715	4,645	1,299	220	359	1,145	1,140	847	1,418	3,540	21,327
Customer deposits	192,909	13,440	7,581	3,047	1,334	1,252	577	577	421	232	221,370
Security pledge funding	—	40,248	14,174	17,580	743	1,317	6,892	1,299	731	386	83,370
Derivatives, net	—	(91)	(72)	(1,229)	(137)	37	(130)	(311)	(555)	(3,712)	(6,200)

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December 2021. Contractual maturities (Millions of Euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
ASSETS											
Cash, cash balances at central banks and other demand deposits	33,076	3,539	—	—	—	—	—	—	—	—	36,615
Deposits in credit entities	—	405	189	655	272	131	151	151	—	209	2,162
Deposits in other financial institutions	—	675	468	487	432	230	486	418	257	2,723	6,175
Reverse repo, securities borrowing and margin lending	—	30,076	11,611	2,945	1,063	1,482	2,188	2,239	1,118	739	53,462
Loans and advances	—	10,383	10,615	11,653	5,832	7,692	23,450	18,503	29,433	68,655	186,215
Securities' portfolio settlement	—	413	570	1,809	520	3,153	12,712	5,847	9,072	40,484	74,580

December 2021. Contractual maturities (Millions of euros)

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
LIABILITIES											
Wholesale funding	—	2,790	609	2,586	1,706	274	7,482	3,350	8,900	13,953	41,652
Deposits in financial institutions	1,477	3,828	134	19	3	4	117	41	36	562	6,221
Deposits in other financial institutions and international agencies	7,983	1,927	1,678	105	116	181	692	701	1,306	3,957	18,646
Customer deposits	184,999	7,094	5,785	2,486	828	649	781	139	378	221	203,360
Security pledge funding	—	41,633	6,449	2,369	1,492	8,188	29,429	4,274	956	1,331	96,120
Derivatives, net	—	20	(9)	(272)	(43)	(621)	231	(91)	(84)	(127)	(997)

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With regard to the financing structure, the loan portfolio is mostly financed by retail deposits. The "demand" maturity bucket mainly contains the retail customer sight accounts whose behavior historically showed a high level of stability and little concentration. According to a behavior analysis which is done every year in every entity, this type of account is considered to be stable and for liquidity risk purposes receive a better treatment.

BBVA, S.A. has maintained a sound liquidity position. Commercial activity has generated liquidity due to greater growth in customer deposits above loan growth, especially in the last quarter of the year. In December, the Bank began the repayment of the TLTRO III program for an amount of €12 billion, corresponding to approximately one third of the total drawdown amount. On the other hand, in order to maintain sufficient collateral available, mortgage coverage and territorial bonds have been issued for an amount of €2 billion, held in treasury shares. Likewise, mortgage securitizations held in treasury shares have been issued, generating collateral for an amount of €4.4 billion.

In relation to BBVA, S.A. during the year 2022 it has made an issuance of senior non-preferred debt in an amount of €1,000 million, two series of senior non-preferred debt securities in an aggregate amount of USD 1,750 million, six series of senior preferred debt securities in an aggregate amount of €4,065 million, a senior preferred bond (green bond) issuance for €1,250 million and two senior preferred bond (green bond) issuances in an aggregate amount of 425 million Swiss francs. Additionally, in May 2022, the convertible preferred shares (CoCos) issued by BBVA in May 2017 were redeemed early and in June 2022 a loan securitization transaction was completed in connection with vehicle financing loans for an amount of €1,200 million.

5.5.3 Asset encumbrance

As of December 31, 2022 and 2021, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

Encumbered and unencumbered assets (Million of Euros)								
	Encumbered assets				Unencumbered assets			
	Book value		Fair value		Book value		Fair value	
	2022	2021	2022	2021	2022	2021	2022	2021
Equity instruments	819	307	819	307	3,956	16,113	3,956	16,113
Debt securities	20,653	20,047	20,201	17,814	39,963	41,039	40,415	43,272
Loans and advances and other assets	52,135	75,022	—	—	341,362	289,751	—	—

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

As of December 31, 2022 and 2021, collateral pledges received mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

Collateral received (Millions of Euros)						
	Fair value of encumbered collateral received or own debt securities issued		Fair value of collateral received or own debt securities issued available for encumbrance		Fair value of collateral received or own debt securities issued not available for encumbrance	
	2022	2021	2022	2021	2022	2021
Collateral received	38,717	39,724	6,879	13,620	1,278	1,555
Equity instruments	338	286	759	265	—	—
Debt securities	38,379	39,438	6,119	13,355	1,278	1,555
Loans and advances and other assets	—	—	—	—	—	—
Own debt securities issued other than own covered bonds or ABSs	—	—	—	50	—	—

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As of December 31, 2022 and 2021, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

Sources of encumbrance (Millions of Euros)				
	Matching liabilities, contingent liabilities or securities lent		Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered	
	2022	2021	2022	2021
Book value of financial liabilities	102,157	118,530	108,585	132,188
Derivatives	11,911	13,686	11,700	13,576
Deposits	79,531	92,350	84,042	103,567
Outstanding subordinated debt	10,715	12,494	12,843	15,045
Other sources	236	206	3,739	2,912

6. Fair value of financial instruments

Framework and processes control

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

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

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

Fair value hierarchy

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

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

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

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

- Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives.
- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.
- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2022, the affected instruments at fair value accounted for approximately 0.66% of financial assets and 0.27% of the Bank's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

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6.1. Fair value of financial instruments

The fair value of the Bank's financial instruments in the accompanying balance sheets and its corresponding carrying amounts as of December 31, 2022 and 2021 are presented below:

Fair Value and Carrying Amount (Millions of Euros)					
		2022		2021	
	Notes	Carrying Amount	Fair Value	Carrying Amount	Fair Value
ASSETS					
Cash, cash balances at central banks and other demand deposits	7	52,973	52,973	38,821	38,821
Financial assets held for trading	8	91,391	91,391	105,391	105,391
Non-trading financial assets mandatorily at fair value through profit or loss	9	546	546	437	437
Financial assets designated at fair value through profit or loss	10	—	—	—	—
Financial assets at fair value through other comprehensive income	11	24,854	24,854	28,205	28,205
Financial assets at amortized cost	12	246,950	244,293	231,276	233,510
Derivatives – Hedge accounting	13	1,169	1,169	841	841
LIABILITIES					
Financial liabilities held for trading	8	80,853	80,853	77,859	77,859
Financial liabilities designated at fair value through profit or loss	10	1,859	1,859	2,238	2,238
Financial liabilities at amortized cost	20	335,941	335,668	321,848	323,368
Derivatives – Hedge accounting	13	2,599	2,599	2,126	2,126

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

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

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

Active Market

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

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

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The following table shows the financial instruments carried at fair value in the accompanying balance sheets, broken down by level used to determine their fair value as of December 31, 2022 and 2021:

Fair Value of Financial Instruments by Levels (Millions of Euros)						
	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Financial assets held for trading	15,140	74,084	2,168	25,041	77,097	3,252
Equity instruments	3,338	—	23	15,118	—	28
Debt securities	11,023	228	66	8,874	2,554	118
Loans and advances	—	40,521	1,169	—	47,397	2,913
Derivatives	778	33,334	911	1,049	27,146	193
Non-trading financial assets mandatorily at fair value through profit or loss	67	64	414	115	77	245
Equity instruments	67	4	367	115	1	57
Debt securities	—	60	47	—	77	49
Loans and advances	—	—	—	—	—	140
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	24,221	463	170	27,252	749	204
Equity instruments	946	—	31	1,077	—	26
Debt securities	23,275	463	139	26,175	749	178
Loans and advances	—	—	—	—	—	—
Derivatives – Hedge accounting	—	1,169	—	—	832	9
LIABILITIES						
Financial liabilities held for trading	12,134	68,005	715	14,236	63,300	323
Derivatives	726	29,640	588	1,089	25,869	97
Short positions	11,408	—	—	13,147	1	—
Deposits	—	38,364	127	—	37,431	226
Financial liabilities designated at fair value through profit or loss	—	1,457	402	—	2,074	164
Customer deposits	—	1,457	402	—	2,074	164
Debt certificates	—	—	—	—	—	—
Other financial liabilities	—	—	—	—	—	—
Derivatives – Hedge accounting	—	2,574	25	—	2,126	—

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments recorded at amortized cost classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2022 and 2021:

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

	2022		2021		Valuation technique(s)	Observable inputs	Unobservable inputs
	Level 2	Level 3	Level 2	Level 3			
ASSETS							
Financial assets held for trading	74,084	2,168	77,097	3,252			
Equity instruments	—	23	—	28	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	228	66	2,554	118	Present-value method (Discounted future cash flows) Observed prices in non active markets	- Issuer's credit risk - Current market interest rates - Non active markets prices	- Prepayment rates - Issuer's credit risk - Recovery rates
Loans and advances	40,521	1,169	47,397	2,913	Present-value method (Discounted future cash flows)	- Issuer's credit risk - Current market interest rates - Interest rates for the financing of assets - Exchange rates	- Prepayment rates - Issuer's credit risk - Recovery rates
Derivatives	33,334	911	27,146	193			
Interest rate					Interest rate products (Interest rate Swaps, call money Swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond Options: Black 76 Swaptions: Black 76, Hull-White y LGM Other Interest rate options: Black 76, Hull-White, SABR y LGM Constant maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity					Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Balck 76, Momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold					Future and Equity forward: Discounted future cash flows Foreign exchange Options: Black 76, Local Volatility, moments adjustment	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit					Credit Derivatives: Default model and Gaussian copula	- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility	
Commodities					Commodities: Momentum adjustment and discounted cash flows		
Non-trading financial assets mandatorily at fair value through profit or loss							
Equity instruments	4	367	1	57	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	60	47	77	49	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Loans and advances	—	—	—	140	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings	- Issuer credit risk - Current market interest rates - Interest rates for the financing of assets - Exchange rates	- Property valuation
Financial assets at fair value through other comprehensive income							
Equity instruments	—	31	—	26	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	463	139	749	178	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer's credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
Hedging derivatives							
Interest rate					Interest rate products (Interest rate swaps, Call money swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond options: Black 76 Swaptions: Black 76, Hull-White y LGM Other interest rate options: Black 76, Hull-White, SABR y LGM Constant maturity swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Equity					Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, Black 76, Momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black 76, Local volatility, moments adjustment		
Credit					Credit Derivatives: Default model and Gaussian copula		
Commodities					Commodities: Momentum adjustment and Discounted cash flows		

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

	2022		2021		Valuation technique(s)	Observable inputs	Unobservable inputs
	Level 2	Level 3	Level 2	Level 3			
LIABILITIES							
Financial liabilities held for trading	68,005	715	63,300	323			
Deposits	38,364	127	37,431	226	Present-value method (Discounted future cash flows)	- Interest rate yield - Funding interest rates observed in the market or in consensus services - Exchange rates	- Funding interest rates observed in the market or in consensus services
Derivatives	29,640	588	25,869	97			
Interest rate					Interest rate products (Interest rate Swaps, call money Swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond Options: Black 76 Swaptions: Black 76, Hull-White y LGM Other Interest rate Options: Black 76, Hull-White, SABR y LGM Constant Maturity swaps: SABR		- Beta - Correlation between tenors - Interest rates volatility
Equity					Future and Equity Forward: Discounted future cash flows Equity options: Local volatility, momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities	- Volatility of volatility - Assets correlation
Foreign exchange and gold					Future and Equity Forward: Discounted future cash flows Foreign exchange options: Black 76, Local volatility, moments adjustment	- Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Assets correlation
Credit					Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities					Commodities: Momentum adjustment and discounted cash flows		
Short positions	—	—	1	—	Present-value method (Discounted future cash flows)		- Correlation default - Credit spread - Recovery rates - Interest rate yield
Financial liabilities designated at fair value through profit or loss	1,457	402	2,074	164	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Current market interest rates
Derivatives – Hedge accounting	2,574	25	2,126	—			

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Interest rate	Interest rate products (Interest rate Swaps, Call money swaps y FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White y SABR Bond options: Black 76 Swaptions: Black 76, Hull-White y LGM Other Interest rate options: Black 76, Hull-White y LGM Constant Maturity swaps: SABR	- Beta - Implicit correlations between tenors - interest rates volatility
Equity	Future and Equity forward: Discounted future cash flows Equity options: Local Volatility, Black 76, momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations
Foreign exchange and gold	Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black 76, local volatility, moments adjustment	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Credit	Credit Derivatives: Default model and Gaussian copula	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Commodities	Commodities: Momentum adjustment and discounted cash flows	- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility

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.

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Unobservable inputs

Quantitative information of unobservable inputs used to calculate level 3 valuations is presented below as of December 31, 2022 and 2020:

Unobservable inputs. December 2022						
Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	—	111	1,538	pb
		Recovery rate	0 %	39 %	40 %	%
	Comparable Pricing		2 %	94 %	139 %	%
Equity/Fund instruments ⁽¹⁾	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	0.71 %	3.48 %	5.52 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation default	26 %	44 %	58 %	%
	Black 76	Price volatility	—	—	—	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends ⁽²⁾				
		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 %	2.00 %	18.00 %	%
		Correlation rate/credit	(100 %)		100 %	%
		Correlation rate/inflation	51 %	66 %	76 %	%

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

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

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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	pb
		Recovery rate	0 %	37 %	40 %	%
	Comparable Pricing		0 %	97 %	144 %	%
Equity/Fund instruments ⁽¹⁾	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	(2.71 %)	1.16 %	4.99 %	Abs Repo rate
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 ⁽²⁾				
		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 %	2.00 %	18.00 %	%
		Correlation rate/credit	(100 %)		100 %	%
		Credit default volatility	—	—	—	Vegas

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

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

Adjustments to the valuation

Under Circular 4/2017, the entity must estimate the value taking into account the assumptions and conditions that market participants would have when setting the price of the asset or liability on the valuation date.

In order to comply with the fair value requirements, the entity applies adjustments to the fair valuation considering inherent and counterparties' default criteria, funding valuation risk and valuation risks due to valuation uncertainty and related to the prudent valuation criteria aligned with the regulatory requirements and considers the model risk, liquidity risk (Bid / Offer) and price uncertainty risk.

Adjustments to the valuation for risk of default

The fair value of liabilities should reflect the entity's default risk, which includes, among other components, its own credit risk. Taking this into account, the Bank makes valuation adjustments for credit risk in the estimates of the fair value of its assets and liabilities.

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

Credit Valuation Adjustment (hereinafter "CVA") and Debit Valuation Adjustments (hereinafter "DVA") are included in the valuation of derivatives, both assets and liabilities, to reflect the impact on the fair value of the counterparty credit risk and its own, respectively. The Bank incorporates in its valuation, for all exposures classified in any of the categories valued at fair value, both the counterparty credit risk and its own. In the trading portfolio, and in the specific case of derivatives, credit risk is recognized through such adjustments.

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

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

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

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An additional adjustment for Own Credit Adjustment (OCA) is applied to the instruments accounted for by applying the Fair Value Option permitted by the standard.

The amounts recognized in the balance sheet as of December 31, 2022 related to "OCA" were €333 million.

The amounts recognized in the balance sheet as of December 31, 2022 and 2021 related to the valuation adjustments to the credit assessment of the derivative asset as "Credit Valuation Adjustments" ("CVA") were €-147 million and €-103 million respectively, and the valuation adjustments to the derivative liabilities as "Debit Valuation Adjustment" (DVA) were €88 million and €57 million respectively. The impact recorded under "Gains (losses) on financial assets and liabilities held for trading, net" in the income statement for the year ended December 31, 2022 and 2021 corresponding to the mentioned adjustments were a net impact of €-13 million and €-2 million respectively.

As a result of the value variations of the inherent credit risk, which is included in the deposits classified as liabilities designated at fair value through profit and loss, the amount recognized in the heading "Accumulated other comprehensive income" has amounted to €103 million and €3 million as of December 31, 2022 and 2021, respectively.

Valuation adjustments for financing risk

The fair value of the positions recorded at fair value must reflect the entity's financing risk. Taking into account the above, the Bank makes adjustments for financing risk valuation (Funding Valuation Adjustment FVA) in the estimates of the fair value of its assets and liabilities.

The adjustment to the valuation for financing risk incorporates the cost of financing implicit in the valuation of positions at fair value. This adjustment reflects the cost of funding for non-collateralized or partially collateralized operations.

Additionally, as of December 31, 2022 and 2021, €-16 million and €-11 million related to the "Funding Valuation Adjustments" ("FVA") were recognized in the balance sheet, being the impact on results €-7 million and €-1 million, respectively.

Valuation adjustments for valuation uncertainty

The fair value of the positions recorded at fair value must reflect the valuation risk derived from the uncertainty in the valuation for concepts of pure uncertainty of prices, liquidity risk and model risks. This adjustment is aligned with the regulatory requirements for prudent valuation via valuation adjustments with an impact on CET1, and meets the requirements.

The adjustment to the valuation for liquidity incorporates an adjustment for Bid / Offer spreads in the valuation of positions that do not meet the necessary conditions to be considered a Market Maker operation.

The adjustment to the valuation for model risk captures the uncertainty in the price associated with the products valued with the use of a valuation model ("Mark to Model") given the existence of more than one possible model applicable to the valuation of the product or the calibration of its parameters from the observations of inputs in the market.

The adjustment to the valuation for price uncertainty includes the uncertainty associated with the dispersion in the values observed in the market for the prices taken in the valuation of assets or as inputs in the valuation models.

The impact recorded under "Gains (losses) on financial assets and liabilities held for trading, net" in the consolidated income statement for the year ended December 31, 2022 corresponding to the mentioned adjustments was a net impact of €-43 million. An adjustment was also made as of December 31, 2022 on financial asset at fair value through other comprehensive income for a total of €-11 million.

Financial assets and liabilities classified as Level 3

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

	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Balance at the beginning	3,711	487	1,583	412
Changes in fair value recognized in profit and loss ⁽¹⁾	268	49	175	(44)
Changes in fair value not recognized in profit and loss	(23)	—	(19)	—
Acquisitions, disposals and liquidations	(599)	515	2,418	185
Net transfers to Level 3	(606)	91	(446)	(66)
Exchange differences and others	—	—	—	—
Balance at the end	2,752	1,142	3,711	487

(1) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2022 and 2021. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".

In 2022, the net volume of exposures classified as level 3 has been reduced. This reduction is mainly concentrated in repurchase agreements positions, derived from the rotation of the portfolio towards positions with better observability in the equity market of the inputs applied at their fair value. Additionally, the reduction in the volume of level 3 exposures of repurchase agreement positions is mitigated by the increase in the volume of level 3 exposures in derivatives, for which there is worse observability in the market of the inputs applied in their fair value.

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In 2021 there was an increase in the trading portfolio mainly due to the evolution of loans and advances and their corresponding funding with deposits. In line with this increase in the activity, and despite the improvement in the inputs used to value these assets in the market, there was an increase in the volume of exposures classified as level 3 which mainly corresponded to the temporary acquisitions of assets.

For the years ended December 31, 2022, and 2021, the profit/loss on sales of financial instruments classified as level 3 recognized in the consolidated income statement was not material.

Transfers among levels

The Global Valuation Area has established the rules for an appropriate financial instruments held for trading classification according to the fair value hierarchy defined by international accounting standards.

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

The financial instruments transferred among the different levels of measurement for the years are at the following amounts in the accompanying balance sheets as of December 31, 2022 and 2021:

Transfer among levels (Millions of Euros)													
	2022								2021				
	From:	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS													
Financial assets held for trading		15	—	1,873	326	23	885	888	—	11	142	6	592
Non-trading financial assets mandatorily at fair value through profit or loss		—	—	—	—	—	2	—	—	—	—	—	23
Financial assets at fair value through other comprehensive income		103	—	112	—	—	22	5	—	10	35	—	2
Derivatives – Hedge accounting		—	—	—	—	—	—	—	—	—	—	—	—
Total		117	—	1,985	326	23	909	893	—	21	176	6	616
LIABILITIES													
Financial liabilities held for trading		17	—	239	132	—	233	563	—	—	55	—	94
Financial liabilities designated at fair value through profit or loss		—	—	—	221	—	55	—	—	—	38	—	65
Derivatives – Hedge accounting		—	—	—	25	—	—	—	—	—	—	—	—
Total		17	—	239	378	—	287	563	—	—	94	—	159

The amount of financial instruments that were transferred among levels of valuation during the year ended December 31, 2022 corresponds to the above changes in the classification among levels since such financial instruments modified some of their features. Specifically, transfers among Levels 1 and 2 occur mainly in derivatives and debt securities. Likewise, transfers from Level 2 to level 3 are mainly due to derivatives and deposits at fair value through profit or loss, and in relation to transfers from level 3 to Level 2, generally affect derivatives and loans and advances held for trading.

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 criteria defined by the Global Valuation area in line with the official regulatory requirements for Prudent Valuation metrics, 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, 2022, the effect on profit for the year and total equity of changing the main unobservable inputs used for the measurement of level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

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Financial instruments Level 3: sensitivity analysis (Millions of Euros)

	Potential impact on income statement				Potential impact on other comprehensive income			
	Most favorable hypothesis		Least favorable hypothesis		Most favorable hypothesis		Least favorable hypothesis	
	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS								
Financial assets held for trading	33	33	(33)	(57)	—	—	—	—
Loans and advances	1	4	(1)	(4)	—	—	—	—
Debt securities	—	24	—	(24)	—	—	—	—
Equity instruments	25	1	(25)	(25)	—	—	—	—
Derivatives	6	5	(6)	(5)	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	135	35	(136)	(36)	—	—	—	—
Loans and advances	—	16	—	(5)	—	—	—	—
Debt securities	17	10	(19)	(10)	—	—	—	—
Equity instruments	118	9	(118)	(21)	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	24	40	(25)	(43)
Total	168	68	(169)	(93)	24	40	(25)	(43)
LIABILITIES								
Financial liabilities held for trading	7	3	(7)	(3)	—	—	—	—
Total	7	3	(7)	(3)	—	—	—	—

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

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

Financial assets

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

Financial liabilities

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

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The following table presents the fair value of key financial instruments carried at amortized cost in the accompanying balance sheets as of December 31, 2022 and 2021, broken down according to the method of valuation used for the estimation:

Fair value of financial instruments at amortized cost by Levels (Millions of Euros)						
	2022			2021		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
ASSETS						
Cash, cash balances at central banks and other demand deposits	52,973	—	—	38,821	—	—
Financial assets at amortized cost	16,767	7,877	219,649	17,615	8,774	207,120
LIABILITIES						
Financial liabilities at amortized cost	67,396	267,589	683	78,594	244,488	286

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at amortized cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2022 and 2021:

Fair Value of financial Instruments at amortized cost by valuation technique (Millions of Euros)						
	2022		2021			
	Level 2	Level 3	Level 2	Level 3	Valuation technique(s)	Main observable inputs used
ASSETS						
Financial assets at amortized cost	7,877	219,649	8,774	207,120		
Loans and advances to central banks	—	—	—	—	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	80	9,247	115	8,252		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	1,416	209,856	2,753	198,213		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	6,381	547	5,907	655		- Credit spread - Interest rate yield
LIABILITIES						
Financial liabilities at amortized cost	267,589	683	244,488	286		
Deposits from central banks	—	—	—	—	Present-value method (Discounted future cash flows)	- Issuer’s credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions	20,210	—	14,926	—		
Deposits from customers	234,380	521	214,534	87		
Debt certificates	3,084	162	3,273	199		
Other financial liabilities	9,915	—	11,756	—		

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

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

Cash, cash balances at central banks and other demand deposits (Millions of Euros)			
	Notes	2022	2021
Cash on hand		972	830
Cash balances at central banks ⁽¹⁾		49,854	36,566
Other demand deposits		2,147	1,424
Total	6.1	52,973	38,821

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

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8. Financial assets and liabilities held for trading

8.1 Breakdown of the balance

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

Financial assets and liabilities held-for-trading (Millions of Euros)			
	Notes	2022	2021
ASSETS			
Derivatives ⁽¹⁾		35,023	28,389
Equity instruments ⁽²⁾	5.2.2	3,361	15,146
Credit institutions		286	965
Other sectors		2,536	13,141
Shares in the net assets of mutual funds		539	1,040
Debt securities	5.2.2	11,318	11,546
Issued by central banks		—	—
Issued by public administrations		9,225	9,265
Issued by financial institutions		759	493
Other debt securities		1,333	1,788
Loans and advances	5.2.2	41,690	50,310
Loans and advances to central banks		1,632	3,467
Reverse repurchase agreement		1,632	3,467
Loans and advances to credit institutions		23,969	31,300
Reverse repurchase agreement		23,938	31,286
Loans and advances to customers		16,089	15,543
Reverse repurchase agreement		15,791	15,262
Total assets	6.1	91,391	105,391
LIABILITIES			
Derivatives ⁽¹⁾		30,954	27,054
Short positions		11,408	13,148
Deposits		38,492	37,657
Deposits from central banks		2,161	8,946
Repurchase agreement		2,161	8,946
Deposits from credit institutions		28,107	14,821
Repurchase agreement		27,738	14,260
Customer deposits		8,224	13,890
Repurchase agreement		8,116	13,740
Total liabilities	6.1	80,853	77,859

(1) The variation is mainly due to the evolution of exchange rate derivatives.

(2) The variation is mainly due to sales for the first six months of the year.

As of December 31, 2022 and 2021 "Short positions" include €10,602 and €12,348 million, respectively, held with general governments.

8.2 Derivatives

The derivatives portfolio arises from the Bank's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Bank's customers. As of December 31, 2022 and 2021, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of credit institutions and other financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

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

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Derivatives by type of risk / by product or by type of market (Millions of Euros)						
	2022			2021		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
Interest rate	14,685	11,327	4,016,211	14,595	12,304	3,680,441
OTC	14,685	11,327	4,010,398	14,595	12,304	3,664,808
Organized market	—	—	5,814	—	—	15,633
Equity instruments	3,125	2,803	75,457	2,780	3,435	72,025
OTC	1,869	1,161	52,245	758	1,245	48,469
Organized market	1,256	1,642	23,211	2,023	2,190	23,556
Foreign exchange and gold	16,920	16,542	627,899	10,777	11,061	564,167
OTC	16,920	16,542	627,899	10,777	11,061	564,167
Organized market	—	—	—	—	—	—
Credit	293	282	41,704	236	254	18,081
Credit default swap	293	282	41,704	236	254	18,081
Credit spread option	—	—	—	—	—	—
Total return swap	—	—	—	—	—	—
Other	—	—	—	—	—	—
Commodities	—	—	—	—	—	—
Other	—	—	—	—	—	—
DERIVATIVES	35,023	30,954	4,761,271	28,389	27,054	4,334,714
Of which: OTC - credit institutions	23,370	22,269	1,041,648	18,686	19,969	937,429
Of which: OTC - other financial corporations	7,042	3,192	3,573,051	4,893	2,270	3,247,925
Of which: OTC - other	3,356	3,851	117,547	2,788	2,626	110,172

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

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)			
	Notes	2022	2021
Equity instruments ⁽¹⁾	5.2.2	438	172
Debt securities	5.2.2	107	125
Loans and advances to customers	5.2.2	—	140
Total	6.1	546	437

(1) In 2022 an agreement was announced with Neon Payments Limited for the subscription of preferred shares representing approximately 21.7% of its share capital. Despite owning more than 20% of the share capital, BBVA's ability to influence the financial and operating policy decisions of this company is very limited, and therefore this shareholding has been recorded under this caption.

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

As of December 31, 2022 and 2021 there was no balance in the heading "Financial assets designated at fair value through profit or loss, has no balance (See Note 5.2.2).

As of December 31, 2022 and 2021 the heading "Financial liabilities designated at fair value through profit or loss" included customer deposits for an amount of €1,859 and €2,238 million respectively.

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

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11. Financial assets at fair value through other comprehensive income

11.1. Breakdown of the balance

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

Financial assets designated at fair value through other comprehensive income (Millions of Euros)			
	Notes	2022	2021
Equity instruments	5.2.2	977	1,103
Debt securities		23,877	27,102
Total	6.1	24,854	28,205
Of which: loss allowances of debt securities		(21)	(5)

During financial years 2022 and 2021, there have been no significant reclassifications from the heading "Financial assets at fair value through other comprehensive income" to other headings or from other headings to "Financial assets at fair value through other comprehensive income".

11.2. Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the accompanying financial statements as of December 31, 2022 and 2021, is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)								
	2021				2020			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
Listed equity instruments								
Spanish companies shares	2,215	—	(1,269)	946	2,215	—	(1,138)	1,077
Foreign companies shares	—	—	—	—	—	—	—	—
Subtotal listed equity instruments	2,215	—	(1,269)	946	2,215	—	(1,138)	1,077
Unlisted equity instruments								
Spanish companies shares	5	6	—	11	4	6	—	10
Credit institutions	—	—	—	—	—	—	—	—
Other entities	5	6	—	11	4	6	—	10
Foreign companies shares	9	11	—	20	9	7	—	16
The United States	—	—	—	—	—	—	—	—
Other countries	9	11	—	20	9	7	—	16
Subtotal unlisted equity instruments	14	17	—	31	13	13	—	26
Total	2,229	17	(1,269)	977	2,228	13	(1,138)	1,103

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11.3. Debt securities

The breakdown of the balance under the heading "Debt securities" of the accompanying financial statements as of December 31, 2022 and 2021, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)								
	2022				2021			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agency	10,675	45	(466)	10,254	8,396	302	—	8,698
Central banks	—	—	—	—	—	—	—	—
Credit institutions	222	2	—	224	422	4	—	426
Other issuers	146	2	(1)	147	206	4	(1)	209
Subtotal	11,043	49	(467)	10,625	9,024	310	(1)	9,333
Foreign debt securities								
Mexico	160	1	(1)	160	195	3	—	198
Government and other government agency	—	—	—	—	21	—	—	21
Central banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other issuers	160	1	(1)	160	174	3	—	177
The United States	3,472	21	(235)	3,258	2,433	36	(14)	2,455
Government and other government agency	1,647	—	(233)	1,414	957	5	(14)	948
Central banks	—	—	—	—	—	—	—	—
Credit institutions	55	1	—	56	85	2	—	87
Other issuers	1,770	20	(2)	1,788	1,391	29	—	1,420
Other countries	9,867	75	(108)	9,834	14,961	167	(12)	15,116
Other foreign governments and government agency	6,373	48	(91)	6,330	11,435	116	(11)	11,540
Central banks	89	—	—	89	106	—	—	106
Credit institutions	715	2	(2)	715	772	10	—	782
Other issuers	2,690	25	(15)	2,700	2,648	41	(1)	2,688
Subtotal	13,499	97	(344)	13,252	17,589	206	(26)	17,769
Total	24,542	146	(811)	23,877	26,613	516	(27)	27,102

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The credit ratings of the issuers of debt securities as of December 31, 2022 and 2021, are as follows:

Debt securities by rating				
	2022		2021	
	Fair value (Millions of Euros)	%	Fair value (Millions of Euros)	%
AAA	1,469	6.2 %	1,015	3.7 %
AA+	80	0.4 %	180	0.7 %
AA	289	1.2 %	376	1.4 %
AA-	220	0.9 %	148	0.6 %
A+	3,527	14.7 %	5,773	21.3 %
A	1,282	5.4 %	1,163	4.3 %
A-	11,437	47.9 %	9,506	35.1 %
BBB+	1,192	5.0 %	1,541	5.7 %
BBB	4,138	17.4 %	7,110	26.2 %
BBB-	117	0.5 %	151	0.6 %
BB+ or below	9	— %	—	— %
Unclassified	118	0.5 %	141	0.5 %
Total	23,877	100.0%	27,102	100.0%

11.4. Gains/losses

The changes in the gains/losses (net of taxes) in December 31, 2022 and 2021 of debt securities recognized under the equity heading “Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income” and equity instruments recognized under the equity heading “Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of equity instruments measured at fair value through other comprehensive income” in the accompanying balance sheets are as follows:

Other comprehensive income - Changes in the gains / losses (Millions of Euros)				
	Notes	Debt securities		Equity instruments
		2022	2021	2022
				2021
Balance at the beginning		342	352	(1,127)
Valuation gains and losses		(1,148)	49	(129)
Amounts transferred to income		(4)	(63)	—
Income tax and other		346	4	—
Other reclassifications		—	—	—
Balance at the end	27	(464)	342	(1,256)

In 2022 and 2021, equity instruments presented a decrease of €129 million and an increase of €167 million, respectively, in the heading “Gains and losses from valuation - Accumulated other comprehensive income - Items that will not be reclassified to profit and loss - Fair value changes of equity instruments measured at fair value through other comprehensive income”, mainly due to changes in Telefonica’s share price.

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12. Financial assets at amortized cost

12.1. Breakdown of the balance

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

Financial assets at amortized cost (Millions of Euros)			
	Notes	2022	2021
Debt securities		25,313	22,312
Government		24,016	21,110
Credit institutions		220	17
Other financial and non-financial corporations		1,077	1,185
Loans and advances to central banks		10	254
Loans and advances to credit institutions		9,329	8,371
Reverse repurchase agreements		1,429	150
Other loans and advances		7,900	8,221
Loans and advances to customers	5.2.2	212,297	200,339
Government		12,697	12,974
Other financial corporations		11,507	9,554
Non-financial corporations		94,332	82,629
Other		93,761	95,182
Total	6.1	246,950	231,276
<i>Of which: impaired assets of loans and advances to customers</i>	<i>5.2.5</i>	<i>7,461</i>	<i>8,137</i>
<i>Of which: loss allowances of loans and advances</i>	<i>5.2.5</i>	<i>(4,830)</i>	<i>(5,254)</i>
<i>Of which: loss allowances of debt securities</i>		<i>(6)</i>	<i>(8)</i>

During financial years 2022 and 2021, there have been no significant reclassifications from the heading "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

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12.2. Debt securities

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

Financial assets at amortized cost. Debt securities (Millions of Euros)								
	2022				2021			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
Domestic debt securities								
Government and other government agencies	18,379	10	(1,330)	17,059	17,681	1,326	(7)	19,000
Central banks	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—
Other issuers	144	1	(18)	127	337	10	(6)	341
Subtotal	18,523	11	(1,348)	17,186	18,018	1,336	(13)	19,341
Foreign debt securities								
The United States	1,891	—	(7)	1,884	29	—	—	28
Government and other government agencies	1,860	—	(5)	1,855	—	—	—	—
Central banks	—	—	—	—	—	—	—	—
Credit institutions	19	—	(1)	17	17	—	—	17
Other issuers	12	—	(1)	11	11	—	—	11
Other countries	4,899	11	(313)	4,597	4,265	289	(1)	4,554
Other foreign governments and government agencies	3,777	3	(299)	3,481	3,429	257	(1)	3,686
Central banks	—	—	—	—	—	—	—	—
Credit institutions	202	—	(2)	200	—	—	—	—
Other issuers	920	8	(12)	917	836	32	—	868
Subtotal	6,790	11	(320)	6,481	4,294	289	(1)	4,582
Total	25,313	22	(1,668)	23,667	22,312	1,625	(15)	23,923

As of December 31, 2022 and 2021, the distribution according to the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, was as follows:

	2022		2021	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	2,634	10.0 %	—	— %
AA+	172	1.0 %	16	0.1 %
AA	—	— %	—	— %
AA-	—	— %	—	— %
A+	—	— %	—	— %
A	501	2.0 %	569	2.6 %
A-	17,032	67.0 %	16,300	73.1 %
BBB+	1,006	4.0 %	1,008	4.5 %
BBB	3,556	12.0 %	3,685	16.5 %
BBB-	101	— %	332	1.5 %
BB+ or below	233	3.0 %	277	1.2 %
Unclassified	79	— %	126	0.6 %
Total	25,314	100.0 %	22,312	100.0 %

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12.3. Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)		
	2022	2021
On demand and short notice	284	242
Credit card debt	2,674	2,478
Trade receivables	21,604	15,818
Finance leases	5,491	5,039
Reverse repurchase agreements	102	2
Other term loans	177,642	171,272
Advances that are not loans	4,500	5,488
Total	212,297	200,339

The heading "Financial assets at amortized cost – Loans and advances to customers" in the balance sheets also includes certain secured loans that, as mentioned in Appendix X and pursuant to the Mortgage Market Act, are linked to long-term mortgage covered bonds.

As of December 31, 2022 and 2021, 41.2% and 39.2%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 58.8% and 60.8%, respectively, have variable interest rates.

This heading also includes some loans that have been securitized and not derecognized since the risks or substantial benefits related to them are retained because the Bank granted subordinated loans or other types of credit enhancements that substantially keep all the expected credit losses for the transferred asset or the probable variation of its net cash flows. The balances recognized in the accompanying balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)		
	2022	2021
Securitized mortgage assets	23,290	23,664
Other securitized assets	5,495	6,546
Total	28,784	30,210

13. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)		
	2022	2021
ASSETS		
Derivatives – Hedge accounting	1,169	841
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(148)	5
LIABILITIES		
Derivatives – Hedge accounting	2,599	2,126
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—

As of December 31, 2022 and 2021, the main positions hedged by the Bank and the derivatives designated to hedge those positions were:

- Fair value hedging:
 - a. Fixed-interest debt securities at fair value through other comprehensive income and at amortized cost: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
 - b. Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
 - c. Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).

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- d. Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".
- Cash-flow hedges: Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the amortized cost portfolio and the financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange, interest-rate swaps, inflation and FRA (Forward Rate Agreement).
- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 5 analyzes the Bank's main risks that are hedged using these financial instruments..

The details of the net positions by hedged risk of the fair value of the hedging derivatives recognized in the accompanying balance sheets are as follows:

Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge. (Millions of Euros)				
	2022		2021	
	Assets	Liabilities	Assets	Liabilities
Interest rate	576	138	553	273
OTC	576	138	553	273
Organized market	—	—	—	—
Equity instruments	—	—	—	—
Foreign exchange and gold	—	—	—	—
Credit	—	—	—	—
Commodities	—	—	—	—
Other	—	—	—	—
FAIR VALUE HEDGES	576	138	553	273
Interest rate	373	2,426	72	1,562
OTC	373	2,426	72	1,562
Organized market	—	—	—	—
Equity instruments	—	—	—	—
Foreign exchange and gold	—	—	—	—
OTC	—	—	—	—
Organized market	—	—	—	—
Credit	—	—	—	—
Commodities	—	—	—	—
Other	—	—	—	—
CASH FLOW HEDGES	373	2,426	72	1,562
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	213	26	198	196
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	7	8	18	95
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	—	—	—	—
DERIVATIVES-HEDGE ACCOUNTING	1,169	2,599	841	2,126
Of which: OTC - credit institutions	1,091	2,228	646	1,796
Of which: OTC - other financial corporations	78	371	195	330
Of which: OTC - other	415	—	—	—

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Below there is a breakdown of the items covered by fair value hedges:

Hedged items in fair value hedges (Millions of Euros)								
	Carrying amount		Hedge adjustments included in the carrying amount of assets/liabilities ⁽¹⁾		Remaining adjustments for discontinued micro hedges including hedges of net positions ⁽¹⁾		Hedged items in portfolio hedge of interest rate risk	
	2022	2021	2022	2021	2022	2021	2022	2021
ASSETS								
Financial assets measured at fair value through other comprehensive income	11,881	18,133	(1,007)	(75)	—	—	—	—
Interest rate	11,881	18,133	(1,007)	(75)				
Financial assets measured at amortized cost	4,331	7,796	(384)	228	—	—	1,179	1,997
Interest rate	4,331	7,796	(384)	228			1,179	1,997
LIABILITIES								
Financial liabilities measured at amortized costs	31,564	19,492	1,314	(682)	—	—	—	—
Interest rate	31,564	19,492	1,314	(682)				

(1) The balance of discontinued hedges is not significant.

The following is the breakdown, by their notional maturities, of the hedging instruments as of December 31, 2022

Calendar of the notional maturities of the hedging instruments (Millions of Euros)					
	3 months or less	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
FAIR VALUE HEDGES	2,455	5,462	25,616	12,342	45,875
Of which: Interest rate	2,455	5,462	25,616	12,342	45,875
CASH FLOW HEDGES	4,430	17,900	23,482	2,625	48,437
Of which: Interest rate	4,430	17,900	23,482	2,625	48,437
HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION	5,292	4,738	—	—	10,030
PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK	87	27	1,609	1,067	2,790
PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK	—	—	—	—	—
DERIVATIVES-HEDGE ACCOUNTING	12,264	28,127	50,707	16,034	107,132

In 2022 and 2021, there was no reclassification in the accompanying income statements of any amount corresponding to cash flow hedges that was previously recognized in equity (see Note 37).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in the years ended December 31, 2022 and 2021 were not material.

IBOR Reform

The transition from IBOR indices to the new risk free rates (RFR) (see Note 5.3.3) may cause uncertainty about the future of some references or its impact on the contracts held by an entity, which could cause uncertainty about the term or the amounts of the cash flows of the hedged instrument or the hedging instrument. Due to such uncertainties, in the period before the benchmark rate reform actually takes place, some entities may be forced to discontinue hedge accounting, or not be able to designate new hedging relationships.

To avoid this, Circular 5/2020, in line with the international accounting standards issued, made a series of transitory modifications to those providing temporary exceptions to the application of certain specific hedge accounting requirements that are applicable to all hedging relationships that are affected by the uncertainty derived from the IBOR Reform. These exceptions should end once the uncertainty is resolved (rates to be modified according to the new RFRs) or the hedge ceases to exist.

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The nominal amount of the hedging instruments for hedging relationships directly affected by the IBOR reform as of December 31, 2022 is the following:

Hedges affected by the IBOR reform (Millions of Euros)				
	LIBOR USD	LIBOR GBP	Other	Total
Cash flow hedges	—	—	—	—
Fair value hedges	1,453	316	—	1,769

14. Investments in joint ventures and associates

14.1. Investments in subsidiaries

The heading "Investments in subsidiaries, joint venture and associates- Subsidiaries" in the accompanying balance sheets includes the carrying amount of the shares of companies forming part of the BBVA Group. The percentages of direct and indirect ownership and other relevant information on these companies are provided in Appendix II.

The breakdown, by currency and listing status, of this heading in the accompanying balance sheets is as follows:

Investments in subsidiaries (Millions of Euros)		
	2022	2021
Subsidiaries		
By currency	37,621	33,970
In euros	19,933	18,829
In foreign currencies	17,688	15,141
By share price	37,621	33,970
Listed	8,037	6,567
Unlisted	29,584	27,403
Loss allowances	(15,977)	(16,744)
Total	21,644	17,226

Garanti Bank

During 2022 and 2021 the negative evolution of the Turkish economy has caused a depreciation of the Turkish lira.

In accordance with the accounting standards applicable to individual financial statements, the Bank maintains a stake in Garanti BBVA A.S. valued at historical cost (weighted average price in euros of the different acquisitions made since 2011) and at each closing the recoverability of the investment in euros is evaluated in the event of signs of impairment.

At the end of 2021, BBVA estimated that there was an impairment in the stake in Garanti BBVA A.S. and that affected the individual financial statements of the Bank as of December 31, 2021. This estimate had a net negative impact on the individual result of the Bank of €877 million, mainly due to the depreciation of the Turkish Lira and the Net Equity of the Bank was reduced by the same amount. At the end of the 2022 financial year, however, although the Turkish lira continued to depreciate, the shares acquired in the voluntary tender offer of May 18, 2022 at a price below BBVA's average book value, together with the Garanti's good performance and good growth expectations in Turkey have led to a recovery of part of the impairment previously recorded. This recovery has had a positive impact on the Bank's individual result of €647 million. Thus, as of December 31, 2022, the total impairment of the stake in Garanti is €2,577 million.

These impairments or recoveries of the interest in the Bank's individual financial statements had no impact on the consolidated financial statements of the BBVA Group, since foreign currency translation differences are recorded under the heading "Other accumulated comprehensive income" of the Group's Consolidated Net Equity, in accordance with the accounting standards applicable to the consolidated financial statements, therefore the depreciation of the Turkish Lira was already recorded, reducing the consolidated Total Equity of the Group.

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Movements

The changes in 2022 and 2021 in the balance under this heading in the balance sheets, disregarding the balance of the loss allowances, are as follows:

Investments in subsidiaries: changes in the year (Millions of Euros)		
	2022	2021
Balance at the beginning	33,970	33,755
Acquisitions and capital increases	3,444	103
Merger transactions	—	—
Disposals and capital reductions ⁽¹⁾	(943)	(403)
Transfers	—	467
Exchange differences and others	1,150	48
Balance at the end	37,621	33,970

(1) In 2022, the movement corresponded mainly to refunds of contributions from Anida Grupo Inmobiliario, S.L. in the amount of €269 million, PECRI Inversión, S.L. in the amount of €155 million, Catalunya Caixa Inmobiliaria, S.A. Unipersonal in the amount of 111 million euros, Unnim Sociedad para la Gestión de Activos Inmobiliarios, S.A. Unipersonal in the amount of €87 million and BBV América S.L. in the amount of €79 million..

Changes in the holdings in Group entities

The most notable transactions performed in 2022 and 2021 are as follows:

Significant transactions in 2022

Investments

Purchase of Tree Inversiones Inmobiliarias SOCIMI, S.A. (Tree) to Merlin Properties SOCIMI, S.A

On June 15, 2022, BBVA acquired from Merlin Properties SOCIMI, S.A., the shares representing the entire share capital of Tree Inversiones Inmobiliarias SOCIMI, S.A (hereinafter, "Tree") for an amount of €1,988 million. This company has 662 properties leased to BBVA S.A., which were part of the group of properties that BBVA sold between 2009 and 2010 under a sale and leaseback contract and which are registered as "Rights of use" in the assets of the Balance of BBVA and, in liabilities, the payment obligation is reflected in the heading "Financial liabilities at amortized cost - Other financial liabilities", in accordance with Regulation 33 of Bank of Spain Circular 4/2017.

BBVA has recorded the purchase of this company under the heading "Investments in Subsidiaries, Joint Ventures and Associates" in Assets on the Balance Sheet for its cost, which amounts to €1,988 million.

Also, given that BBVA maintains the lease contract with Tree, it continues to reflect the right of use and the lease liability for the lease contract it maintains with it, as it had been doing up to now.

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

On November 15, 2021, BBVA announced a voluntary takeover bid (hereinafter "VTB") addressed to the 2,106,300,000 shares¹ not controlled by BBVA, which represented 50.15% of the total share capital of Türkiye Garanti Bankası A.Ş (hereinafter "Garanti BBVA"). BBVA submitted for authorization an application of the VTB to the supervisor of the securities markets in Turkey (Capital Markets Board, hereinafter "CMB") on November 18, 2021.

On March 31, 2022, CMB approved the offer information document and on the same day BBVA announced the commencement of the VTB acceptance period on April 4, 2022. On April 25, 2022 BBVA informed of an increase of the cash offer price per Garanti BBVA share from that initially announced (12.20 Turkish lira) to 15.00 Turkish lira.

On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA's share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390 million² including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired).

Following the completion of the VTB on May 18, the percentage of the total share capital of Garanti BBVA owned by BBVA is 85.97%.

Significant transactions in 2021

Divestitures

Sale of BBVA's U.S. subsidiary to PNC Financial Service Group

¹ All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

² Using the effective exchange rate of 16.14 Turkish lira per euro.

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On June 1, 2021, after obtaining all the required authorizations, BBVA completed the sale to The PNC Financial Services Group, Inc. of 100% of the capital stock of its subsidiary BBVA USA Bancshares, Inc., which in turn owned all the capital stock of the bank, BBVA USA.

The consideration received in cash by BBVA, as a consequence of the referred sale, amounted to approximately USD 11,500 million (price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately €9,600 million (with an exchange rate of 1.20 EUR / USD).

BBVA continues to develop an institutional and wholesale business in the United States that it currently carries out through its broker-dealer BBVA Securities Inc. and the New York branch. BBVA also maintains its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P.

Sale of the BBVA Group's stake in Paraguay

On January 22, 2021 and once the mandatory authorizations were obtained, BBVA completed the sale of its direct and indirect shareholding of 100% of the capital stock of Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay") to Banco GNB Paraguay S.A., a subsidiary of the Gilinski Group.

The total amount received by BBVA amounted to approximately USD 250 million (approximately €210 million). The transaction has generated a capital loss net of taxes of approximately €9 million. However, this transaction has a positive impact on the Common Equity Tier 1 (fully loaded) of the BBVA Group of approximately 6 basis points, which is reflected in the capital base of the BBVA Group in the first half of 2021.

14.2. Investments in joint ventures and associates

The breakdown, by currency and listings status, of this heading in the accompanying balance sheets is as follows:

Joint ventures and associates (Millions of Euros)		
	2022	2021
Associates		
By currency	585	536
In euros	280	302
In foreign currencies	305	234
By share price	585	536
Listed	249	272
Unlisted	336	264
Loss allowances	(305)	(311)
Subtotal	280	225
Joint ventures		
By currency	36	55
In euros	36	55
In foreign currencies	—	—
By share price	36	55
Listed	—	—
Unlisted	36	55
Loss allowances	—	(1)
Subtotal	36	54
Total	316	279

The investments in associates as of December 31, 2022 as well as the most important data related to them, can be seen in Appendix III.

The following is a summary of the gross changes in 2022 and 2021 under this heading in the accompanying balance sheets:

Joint ventures and associates: changes in the year (Millions of Euros)		
	2022	2021
Balance at the beginning	591	1,158
Acquisitions and capital increases	72	28
Disposals and capital reductions	(42)	(50)
Transfers	—	(545)
Exchange differences and others	—	—
Balance at the end	621	591

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During the 2021 financial year, the most significant changes under the heading "Investment in joint ventures and associates" corresponds to the sale of the 20% stake in Divarian Property SA, which was previously reclassified under the heading "Non-current assets and disposal groups that have been classified as held for sale" in July 2021 and sold in October 2021

14.3. Notifications about acquisition of holdings

Appendix IV provides notifications on acquisitions and disposals of holdings in associates or jointly-controlled entities, in compliance with Article 155 of the Corporations Act and Article 125 of the Securities Market Act 4/2015.

14.4. Impairment

The breakdown of the changes in loss allowances in 2022 and 2021 under this heading is as follows:

Impairment (Millions of Euros)			
	Notes	2022	2021
Balance at the beginning		17,057	16,532
Increase in loss allowances charged to income	43	56	933
Decrease in loss allowances credited to income	43	(698)	(22)
Companies held for sale ⁽¹⁾		—	(25)
Amount used		(133)	(361)
Balance at the end		16,282	17,057

(1) During the year 2021, the movement corresponded mainly to the transfer of the impairment of the 20% stake in Divarian Property, S.A.U. as a result of their reclassification under the heading "Non-current assets and disposal groups that have been classified as held for sale" in July 2021 and their subsequent sale in October 2021.

15. Tangible assets

The breakdown and movement of the balance and changes of this heading in the accompanying balance sheets, according to the nature of the related items, is as follows:

Tangible assets. Breakdown by type of assets and changes in the year 2022 (Millions of Euros)								
					Right to use asset			
	Notes	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Tangible asset of own use	Investment Properties	Investment Properties	Total
Revalued cost								
Balance at the beginning		1,047	1	2,700	3,092	161	14	7,015
Additions		1	1	59	285	19	—	365
Retirements		—	(1)	(103)	(22)	—	—	(126)
Transfers		(20)	(1)	(55)	(32)	33	(2)	(77)
Exchange difference and other		—	—	—	—	—	—	—
Balance at the end		1,028	—	2,601	3,323	213	12	7,177
Accrued depreciation								
Balance at the beginning		185	—	2,180	592	46	2	3,005
Additions	40	12	—	88	190	18	—	308
Retirements		—	—	(99)	(19)	—	—	(118)
Transfers		(10)	—	(35)	(5)	5	—	(45)
Exchange difference and other		—	—	2	—	—	—	2
Balance at the end		187	—	2,136	758	69	2	3,152
Impairment								
Balance at the beginning		70	—	—	417	34	6	527
Additions	44	—	—	4	34	16	—	54
Retirements	44	—	—	—	(75)	—	—	(75)
Transfers		—	—	—	(7)	—	(1)	(8)
Exchange difference and other		—	—	(4)	—	—	—	(4)
Balance at the end		70	—	—	369	50	5	494
Net tangible assets								
Balance at the beginning		792	1	520	2,083	81	6	3,482
Balance at the end		771	—	465	2,196	94	5	3,531

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Tangible assets. Breakdown by type of assets and changes in the year 2021 (Millions of Euros)

					Right to use asset			
	Notes	Land and Buildings	Work in Progress	Furniture, Fixtures and Vehicles	Tangible asset of own use	Investment Properties	Investment Properties	Total
Revalued cost								
Balance at the beginning		1,156	2	2,888	3,057	125	16	7,244
Additions		1	—	55	124	1	—	181
Retirements		—	(1)	(222)	(54)	—	—	(277)
Transfers		(109)	—	(26)	(35)	35	(2)	(137)
Exchange difference and other		—	—	5	—	—	—	5
Balance at the end		1,047	1	2,700	3,092	161	14	7,015
Accrued depreciation								
Balance at the beginning		193	—	2,301	414	26	2	2,936
Additions	40	14	—	96	195	15	—	320
Retirements		—	—	(204)	(11)	—	—	(215)
Transfers		(22)	—	(16)	(5)	5	—	(38)
Exchange difference and other		—	—	3	—	—	—	3
Balance at the end		185	—	2,180	592	46	2	3,005
Impairment								
Balance at the beginning		94	—	—	265	26	7	392
Additions ⁽¹⁾	44	—	—	5	207	9	—	220
Retirements	44	—	—	—	(55)	(1)	—	(56)
Transfers		(24)	—	13	—	—	(1)	(12)
Exchange difference and other		—	—	(18)	—	—	—	(18)
Balance at the end		70	—	—	417	34	6	527
Net tangible assets								
Balance at the beginning		869	2	587	2,377	73	7	3,915
Balance at the end		792	1	520	2,083	81	6	3,482

(1) In 2021, it includes allowances on right of use of the rented offices after the agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 21 and 44).

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions.

As of December 31, 2022 and 2021, the cost of fully amortized tangible assets that remained in use were €1,619 million and €1,580 million, respectively.

The main activity of the Bank is carried out through a network of bank branches located geographically as shown in the following table:

Branches by geographical location (Number of branches)

	2022	2021
Spain	1,886	1,895
Rest of the world	24	24
Total	1,910	1,919

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16. Intangible assets

The breakdown of the balance under this heading in the balance sheets as of December 31, 2022 and 2021 relates mainly to the net balance of the disbursements made on the acquisition of computer software. The average life of the Bank's intangible assets is 5 years.

The breakdown of the balance under this heading in the balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)		
	2022	2021
Transactions in progress	824	797
Accruals	31	44
Total	855	841

The breakdown of the changes in 2022 and 2021 in the balance under this heading in the balance sheets is as follows:

Other intangible assets. Changes over the year (Millions of Euros)							
	Notes	2022			2021		
		Computer software	Other intangible assets	Total of intangible assets	Computer software	Other intangible assets	Total of intangible assets
Balance at the beginning		797	44	841	783	57	840
Additions		360	—	360	323	—	323
Contributions from merger transactions		—	—	—	—	—	—
Amortization in the year	40	(317)	(13)	(330)	(305)	(13)	(318)
Net variation of impairment through profit or loss	44	(15)	—	(15)	(4)	—	(4)
Balance at the end		825	31	855	797	44	841

17. Tax assets and liabilities

The balance of the heading "Tax Liabilities" in the accompanying balance sheets contains the liability for applicable taxes, including the provision for corporation tax of each year, net of tax with holdings and prepayments for that period, and the provision for current period corporation tax in the case of companies with a net tax liability. The amount of the tax refunds due to Group companies and the tax with holdings and prepayments for the current period are included under "Tax Assets" in the accompanying balance sheets.

Banco Bilbao Vizcaya Argentaria, S.A. and its tax-consolidable subsidiaries file consolidated tax returns. The subsidiaries of Argentaria, which had been in Tax Group 7/90, were included in Tax Group 2/82 from 2000. On December, 30, 2002, the pertinent notification was made to the Ministry of Economy and Finance to extend its taxation under the consolidated taxation regime indefinitely, in accordance with current legislation. Similarly, on the occasion of the acquisition of Unnim Group in 2012, the companies composing the Tax Group No. 580/11 which met the requirements became part of the Tax Group 2/82 from January 1, 2013. On the occasion of the acquisition of Catalunya Banc Group in 2015, the companies composing the Tax Group No. 585/11 which met the requirements became part of the Tax Group 2/82 from January 1, 2016.

In previous years, the Bank has participated in various corporate restructuring operations covered by the special regime for mergers, divisions, transfers of assets and exchange of securities under the terms provided in the Corporate Tax Law in force in each of the years corresponding. These operations are explained in detail in the financial statements, part of the annual accounts for the respective years. Similarly, the information requirements under the above legislation are included in the financial statements corresponding to the year in which the mentioned operations were carried out, as well as in the merger by absorption deed, other official documents or in the internal records of the Bank, available to the tax authorities.

17.1 Years open for review by the tax authorities

At the date of preparation of these financial statements, BBVA in Spain has 2017 and subsequent years subject to inspection, with respect to the main taxes applicable to it.

In the year 2022, as a result of the inspection activities of the tax authorities, inspection reports have been issued for the years 2014 to 2016 financial years have become final. These records were signed in 2021 and were signed in accordance, except those corresponding to the 2016 financial year in relation to which a partial disagreement has been expressed. The impacts of the conclusion of these inspection actions were recorded in the year 2021 and did not have a material effect on the financial statements as a whole.

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In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that may be conducted by the tax authorities in the future may give rise to contingent tax liabilities which cannot be reasonably estimated at the present time. However, the Group considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Bank's accompanying financial statements.

17.2 Reconciliation

The reconciliation of the corporation tax expense resulting from the application of the standard tax rate to the recognized corporation tax expense is as follows:

Reconciliation of the Corporate Tax Expense Resulting from the Application of the Standard Rate and the Expense Registered by this Tax (Millions of Euros)		
	2022	2021
Corporation tax	1,549	224
Increases due to permanent differences	60	—
Decreases due to permanent differences	(1,461)	—
Tax credits and tax relief at consolidated Companies	(48)	(49)
Other items net	87	(384)
Net increases (decreases) due to temporary differences	(174)	85
Charge for income tax and other taxes	—	—
Deferred tax assets and liabilities recorded (utilized)	174	(85)
Income tax and other taxes accrued in the period	186	(209)
Adjustments to prior years' income tax and other taxes	161	151
Income tax and other taxes	347	(58)

The heading "Decreases due to permanent differences" of the previous table in 2022 includes mainly the tax effect on dividends and capital gains, which are exempt in order to avoid double taxation at 95%, for an amount of €3.654 million and available of non-deductible impairments for an amount of €714 million. In 2021, the effect of those concept were €2.286 and €909 million, respectively.

The Bank avails itself of the tax credits for investments in new fixed assets (in the scope of the Canary Islands tax regime, for a non-material amount), tax relief, R&D tax credits, donation tax credits and double taxation tax credits, in conformity with corporate income tax legislation.

Under the regulations in force until December 31, 2001, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax deferral for reinvestment. The information related to this tax credit can be found in the corresponding annual reports.

From 2002 to 2014, the Bank and the savings banks which would form Unnim Banc and Catalunya Banc were available to the tax credit for reinvestment of extraordinary income obtained on the transfer for consideration of properties and shares representing ownership interests of more than 5%. The information related to this tax credit can be found in the corresponding financial statements.

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17.3 Income tax recognized in equity

In addition to the income tax registered in the income statements, at the end of 2022 and 2021 the Bank recognized the following amounts in equity:

Tax recognized in Total Equity (Millions of Euros)		
	2022	2021
Charges to total equity		
Debt securities	—	(148)
Equity instruments	(3)	(2)
Other	—	—
Subtotal	(3)	(150)
Credits to total equity		
Debt securities	168	—
Equity instruments	—	—
Other	219	288
Subtotal	387	288
Total	384	138

17.4 Current and deferred taxes

The balance under the heading "Tax assets" in the accompanying balance sheets includes the tax receivables relating to deferred tax assets. The balance under the "Tax liabilities" heading includes the liabilities relating to the Bank's various deferred tax liabilities. The details of the most important tax assets and liabilities are as follows:

Tax Assets and Liabilities (Millions of Euros)			
	2022	2021	Variation
Tax assets-			
Current tax assets	1,629	546	1,083
Deferred tax assets	10,850	11,748	(898)
Pensions	158	215	(57)
Financial Instruments	456	330	126
Other assets	49	60	(11)
Impairment losses	237	283	(46)
Other	508	549	(41)
Secured tax assets ⁽¹⁾	8,689	9,303	(614)
Tax losses	753	1,008	(255)
Total	12,479	12,294	185
Tax Liabilities-			
Current tax liabilities	190	187	3
Deferred tax liabilities	753	812	(59)
Charge for income tax and other taxes	753	812	(59)
Total	943	999	(56)

(1) The Law guaranteeing the deferred tax assets was approved in Spain in 2013.

Based on the available information, including historical profit levels and projections that the Bank handles for the coming 15 years results, the recoverability plan for deferred tax assets and liabilities has been reviewed and it is considered that there is sufficient positive evidence, greater than the negative, that sufficient taxable income to recover deferred tax assets detailed above would be generated when they become deductible under the provisions of tax legislation.

With respect to the changes in assets and liabilities due to deferred tax contained in the above table, the following should be pointed out:

- The increase of Current tax assets is due to higher debtor Public Treasury due to the return of the 2022 Corporation Tax payments made during the year.
- The increase in assets for deferred tax assets related to financial instruments are mainly due to valuation adjustments in Total Equity
- The other changes in deferred tax assets and liabilities are mainly due to the adjustments on the corporate income tax finally presented for year 2021 and the estimation for 2022.

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- The variation in guaranteed tax assets and tax losses are due to the estimation for 2022 and the use in the year of deferred tax assets converted into a payable credit in face of the Tax Administration through the Corporate Tax return corresponding to 2020.
- The decrease of Tax Losses is mainly due to the agreement reached within the Group in 2022 to reclassify the tax credits generated in Tax Group 2/82 and pending of application, assigning them to each of the entities of said Group. in the proportion in which they have contributed to its formation.

On the deferred tax assets and liabilities contained in the table above, those included in section 17.4 above have been recognized against the entity's equity, and the rest against earnings for the year or reserves.

From the guaranteed tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish Government is as follows:

Secured tax assets (Millions of Euros)		
	2022	2021
Pensions	1,622	1,759
Loss allowances	7,067	7,544
Total	8,689	9,303

On the other hand, BBVA, S.A., has not recognized certain negative tax bases and deductions for an amount of €1,195 million in quota for which, in general, there is no legal period for offsetting, which are mainly originated by Catalunya Banc.

In addition, BBVA, S.A., in relation to the Branch in Portugal, has negative tax bases not recognized in accounting for an amount of 27 million euros in quota

17.5 Other Contributions

On December 28, 2022, the Law for the establishment of the temporary tax on credit institutions and financial credit establishments was published in the Official State Gazette.

This law establishes an obligation to pay a non-taxable equity benefit of public nature during the years 2023 and 2024 to those credit institutions that operate in Spain whose aggregated amount of interest income and fee and commission income generated, corresponding to the year 2019, equals or exceeds €800 million.

The amount of the benefit to be paid will be the result of applying the percentage of 4.8% to the sum of the net interest income and fee and commission income and expense derived from the activity carried out in Spain, as shown in the income statement of the tax consolidation group to which the credit institutions belongs, corresponding to the calendar year prior to the year in which the obligation to pay arose. The payment obligation arises on the first day of the calendar year of fiscal years 2023 and 2024.

The estimated impact for 2023 is €225 million and has been recorded on January 1, 2023 in the heading "Other operating expense" of the income statement

18. Other assets and liabilities

The composition of the balance of these captions of the accompanying balance sheets is:

Other assets and liabilities (Millions of Euros)			
	Notes	2022	2021
ASSETS			
Insurance contracts linked to pensions	22	1,337	1,882
Rest of other assets		340	415
Transactions in progress		63	80
Accruals		265	317
Other items		12	18
Total		1,677	2,296
LIABILITIES			
Transactions in progress		27	30
Accruals		949	893
Other items		1,576	962
Total		2,552	1,885

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19. Non-current assets and disposal groups classified as held for sale

The composition of the balances under the headings "Non-current assets and disposal groups classified as held for sale" in the accompanying balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale: Breakdown by items (Millions of Euros)		
	2022	2021
Foreclosures and recoveries	728	921
Foreclosures	685	876
Recoveries from financial leases	43	44
Assets from tangible assets	460	559
Business sale - Assets	—	—
Accrued amortization ⁽¹⁾	(89)	(112)
Loss allowances	(449)	(483)
Total non-current assets and disposal groups classified as held for sale	651	885

(1) Corresponds to the accumulated depreciation of assets before classification as "Non-current assets and disposal groups classified as held for sale".

The changes in the balances under this heading in 2022 and 2021 are as follows:

Non-current assets and disposal groups classified as held for sale. Changes in the year (Millions of Euros)									
	Notes	Foreclosed assets		From own use assets ⁽¹⁾		Business sale - assets		Total	
Cost (1)		2022	2021	2022	2021	2022	2021	2022	2021
Balance at the beginning		920	992	447	387	—	11,699	1,367	13,078
Additions		118	193	—	—	—	11	118	204
Retirements (sales and other decreases)		(269)	(203)	(110)	(39)	—	(11,787)	(379)	(12,029)
Transfers, other movements and exchange differences		(41)	(62)	34	99	—	77	(7)	114
Balance at the end		728	920	371	447	—	—	1,099	1,367
Impairment (2)									
Balance at the beginning		216	205	266	206	—	2,688	482	3,100
Net variations through profit and loss	45	50	40	14	61	—	(469)	64	(368)
Retirements (sales and other decreases)		(46)	(33)	(46)	(13)	—	(2,244)	(92)	(2,290)
Transfers, other movements and exchange differences		(6)	4	—	12	—	25	(6)	41
Balance at the end		214	216	234	266	—	—	449	482
Balance at the end of Net carrying value (1)-(2)		514	704	137	181	—	—	651	885

(1) Net of accumulated amortizations until their classification as "Non-current assets and disposable groups of elements that have been classified as held for sale".

As indicated in Note 2.3, "Non-current assets and disposal groups held for sale" and "liabilities included in disposal groups classified as held for sale" are valued at the lower amount between its fair value less costs to sell and its book value. As of December 31, 2022, practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis coincides with their fair value.

Assets from foreclosures or recoveries

The table below shows the main non-current assets held for sale from foreclosures or recoveries:

Non-current assets and disposal groups classified as held for sale. From foreclosures or recoveries (Millions of Euros)		
	2022	2021
Residential assets	373	532
Industrial assets	127	158
Agricultural assets	11	12
Total	511	702

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The table below shows the length of time for which the main assets from foreclosures or recoveries that were on the balance sheet as of December 31, 2022 and 2021 had been held:

Assets from foreclosures or recoveries. Period of ownership (Millions of Euros)		
	2022	2021
Up to one year	22	64
From 1 to 3 years	103	209
From 3 to 5 years	184	225
Over 5 years	202	204
Total	511	702

In 2022 and 2021, some of the sales of these assets were financed by the Bank. The amount of the loans granted to the buyers of these assets in those years totaled €14 and €15 million respectively, with a mean percentage financed of 82% and 83%, respectively, of the price of sale. The total nominal amount of these loans and receivables, which are recognized under "Financial assets at amortized cost" was €1,395 and €1,401 million, as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, there were no gains not recognized in the income statement from the sale of assets financed by the Bank.

20. Financial liabilities at amortized cost

20.1. Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)		
	2022	2021
Deposits	287,514	272,226
Deposits from central banks	32,517	40,839
<i>Demand deposits</i>	197	4
<i>Time deposits and other</i>	32,320	40,835
Deposits from Credit Institutions	20,200	14,936
<i>Demand deposits</i>	10,505	7,414
<i>Time deposits and other</i>	6,113	4,133
<i>Repurchase agreements</i>	3,583	3,389
Customer deposits	234,797	216,452
<i>Demand deposits</i>	203,235	193,671
<i>Time deposits and other</i>	30,683	22,026
<i>Repurchase agreements</i>	880	754
Debt certificates	38,511	37,866
Other financial liabilities	9,915	11,756
Total	335,941	321,848

The amount recorded in Deposits from central banks - Time deposits includes the provisions of the TLTRO III facilities of the European Central Bank amounting to €26,411 and €38,392 million euros as of December 31, 2022 and 2021 respectively after the refund of December 2022 (See Note 5.5.2).

On April 30, 2020, the European Central Bank modified some of the terms and conditions of the TLTRO III facilities in order to support the continued access of companies and households to bank credit in the face of interruptions and temporary shortages of funds associated with the COVID-19 pandemic. Entities whose eligible net lending exceeded 0% between March 1, 2020 and March 31, 2021 paid an interest rate 0.5% lower than the average rate of the deposit facilities during the period from June 24, 2020 to June 23, 2021.

On December 10, 2020, the European Central Bank extended the support via targeted lending operations (TLTRO), extending by twelve additional months, until June 2022, the period of application of favorable interest rates to credit institutions for which the net variation of their eligible loans, between October 1, 2020 and December 31, 2021, reached a given lending performance threshold. Additionally, the maximum borrowing amount was increased to 55% of the eligible loans (from 50% previously). This meant that the interest rate applicable to the outstanding operations was -1% provided that the lending objectives were met according to the conditions of the European Central Bank.

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As of December 31, 2021, the Group fulfilled these lending objectives. Therefore, the recognition of the favorable interest rate associated with the COVID-19 pandemic was recognized for the period from June 24, 2020 to June 23, 2022.

In its monetary policy decision of October 27, 2022, the ECB decided to adjust the interest rates applicable to TLTRO III from November 23, 2022 and offer credit institutions additional voluntary early repayment dates for these operations. In this sense, up to November 23, 2022, outside of special periods, the interest rate applicable to each drawdown is the average rate of the deposit facilities from the beginning of each drawdown until November 23. From November 23, 2022 until the maturity date or early redemption date of the corresponding TLTRO III operation, the interest rate applicable to the remaining TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period. In December 2022, BBVA began the repayment of the TLTRO III program for an amount of €12 billion, corresponding to approximately a third of the total drawn amount.

The positive income generated by the drawdowns of the TLTRO III facilities was recorded under the heading of "Interest and other income – Other income" in the income statements (see Note 33.1), while the negative remuneration generated by the drawdowns of the TLTRO III facilities are recorded under "Interest expense" in the income statement.

20.2. Deposits from credit institutions

The breakdown by geographical area and the nature of the related instruments of this heading in the balance sheets is as follows:

Deposits from credit institutions (Millions of Euros)				
	Demand deposits	Time deposits and other	Repurchase agreements	Total
December 2022				
Spain	1,223	676	67	1,967
Rest of Europe	3,541	2,117	1,567	7,225
Mexico	215	—	—	215
South America	648	673	—	1,322
Rest of the world	4,876	2,646	1,949	9,471
Total	10,505	6,113	3,583	20,200
December 2021				
Spain	1,737	375	—	2,112
Rest of Europe	1,851	2,071	2,341	6,263
Mexico	85	—	—	85
South America	764	360	—	1,124
Rest of the world	2,977	1,327	1,048	5,352
Total	7,414	4,133	3,389	14,936

20.3. Customer deposits

The breakdown of this heading in the accompanying balance sheets, by type of instrument and geographical area, is as follows:

Customer deposits (Millions of Euros)				
	Demand deposits	Time deposits and other	Repurchase agreements	Total
December 2022				
Spain	191,426	12,693	—	204,119
Rest of Europe	8,973	13,875	880	23,728
Mexico	187	411	—	598
South America	1,220	392	—	1,612
Rest of the world	1,428	3,312	—	4,740
Total	203,235	30,683	880	234,797
December 2021				
Spain	184,677	10,557	—	195,234
Rest of Europe	6,557	9,370	754	16,681
Mexico	218	76	—	294
South America	1,145	301	—	1,446
Rest of the world	1,074	1,723	—	2,797
Total	193,671	22,026	754	216,452

Previous table includes as of 31, December 2022 deposits amounted to €184 and €173 million, respectively, linked to issues of subordinated debt made by BBVA Global Finance Ltd.

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20.4. Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

Debt certificates issued (Millions of Euros)		
	2022	2021
In Euros	31,228	32,603
Promissory bills and notes	1,075	300
Non-convertible bonds and debentures	18,025	16,066
Mortgage Covered bonds ⁽¹⁾	6,364	7,615
Other securities	339	938
Accrued interest and others ⁽²⁾	(864)	463
Subordinated liabilities	6,289	7,221
Convertible perpetual securities	3,000	3,500
Other non-convertible subordinated liabilities	3,460	3,528
Valuation adjustments ⁽²⁾	(171)	193
In Foreign Currency	7,283	5,263
Promissory bills and notes	111	106
Non-convertible bonds and debentures	4,290	2,111
Mortgage Covered bonds ⁽¹⁾	105	110
Other securities	111	412
Accrued interest and others ⁽²⁾	34	5
Subordinated liabilities	2,633	2,518
Convertible perpetual securities	1,875	1,766
Other non-convertible subordinated liabilities	750	745
Valuation adjustments ⁽²⁾	8	7
Total	38,511	37,866

(1) See Appendix X.

(2) Accrued interest but pending payment, valuation adjustments and issuance costs included.

As of December 31, 2022 and 2021, 63% and 59% of "Debt certificates" have fixed-interest rates, and 37% and 41% have variable interest rates, respectively.

The total cost of the accrued interest under "Debt securities issued" in 2022 and 2021 totaled €559 million and €460 million, respectively.

As of December 31, 2022 and 2021 the accrued interest pending payment from promissory notes and bills and bonds and debentures amounted to €310 million and €290 million, respectively.

The heading "Nonconvertible bonds and debentures" as of December 31, 2022 includes several issues, the latest maturing in 2039.

The heading "Mortgage Covered Bonds" as of December 31, 2022 includes issues with various maturities, the latest in 2037.

Subordinated liabilities included in this heading and in Note 20.3, and accordingly, for debt seniority purposes, they rank behind ordinary debt, but ahead of the Bank's shareholders, without prejudice to any different seniority that may exist between the different types of subordinated debt instruments according to the terms and conditions of each issue. The breakdown of this heading in the accompanying balance sheets, disregarding valuation adjustments, by currency of issuance and interest rate is shown in Appendix VII.

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The balance variances are mainly due to the following transactions:

Perpetual Contingent Convertible Securities

The Annual General Shareholders' Meeting of BBVA held on March 17, 2017, resolved, under agenda item five, to confer authority on the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the date the resolution was adopted, up to the maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the Annual General Shareholders' Meeting resolved to confer on the Board of Directors authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or carried to cover the conversion of the mandatory convertible issues in use of this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred under the Annual General Shareholders' Meeting held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

During 2021 and 2022 no new issuance has been made.

Furthermore, the Annual General Shareholders' Meeting of BBVA held on April 20, 2021, resolved, under agenda item five, to authorize the Board of Directors of BBVA, with sub-delegation powers, to issue convertible securities, whose conversion is contingent and which are intended to meet regulatory requirements for their eligibility as capital instruments (CoCos), in accordance with the solvency regulations applicable from time to time, subject to the legal and statutory provisions that may be applicable at any time. The Board of Directors may make issues on one or several times within the maximum term of five years from the date on which this resolution was adopted, up to the maximum overall amount of €8 billion or its equivalent in any other currency. The Board of Directors may also resolve to exclude, either fully or partially, the pre-emptive subscription rights of shareholders within the framework of a concrete issuance, complying in all cases with the legal requirements and limitations established for this purpose at any given time. Likewise, the authority conferred by the Annual General Meeting of Shareholders held on March 17, 2017 under its agenda item five was repealed in the unused part.

As of the date hereof the Bank has not made use of the authority granted by the BBVA General Shareholders' Meeting held on April 20, 2021.

These perpetual securities issued must be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These type of issuances made by the Bank may be fully redeemed at BBVA's option only in the cases contemplated in their respective terms and conditions and, in any case, in accordance with the provisions of the applicable legislation. In particular, throughout the financial years 2021 and 2022:

- On April 14, 2021, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on April 14, 2016, for an amount of €1 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained.
- On May 24, 2022, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on May 24, 2017, for an amount of €500 million on the First Reset Date and once the prior consent from the Regulator was obtained.

Convertible Securities

Subsequently, the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, resolved, under agenda item five, to confer authority on the Board of Directors of BBVA, with sub-delegation powers, to issue securities convertible into new BBVA shares (other than contingently convertible securities, envisaged to meet regulatory requirements for their eligibility as capital instruments (CoCos) referred to in the resolutions adopted by BBVA's Annual General Shareholders' Meeting held on April 20, 2021, under agenda item five), subject to provisions in the law and in BBVA's bylaws that may be applicable at any time, on one or several occasions within the maximum term of five years to be counted as from the date on which the resolution was adopted, up to a maximum total amount of €6 billion, or the equivalent in any other currency. The Board of Directors may also resolve to exclude, either fully or partially, the pre-emptive subscription rights of shareholders within the framework of a specific issuance, complying in all cases with the legal requirements and limitations established for this purpose at any given time.

As of the date hereof the Bank has not made use of the authority granted by the BBVA General Shareholders' Meeting held on March 18, 2022.

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20.5. Other financial liabilities

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

Other financial liabilities (Millions of Euros)		
	2022	2021
Lease liabilities	2,869	2,765
Creditors for other financial liabilities	2,928	3,384
Collection accounts	2,731	3,045
Creditors for other payment obligations ⁽¹⁾	1,386	2,561
Total	9,915	11,756

⁽¹⁾ This heading includes in 2021 the amount committed for the acquisition of treasury shares in the buyback program (see Notes 2.12 and 3).

A breakdown of the maturity of the lease liabilities, due after December 31, 2022 is provided below:

Maturity of future payment obligations (Millions of Euros)					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Operating leases	211	416	402	1,841	2,869

The information required by Final Provision second of Law 31/2014 of December 3, which amends the Corporate Law to improve corporate governance modifies Additional Provision third of Law 15/2010, of July 5, amending the Law 3/2004 of December 29, through which measures for combating late payment in commercial transactions are set, is as follows:

Payments made and pending payments ⁽¹⁾ (Millions of Euros)				
	2022		2021	
	BBVA S.A.	BBVA GROUP IN SPAIN	BBVA S.A.	BBVA GROUP IN SPAIN
Average payment period to suppliers (days)	26	26	25	25
Ratio of outstanding payment transactions (days) ⁽²⁾	26	26	25	25
Ratio outstanding payment transactions (days) ⁽²⁾	18	18	18	18
Total payments	2,590	2,584	2,294	2,300
Total outstanding payments	114	114	95	96

⁽¹⁾ It is considered on time payments made within 60 days, and not on time those which exceeds 60 days

⁽²⁾ To obtain these ratios, the total number of registered invoices is taken into account.

The data shown in the table above on payments to suppliers refer to those which by their nature are trade creditors for the supply of goods and services, so data relating to "Other financial liabilities other liabilities - Trade pay " is included in the balance.

As of December 31, 2022, according to article 12 of the modification of Law 56/2007, of December 28, on Measures to Promote the Information Society, BBVA has paid a total of 115,755 invoices (representing 87.4% of the total invoices received) with a total amount of €1,879 million (representing 96.6% of the volume invoiced) in a period less than or equal to the maximum established in the delinquency regulations.

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21. Provisions

The breakdown of the balance under this heading in the accompanying balance sheets, based on type of provisions, is as follows:

Provisions: Breakdown by concepts (Millions of Euros)			
	Notes	2022	2021
Provisions for pensions and similar obligations ⁽¹⁾	22	2,085	3,027
Other long term employee benefits ⁽²⁾	22	433	600
Provisions for taxes and other legal contingencies		388	401
Provisions for contingent risks and commitments		280	310
Other provisions ⁽³⁾		198	150
Total		3,385	4,488

(1) The variation is mainly due to the lower valuation of defined benefit commitments after the interest rate hike in Spain and benefit payments.

(2) The variation is mainly includes mainly the provisions for the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A in 2021.

(3) Individually non-significant provisions, for various concepts

Below are the changes in 2022 and 2021 in the balances under this heading:

Provisions for pensions, similar obligations and Other long term employee benefits. Changes over the year (Millions of Euros)		
	2022	2021
Balance at the beginning	3,627	3,563
Charges to income for the year	21	108
Interest expense and similar charges	16	2
Personnel expense	4	5
Provision expense	1	102
Charges (Credits) to equity ⁽¹⁾	(39)	(2)
Transfers and other changes ⁽²⁾	—	590
Benefit payments	(420)	(412)
Employer contributions	(546)	(191)
Unused amounts reversed during the period	(125)	(30)
Balance at the end	2,518	3,627

(1) Corresponds to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions (see Note 2.9).

(2) The variation in 2021 is mainly explained by the collective dismissal procedure that has been carried out at Banco Bilbao Vizcaya Argentaria, S.A.

Provisions for taxes, legal contingencies, Provisions for contingent risks and commitments and other provisions. Changes over the year (Millions of Euros)		
	2022	2021
Balance at beginning	861	886
Additions ⁽¹⁾	469	1,226
Unused amounts reversed during the year	(296)	(328)
Amount used and other variations ⁽¹⁾	(168)	(923)
Balance at the end	866	861

(1) In 2021, it includes the initial recognition of the estimated cost of the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A., and the subsequent reclassification from "Other provisions" to "Other long term employee benefits" for the remaining amount at the time of the reclassification.

Collective layoff procedure

On June 8, 2021, BBVA reached an agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain on April 13, 2021, which would affect a maximum of 2,935 employees. The agreement also included the closing of 480 offices. The cost of the process amounted to €994 million before taxes, of which €754 million corresponded to the collective layoff and €240 million to the closing of offices (see Notes 15, 19, 41, 44 and 45). By the time the procedure was over, 2,899 employees had accepted the agreement and effectively departed BBVA.

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Ongoing legal proceedings and litigation

The financial sector faces an environment of increased regulatory pressure and litigation. In this environment, the various Group entities are often subject to lawsuits and involved in individual or collective legal proceedings and litigation arising from their activity and operations, including proceedings arising from their lending activity, from their labor relations and from other commercial, regulatory or tax issues, as well as in arbitration.

On the basis of the information available, the Group considers that, as of December 31, 2022, the provisions made in relation to judicial proceedings and arbitrations, where so required, are adequate and reasonably cover the liabilities that might arise, if any, from such proceedings and arbitrations. Furthermore, on the basis of the information available and with the exceptions indicated in Note 7.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, on a case-by-case basis, a significant adverse effect on the Group's business, financial situation or results of operations.

22. Post-employment and other employee benefit commitments

As stated in Note 2.9, the Bank has assumed commitments with employees including short-term employee benefits (Note 39.1), defined contribution and defined benefit plans, as well as other long-term employee benefits.

The main Employee Welfare System has been implemented in Spain. Under the collective labor agreement, Spanish banks are required to supplement the social security benefits received by employees or their beneficiary right-holders in the event of retirement (except for those hired after March 8, 1980), permanent disability, death of spouse or death of parent.

The Employee Welfare System in place at the Bank supersedes and improves the terms and conditions of the collective labor agreement for the banking industry; including benefits in the event of retirement, death and disability for all employees, including those hired after March 8, 1980. The Bank externally funded all its pension commitments with active and retired employees pursuant to Royal Decree 1588/1999, of October 15. These commitments are instrumented in external pension plans, insurance contracts with non-Group companies and insurance contracts with BBVA Seguros, S.A. de Seguros y Reaseguros, which is 99.96% owned by the Banco Bilbao Vizcaya Argentaria Group.

The table below shows a breakdown of recorded balance sheet liabilities relating to defined benefit plans as at December 31, 2022 and 2021:

Net defined benefit liability (asset) on the balance sheet (Millions of Euros)			
	Notes	2022	2021
Pension commitments		2,227	3,132
Early retirement commitments		600	943
Other long-term employee benefits		433	600
Total commitments		3,260	4,675
Pension plan assets		742	1,058
Total plan assets		742	1,058
Total net liability/asset		2,518	3,617
<i>Of which: provisions- provisions for pensions and similar obligations</i>	21	2,085	3,027
<i>Of which: provisions-other long-term employee benefits</i>	21	433	600
<i>Other net assets in pension plans</i>		—	(10)
<i>Of which: Insurance contracts linked to pensions</i>	18	(1,337)	(1,882)

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The following table shows defined benefit post-employment commitments recorded in the income statement for fiscal years 2022 and 2021:

Income Statement and equity impact (Millions of Euros)			
	Notes	2022	2021
Interest and similar expense		16	2
Interest expense		16	2
Interest income		—	—
Personnel expense		43	45
Defined contribution plan expense	39	37	38
Defined benefit plan expense	39	2	2
Other benefit expense		4	5
Provisions or reversal of provisions	41	(123)	52
Early retirement expense		—	100
Past service cost expense		1	(25)
Remeasurements ⁽¹⁾		(125)	(16)
Other provision expense		1	(7)
Total effects in income statements: debit (credit)		(64)	99
Total effects on equity: debit (credit) ⁽²⁾		(31)	(2)

(1) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statement (see Note 2.9).

(2) Actuarial gains (losses) on remeasurement of the net defined benefit pension liability before income taxes (see Note 2.9).

22.1 Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, BBVA pays the required premiums to fully insure the related liability.

The change in these commitments as of December 31, 2022 and 2021 was as follows:

Defined Benefit Plans (Millions of Euros)								
	2022				2021			
	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions	Defined benefit obligation	Plan assets	Net liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	4,075	1,058	3,017	1,882	4,700	1,172	3,528	2,074
Current service cost	5	—	5	—	6	—	6	—
Interest income or expense	58	15	43	32	27	11	16	15
Contributions by plan participants	—	—	—	—	—	—	—	—
Employer contributions	—	2	(2)	—	—	(11)	11	—
Past service costs ⁽¹⁾	3	—	3	—	78	—	78	—
Remeasurements:	(792)	(252)	(540)	(437)	(124)	(51)	(73)	(58)
Return on plan assets ⁽²⁾	—	(252)	252	(437)	—	(51)	51	(58)
From changes in demographic assumptions	7	—	7	—	—	—	—	—
From changes in financial assumptions	(768)	—	(768)	—	(66)	—	(66)	—
Other actuarial gain and losses	(31)	—	(31)	—	(58)	—	(58)	—
Benefit payments	(519)	(78)	(441)	(140)	(632)	(80)	(552)	(149)
Settlement payments	(3)	(3)	—	—	(1)	(1)	—	—
Business combinations and disposals	—	—	—	—	—	—	—	—
Effect on changes in foreign exchange rates	(7)	(7)	—	—	10	8	2	—
Other effects	7	7	—	—	11	10	1	—
Balance at the end	2,827	742	2,085	1,337	4,075	1,058	3,017	1,882

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The balance under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet as of December 31, 2022 includes €201 million for commitments for post-employment benefits maintained with previous members of the Board of Directors and the Bank's Management Committee.(see Note 49)

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Both the costs and the present value of the commitments are determined by independent qualified actuaries using the “projected unit credit” method. In order to guarantee the good governance of these plans, the Bank has established specific benefits committees. These benefit committees include members from the different areas of the business to ensure that all decisions are made taking into consideration all of the associated impacts at December 31, 2022 and 2021:

Actuarial Assumptions. Commitments in Spain		
	2022	2021
Discount rate	3.91%	0.74%
Rate of salary increase	—	—
Mortality tables	PER 2020	PER 2020

The discount rate shown as of December 31, 2022, corresponds to the weighted average rate, the actual discount rates used are 3.75% and 4% depending on the type of commitment.

The discount rate used to value future benefit cash flows has been determined by reference to Eurozone high quality corporate bonds (see Note 2.9).

The expected return on plan assets has been set in line with the adopted discount rate.

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire or the contractually agreed age in the case of early retirements.

Changes in the actuarial main assumptions can affect the calculation of the commitments. Should the discount rate have increased or decreased by 50 basis points, an impact on equity for the commitments in Spain would have been registered amounting to approximately an increase or decrease of €9 million net of tax.

In addition to the commitments to employees shown above, the Bank has other less material long-term employee benefits. These include leave and long-service awards, which consist of either an established monetary award or shares in Banco Bilbao Argentaria A.A. granted to employees when they complete a given number of years of qualifying service. Additionally, this heading included a fund related to the collective layoff procedure that has been carried out in the bank in 2021. As of December 31, 2022 and 2021 the value of these commitments amounted to €433 and €600 million respectively. These amounts are recorded under the heading “Provisions - Other long-term employee benefits” of the accompanying balance sheet (see Note 21).

Information on the various commitments is provided in the following sections.

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Pension commitments

These commitments relate mainly to retirement, death and disability pension payments. They are covered by insurance contracts, pension funds and internal provisions.

The change in pension commitments as of December 31, 2022 and 2021 is as follows:

Pensions commitments (Millions of Euros)								
	2022				2021			
	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions	Defined Benefit Obligation	Plan Assets	Net Liability (asset)	Insurance contracts linked to pensions
Balance at the beginning	3,132	1,058	2,074	1,882	3,464	1,172	2,292	2,074
Net commitments addition	—	—	—	—	—	—	—	—
Current service cost	5	—	5	—	6	—	6	—
Interest income or expense	51	15	36	32	27	11	16	15
Contributions by plan participants	—	—	—	—	—	—	—	—
Employer contributions	—	2	(2)	—	—	(11)	11	—
Past service costs ⁽¹⁾	3	—	3	—	(22)	—	(22)	—
Remeasurements:	(727)	(252)	(475)	(437)	(118)	(51)	(67)	(58)
Return on plan assets ⁽²⁾	—	(252)	252	(437)	—	(51)	51	(58)
From changes in demographic assumptions	7	—	7	—	—	—	—	—
From changes in financial assumptions	(715)	—	(715)	—	(66)	—	(66)	—
Other actuarial gain and losses	(19)	—	(19)	—	(52)	—	(52)	—
Benefit payments	(234)	(78)	(156)	(140)	(246)	(80)	(166)	(149)
Settlement payments	(3)	(3)	—	—	(1)	(1)	—	—
Business combinations and disposals	—	—	—	—	—	—	—	—
Defined contribution transformation	—	—	—	—	—	—	—	—
Effect on changes in foreign exchange rates	(7)	(7)	—	—	10	8	2	—
Other effects	7	7	—	—	12	10	2	—
Balance at the end	2,227	742	1,485	1,337	3,132	1,058	2,074	1,882
Of Which: Vested benefit obligation relating to current employees	2,122	—	—	—	2,978	—	—	—
Of Which: Vested benefit obligation relating to retired employees	105	—	—	—	154	—	—	—

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

These pension commitments are insured through policies with the insurer belonging to the Group, and with other unrelated insurers whose policyholder is BBVA. There are also commitments in the Group's insurance company whose policyholder is the BBVA Employment Pension Plan.

All the policies meet the requirements established by the accounting regulations regarding the non-recoverability of contributions. However, the policies whose policyholder is the Entity that have been carried out with BBVA Seguros –a BBVA related party – and consequently these policies cannot be considered plan assets under the applicable standards. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the accompanying balance sheet (see Note 21), while the related assets held by the insurance company are included under the heading "Insurance contracts linked to pensions".

Additionally, there are commitments in insurance policies of the Pension Plan and with insurance companies not related to the Bank. In this case the accompanying balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2022 and 2021, the plan assets related to the aforementioned insurance contracts equaled the amount of the commitments covered; therefore, no amount for this item is included in the accompanying balance sheets.

Pension benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using "cash flow matching" techniques to ensure that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

The Bank signed a Social Benefit Standardization Agreement for its employees in Spain. The agreement standardizes the existing social benefits for the different groups of employees and, in some cases where a service was provided, quantified it as an annual amount in cash.

In addition, some overseas branches of the Bank maintain defined-benefit pension commitments with some of their active and inactive personnel. These arrangements are closed to new entrants who instead participate in defined-contribution plans.

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Early retirement commitments

In 2021 the Bank offered certain employees the possibility of taking retirement or early retirement before the age stipulated in the collective labor agreement in force. This offer was accepted by 432 employees (0 in 2022). The commitments to early retirees include the compensation and indemnities and contributions to external pension funds payable during the period of early retirement. As of December 31, 2022 and 2021, the value of these commitments amounted to €600 million and €943 million respectively.

The change in these commitments during financial years 2022 and 2021 is shown below:

Early retirement commitments (Millions of Euros)						
	2022			2021		
	Defined Benefit Obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	943	—	943	1,236	—	1,236
Current service cost	—	—	—	—	—	—
Interest income or expense	7	—	7	—	—	—
Contributions by plan participants	—	—	—	—	—	—
Employer contributions	—	—	—	—	—	—
Past service costs ⁽¹⁾	—	—	—	100	—	100
Remeasurements:	(65)	—	(65)	(6)	—	(6)
Return on plan assets ⁽²⁾	—	—	—	—	—	—
From changes in demographic assumptions	—	—	—	—	—	—
From changes in financial assumptions	(53)	—	(53)	—	—	—
Other actuarial gain and losses	(12)	—	(12)	(6)	—	(6)
Benefit payments	(285)	—	(285)	(386)	—	(386)
Settlement payments	—	—	—	—	—	—
Business combinations and disposals	—	—	—	—	—	—
Defined contribution transformation	—	—	—	—	—	—
Effect on changes in foreign exchange rates	—	—	—	—	—	—
Other effects	—	—	—	(1)	—	(1)
Balance at the end	600	—	600	943	—	943

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The valuation and account treatment of these commitments is the same as that of the pension commitments, except for the treatment of actuarial gains and losses (see Note 2.9).

Estimated benefit payments

As of December 31, 2022 the estimated payments over the next ten years are as follows:

Estimated future payments (Millions of Euros)						
	2023	2024	2025	2026	2027	2028 - 2032
Commitments in Spain	522	384	326	279	242	794
Of which: Early retirements	205	152	106	74	49	57

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22.2 Defined contribution plans

The Bank sponsors defined contribution plans, in some cases with employees making contributions which are matched by the employer.

These contributions are accrued and charged to the income statement in the corresponding financial year. No liability is therefore recognized in the accompanying balance sheets for this purpose (see Note 2.9).

23. Common stock

As of December 31, 2022 BBVA's share capital amounted to € 2,954,757,116.36 divided into 6,030,116,564 shares, while as of each of December 31, 2021 BBVA's share capital amounted to € 3,267,264,424.20 divided into 6,667,886,580 shares at €0.49 par value each one, in both periods. The shares were fully subscribed and paid-up registered, all of the same class and series represented through book-entry accounts. The decrease was the result of the partial executions of the share capital reduction resolution adopted by the Ordinary General Shareholders' Meeting of BBVA held on March 18, 2022, under item seven of its agenda, which were notified by means of Other Relevant Information on June 15, 2022 and on September 30, 2022 (see Note 3). All of the Bank's shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's capital.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the *Sistema de Interconexión Bursátil Español (Mercado Continuo)*, as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange under the ticker "BBVA".

Additionally, as of December 31, 2022, the shares of Banco BBVA Peru, S.A., BBVA Banco Provincial, S.A., Banco BBVA Colombia, S.A., Banco BBVA Argentina, S.A., and Garanti BBVA A.S., were listed on their respective local stock markets. Banco BBVA Argentina, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange. Also, the Depositary Receipts ("DR") of Garanti BBVA, A.S. are listed in the London Stock Exchange. BBVA is also currently included, amongst other indexes, in the IBEX 35® Index, which is made up by the 35 most liquid securities traded on the Spanish Market and, technically, it is a price index that is weighted by capitalization and adjusted according to the free float of each company comprised in the index.

As of December 31, 2022, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 14.88%, 2.12%, and 6.84% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On April 18, 2019, Blackrock, Inc. reported to the Spanish Securities and Exchange Commission (CNMV) that, it had an indirect holding of BBVA common stock totaling 5.917%, of which 5.480% are voting rights attributed to shares and 0.437% are voting rights through financial instruments.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. Furthermore, BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known to BBVA that could give rise to changes in the control of the Bank.

Resolutions adopted by the Annual General Meeting

Capital increase

BBVA's Annual General Shareholders' Meeting held on March 18, 2022 resolved, under agenda item four, to confer authority on the Board of Directors of BBVA to increase BBVA's share capital, on one or several occasions, within the legal term of five years to be counted as from the date on which this resolution was adopted, up to the maximum amount corresponding to 50% of BBVA's share capital at the time of this authorization. Likewise, the Annual General Shareholders' Meeting resolved to confer on the Board of Directors authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of shares that may be made thereunder.

However, the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of any share capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of this authority and those that may be resolved or carried out to cover the conversion of convertible issuances that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority delegated to issue securities convertible into new BBVA shares (other than contingently convertible securities, envisaged to meet regulatory requirements for their eligibility as capital instruments (CoCos)) as resolved by BBVA's Annual General Shareholders' Meeting held on March 18, 2022 under agenda item five (without prejudice to anti-dilution adjustments), may not exceed the nominal maximum overall amount of 10% of BBVA's share capital at the time of this authorization. This authority repealed the authority conferred by the Annual General Meeting of Shareholders held on March 17, 2017 under its agenda item four, which BBVA did not use.

As of the date of this document, the Bank has not exercised the authority conferred by the General Shareholders' Meeting.

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Capital Decrease

BBVA's Annual General Shareholders' Meeting held on March 18, 2022 resolved, under agenda item seven, to approve the share capital reduction of BBVA by up to a maximum amount of 10% of the share capital on the date of this resolution, through the redemption of own shares acquired derivatively by BBVA, both those acquired by virtue of the authorization granted by the BBVA General Shareholders' Meeting held on March 16, 2018 under item three of the agenda, and those that may be acquired by virtue of the authorization granted by the General Shareholders' Meeting held on March 18, 2022 under item six of the agenda, through any mechanism whose objective or purpose is redemption. The implementation period of this resolution will end on the date of the next Annual General Shareholders' Meeting, being rendered null and void from that date in respect of the amount not executed. The Annual General Shareholders' Meeting conferred authority on the Board of Directors of BBVA, with sub-delegation powers, to totally or partially execute the aforementioned share capital reduction, on one or more occasions, repealing the resolution adopted by the Annual General Shareholders' Meeting held on April 20, 2021 under agenda item six, which BBVA did not use.

Within the framework of the share buyback program (see Note 3), BBVA has executed the following share capital reductions during the financial year 2022:

- On June 15, 2022, BBVA notified the partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Tranche of the share buyback program Scheme and which were held as treasury shares.
- On September 30, 2022, BBVA notified through Other Relevant Information an additional partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the Second Tranche of the share buyback program Scheme and which were held as treasury shares.

Convertible and/or exchangeable securities:

Note 20.4 introduces the details of the convertible and/or exchangeable securities.

24. Share premium

As of December 31, 2022 and 2021, the balance under this heading in the accompanying balance sheets was €20,856 and €23,599 million, respectively (see Note 3).

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use (see Note 23).

25. Retained earnings, revaluation reserves and other reserves

25.1. Breakdown of the balance

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

Retained earnings, revaluation reserves and other reserves (Millions of Euros)		
	2022	2021
Restricted reserves		
Legal reserve	591	653
Restricted reserve for retired capital	482	761
Revaluation Royal Decree-Law 7/1996	—	—
Voluntary reserves	—	—
Voluntary and others	3,906	3,994
Total	4,979	5,409

25.2. Legal reserve

Under the amended Spanish Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

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25.3. Restricted reserves

As of December 31, 2022 and 2021, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)		
	2022	2021
Restricted reserve for retired capital ⁽¹⁾	400	88
Restricted reserve for Parent Company shares and loans for those shares ⁽²⁾	80	672
Restricted reserve for redenomination of capital in euros	2	2
Total	482	761

(1)) The change in 2022 is a consequence of the partial executions of the capital reduction resolution adopted by BBVA's General Shareholders' Meeting held on March 18, 2022 (see Note 23).

(2) The balance of 2021 includes the amount of the share buyback program (see Note 3).

Until 2021, the restricted reserve for retired capital resulted from the reduction of the nominal par value of the BBVA shares made in April 2000. In 2022 includes the reserve corresponding to the share capital reduction in 2022.

The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the parent company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the parent company common stock in euros.

25.4. Revaluation and regularizations of the balance sheet

Prior to the merger, Banco de Bilbao, S.A. and Banco de Vizcaya, S.A. availed themselves of the legal provisions applicable to the regularization and revaluation of balance sheets. Thus, on December 31, 1996, Banco Bilbao Vizcaya, S.A. revalued its tangible assets pursuant to Royal Decree-Law 7/1996 of June 7 by applying the maximum coefficients authorized, up to the limit of the market value arising from the existing valuations. As a result of these updates, the increases in the cost and depreciation of tangible fixed assets were calculated and allocated as follows.

Following the review of the balance of the "Revaluation reserve pursuant to Royal Decree-Law 7/1996 of June 7" account by the tax authorities in 2000, this balance could only be used, free of tax, to offset recognized losses and to increase share capital until January 1, 2007. From that date, the remaining balance of this account can also be allocated to unrestricted reserves, provided that the surplus has been depreciated or the revalued assets have been transferred or derecognized.

The breakdown of the calculation and movement to voluntary reserves under this heading are:

Revaluation and Regularization of the Balance Sheet (Millions of Euros)		
Legal revaluations and regularizations of tangible assets:		—
Cost		187
Less:		
Single revaluation tax (3%)		(6)
Balance as of December 31, 1999		181
Rectification as a result of review by the tax authorities in 2000		(5)
Transfer to voluntary reserves		(176)
Total as of December 2021 and 2022		—

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26. Treasury shares

In 2022 and 2021 the Group companies performed the following transactions with shares issued by the Bank:

Treasury shares (Millions of Euros)				
	2022		2021	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
Balance at beginning	127,633,399	647	14,352,832	46
+ Purchases	598,457,024	2,966	203,530,570	1,022
- Sales and other changes	(720,605,009)	(3,583)	(90,250,003)	(417)
+/- Derivatives on BBVA shares	—	—	—	(4)
+/- Other changes	—	—	—	—
Balance at the end	5,485,414	29	127,633,399	647
Of which:				
Held by BBVA, S.A.	—	3	112,733,730	574
Held by Corporación General Financiera, S.A.	5,454,516	26	14,899,669	72
Held by other subsidiaries	30,898	—	—	—
Average purchase price in Euros	4.96	—	5.02	—
Average selling price in Euros	4.99	—	4.89	—
Net gains or losses on transactions (Shareholders' funds-Reserves)		9		17

The percentages of treasury shares held by the Group in the years ended 2022 and 2021 are as follows:

Treasury Stock	2022			2021		
	Min	Max	Closing	Min	Max	Closing
% treasury stock	0.078%	7.492%	0.094%	0.108%	1.922%	1.914%

The number of BBVA shares accepted by the Bank in pledge of loans as of December 31, 2022 and 2021 is as follows:

Shares of BBVA accepted in pledge		
	2022	2021
Number of shares in pledge	23,437,363	29,372,853
Nominal value (Euros)	0.49	0.49
% of share capital	0.39%	0.44%

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2022 and 2021 is as follows:

Shares of BBVA Owned by Third Parties but Managed by the Group		
	2022	2021
Number of shares owned by third parties	18,686,027	17,645,506
Nominal value (Euros)	0.49	0.49
% of share capital	0.31%	0,26 %

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27. Accumulated other comprehensive income (loss)

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

Accumulated other comprehensive income (loss). Breakdown by concepts (Millions of Euros)			
	Notes	2022	2021
Items that will not be reclassified to profit or loss		(1,215)	(1,177)
Actuarial gains (losses) on defined benefit pension plans		(32)	(52)
Non-current assets and disposal groups classified as held for sale		—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	11.4	(1,256)	(1,127)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		72	2
Items that may be reclassified to profit or loss		(957)	(284)
Hedge of net investments in foreign operations (effective portion)		—	—
Foreign currency translation		—	—
Hedging derivatives. Cash flow hedges (effective portion)		(492)	(626)
Fair value changes of debt instruments measured at fair value through other comprehensive income	11.4	(464)	342
Hedging instruments (non-designated items)		—	—
Non-current assets and disposal groups classified as held for sale		—	—
Total		(2,172)	(1,461)

The balances recognized under these headings are presented net of tax.

28. Capital base and capital management

As of December 31, 2022 and 2021, own funds is calculated in accordance to the applicable regulation of each year on minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated group– that establish how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

After the latest SREP (Supervisory Review and Evaluation Process) decision, applicable as from January 1, 2023, the ECB has informed the Bank that it must maintain Pillar 2 requirement of 1.5% (at least 0.84% must be CET1. Therefore, BBVA must maintain a CET1 capital ratio of 7.85% and a total capital ratio of 12.01% at the individual level.

The minimum capital base requirements established by the current regulation are calculated according to BBVA S.A.'s exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, BBVA S.A. must fulfill the risk concentration limits established in said regulation and the internal corporate governance obligations.

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A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2022 and 2021 is shown below:

Eligible capital resources (Millions of Euros)			
	Notes	2022 ⁽¹⁾	2021
Capital	23	2,955	3,267
Share premium	24	20,856	23,599
Retained earnings, revaluation reserves and other reserves	25.1	4,979	5,409
Other equity instruments, net		49	49
Treasury shares	26	(3)	(574)
Profit (loss) for the year		4,816	1,080
Attributable dividend		(724)	(533)
Total Equity		32,928	32,296
Accumulated other comprehensive income (loss)		(2,172)	(1,461)
Shareholders' equity		30,756	30,836
Intangible assets		(328)	(363)
Fin. treasury shares		(67)	(17)
Deductions		(394)	(380)
Temporary CET 1 adjustments		160	320
Equity not eligible at solvency level		160	320
Other adjustments and deductions ⁽²⁾		(4,188)	(5,208)
Common Equity Tier 1 (CET 1)		26,333	25,568
Additional Tier 1 before regulatory adjustments		4,875	5,266
Tier 1		31,208	30,834
Tier 2		3,730	4,678
Total Capital (Total Capital=Tier 1 + Tier 2)		34,938	35,511
Total Minimum equity required		24,773	21,720

(1) Provisional data.

(2) Includes mainly the amount of repurchase of own shares pending to be executed and up to the maximum limit authorized by the ECB for the BBVA Group (see Note 3).

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The BBVA S.A.'s own funds in accordance with the aforementioned applicable regulation as of December 31, 2022 and 2021 is shown below:

Amount of capital CC1 (Millions of Euros)		
	2022 ⁽¹⁾	2021
Capital and share premium	23,810	26,866
Retained earnings and equity instruments	5,673	5,729
Other accumulated income and other reserves	(2,385)	(887)
Net interim attributable profit	2,222	547
Ordinary Tier 1 (CET 1) before other regulatory adjustments	29,320	32,255
Goodwill and intangible assets	(328)	(319)
Direct and indirect holdings in equity ⁽²⁾	(353)	(2,209)
Deferred tax assets	(753)	(1,008)
Other deductions and filters	(1,553)	(3,151)
Total common equity Tier 1 regulatory adjustments	(2,987)	(6,687)
Common equity TIER 1 (CET1)	26,333	25,568
Equity instruments and share premium classified as liabilities	4,875	5,266
Additional Tier 1 (CET 1) before regulatory adjustments	4,875	5,266
Transitional CET 1 adjustments	—	—
Total regulatory adjustments of additional equity I Tier 1	—	—
Additional equity Tier 1 (AT1)	4,875	5,266
Tier 1 (Common equity TIER 1+ additional TIER 1)	31,208	30,834
Equity instruments and share premium accounted as Tier 2	3,515	4,324
Credit risk adjustments	225	364
Tier 2 before regulatory adjustments	3,740	4,688
Tier 2 regulatory adjustments	(10)	(10)
Tier 2	3,730	4,678
Total capital (Total capital=Tier 1 + Tier 2)	34,938	35,511
Total RWA's	206,273	180,868
CET 1 (phased-in)	12.77%	14.14%
Tier 1 (phased-in)	15.13%	17.05%
Total capital (phased-in)	16.94%	19.64%

(1) Provisional data.

(2) Mainly includes the amount of shares pending execution and up to the maximum limit authorized by the ECB to the BBVA Group (see Note 3).

As of December 31, 2022, Common Equity Tier 1 Capital (CET1) fully-loaded ratio stood at 12.74% (14.11% as of December 31, 2021) December 31, 2021, standing the CET1 phased-in ratio at 12.77%. The difference between both ratios is mainly explained by the effect of the temporary adjustments for the treatment in the solvency indicators of the impacts of IFRS 9.

Fully-loaded risk-weighted assets (RWA) decreased by approximately 25,402 million euros in 2022, as a result of the organic evolution of the exposure and due to unique elements such as the increase in exposure in Garanti derived from the takeover bid (see Note 14), the agreement reached with Neon Payments Limited (see Note 9) and the acquisition of 100 % of Tree (see note 14). For its part, the result, net of shareholder remuneration and the remuneration of Contingent Convertible bonds (CoCos) have contributed +87 basis points to the CET I ratio.

The fully-loaded additional Tier 1 capital ratio (AT1) stood at 2.36% (2.36% phased-in) at December 31, 2022, which included the reduction of €500 million due to the early amortization of a series of CoCos issued in 2017.

The Tier 2 fully-loaded ratio stood at 1.85% (-81 bps over December 2021), mainly due to the growth in RWAs and lower computable provisions. Regarding the phased-in tier 2 ratio, it stood at 1.81%, the difference with respect to the fully-loaded Tier 2 ratio, mainly due to the temporary treatment of certain subordinated issues.

As a consequence of the foregoing, the total fully-loaded equity ratio stands at 16.95%, the total phased-in ratio being 16.94%

The aim of capital management within BBVA and the Group is to ensure that both BBVA and the Group have the necessary capital at any given time to develop the corporate strategy reflected in the Strategic Plan, in line with the risk profile set out in the Group Risk Appetite Framework.

In this regard, BBVA's capital management is also part of the most relevant forward-looking strategic decisions in the Group's management and monitoring, which include the Annual Budget and the Liquidity and Funding Plan, with which it is coordinated — all with the aim of achieving the Group's overall strategy.

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Capital must be allocated optimally in order to meet the need to preserve the solvency of BBVA and the Group at all times. Together with the Group's solvency risk profile included in the Risk Appetite Framework (RAF), this optimal allocation serves as a guide for the Group's capital management and seeks a solid capital position that makes it possible to:

- Anticipate ordinary and extraordinary consumption that may occur, even under stress;
- Promote the development of the Group's business and align it with capital and profitability objectives by allocating resources appropriately and efficiently;
- Cover all risks—including potential risks—to which it is exposed;
- Comply with regulatory and internal management requirements at all times; and
- Remunerate BBVA shareholders in accordance with the Shareholder Remuneration Policy in force at any given time.

The areas involved in capital management in the Group shall follow and respect the following principles in their respective areas of responsibility:

- Ensuring that capital management is integrated and consistent with the Group's Strategic Plan, RAF, Annual Budget and other strategic-prospective processes, to help achieve the Group's long-term sustainability.
- Taking into account both the applicable regulatory and supervisory requirements and the risks to which the Group is—or may be—exposed when conducting its business (economic vision), when establishing a target capital level, all while adopting a forward-looking vision that takes adverse scenarios into consideration.
- Carrying out efficient capital allocation that promotes good business development, ensuring that expectations for the evolution of activity meet the strategic objectives of the Group and anticipating the ordinary and extraordinary consumption that may occur.
- Ensuring compliance with the solvency levels, including the minimum requirement for own funds and eligible liabilities (MREL), required at any given time.
- Compensating BBVA shareholders in an adequate and sustainable manner.
- Optimizing the cost of all instruments used for the purpose of meeting the target capital level at any given time

To achieve the aforementioned principles, capital management will be based on the following essential elements:

- An adequate governance and management scheme, both at the corporate body level and at the executive level.
- Planning, managing and monitoring capital properly, using the measurement systems, tools, structures, resources and quality data necessary to do so.
- A set of metrics, which is duly updated, to facilitate the tracking of the capital situation and to identify any relevant deviations from the target capital level.
- A transparent, correct, consistent and timely communication and dissemination of capital information outside the Group.
- An internal regulatory body, which is duly updated, including with respect to the regulations and procedures that, ensure adequate capital management.

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29. Commitments and guarantees given

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

Commitments and guarantees given (Millions of Euros)			
	Notes	2022	2021
Loan commitments given		95,948	89,353
<i>Of which: impaired</i>		123	109
Central banks		—	—
General governments		2,919	3,405
Credit institutions		15,397	16,043
Other financial corporations		5,550	4,797
Non-financial corporations		58,998	52,255
Households		13,084	12,854
Financial guarantees given		16,305	11,662
<i>Of which: impaired</i>		175	170
Central banks		—	—
General governments		38	40
Credit institutions		476	325
Other financial corporations		7,722	5,803
Non-financial corporations		7,966	5,383
Households		104	111
Other commitments given		26,850	24,181
<i>Of which: impaired</i>		439	393
Central banks		—	—
General governments		85	77
Credit institutions		2,131	1,769
Other financial corporations		1,755	1,711
Non-financial corporations		22,769	20,522
Households		110	102
Total	5.2.2	139,103	125,197

The amount registered recorded in the balance sheet as of December 31, 2022, for loan commitments given, financial guarantees given and other commitments given is €80 million, €56 million and €143 million, respectively (see Note 21).

Since a significant portion of the amounts above will expire without any payment being made by the entities, the aggregate balance of these commitments cannot be considered the actual future requirement for financing or liquidity to be provided by the Bank to third parties.

In the years 2022 and 2021, no issuance of debt securities carried out by associates of the BBVA, joint venture entities or non-Group entities have been guaranteed,

30. Other contingent assets and liabilities

As of December 31, 2022 and 2021, there were no material contingent assets or liabilities other than those disclosed in the accompanying Notes to the financial statements.

31. Purchase and sale commitments and future payment obligations

The purchase and sale commitments of BBVA are disclosed in notes 8, 12 and 20.

Future payment obligations mainly correspond to leases payable derived from operating lease contracts, as detailed in Note 20.5, and estimated employee benefit payments, as detailed in Note 22.1.

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32. Transactions on behalf of third parties

As of December 31, 2022 and 2021 the details of the relevant transactions on behalf of third parties are as follows:

Transactions on behalf of third parties. Breakdown by concepts (Millions of Euros)		
	2022	2021
Financial instruments entrusted by third parties	288,532	316,288
Conditional bills and other securities received for collection	4,722	4,496
Securities lending	5,148	4,681
Total	298,402	325,465

33. Net interest income

33.1. Interest and similar income

The breakdown of the interest and similar income recognized in the accompanying income statement is as follows:

Interest income. Breakdown by origin (Millions of Euros)		
	2022	2021
Financial assets held for trading	518	129
Financial assets designated at fair value through profit or loss	15	7
Financial assets at fair value through other comprehensive income	498	235
Financial assets at amortized cost	5,416	3,426
Hedging derivatives	(941)	(125)
Cash flow hedges (effective portion)	(940)	80
Fair value hedges	—	(204)
Other assets	3	3
Liabilities interest income ⁽¹⁾	394	614
Total	5,903	4,289

(1) The balance includes €176 and €381 million as of December 31, 2022 and 2021, respectively, corresponding to the net import of the accrued interest following TLTRO III transactions (see Note 20.1).

The amounts recognized in equity in connection with hedging derivatives for the years ended December 31, 2022 and 2021 and the amounts derecognized from the equity and taken to the income statements during those years are included in the accompanying statements of recognized income and expense.

33.2. Interest expense

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

Interest expense. Breakdown by origin (Millions of Euros)		
	2022	2021
Financial liabilities held for trading	367	51
Financial liabilities designated at fair value through profit or loss	58	47
Financial liabilities at amortized cost	1,655	816
Hedging derivatives and interest rate risk	(264)	(325)
Cash flow hedges	1	3
Fair value hedges	(265)	(328)
Other liabilities	20	8
Assets interest expense	246	264
Total	2,083	861

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34. Dividend income

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

Dividend income (Millions of Euros)		
	2022	2021
Investments in associates	3	2
Investments in joint venture	22	5
Investments in subsidiaries	3,347	1,699
Other shares and dividend income	98	102
Total	3,470	1,808

35. Fee and commission income

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

Fee and commission income (Millions of Euros)		
	2022	2021
Bills receivables	14	12
Demand accounts	308	334
Credit and debit cards and OPS	492	404
Checks	5	5
Transfers and other payment orders	205	183
Insurance product commissions	193	184
Loan commitments given	136	129
Other commitments and financial guarantees given	200	167
Asset management	134	167
Securities fees	44	48
Custody securities	104	107
Other fees and commissions	778	775
Total	2,612	2,515

36. Fee and commission expense

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

Fee and commission expense. Breakdown by origin (Millions of Euros)		
	2022	2021
Credit and debit cards	216	162
Transfers and other payment orders	11	8
Custody securities	15	14
Other fees and commissions	248	279
Total	489	463

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37. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net

The breakdown of the balance under this heading, by source of the related items, in the accompanying income statement is as follows:

Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net. Breakdown by heading (Millions of Euros)		
	2022	2021
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	1	84
<i>Financial assets at amortized cost</i>	—	23
<i>Other financial assets and liabilities</i>	1	61
Gains (losses) on financial assets and liabilities held for trading, net	438	295
<i>Reclassification of financial assets from fair value through other comprehensive income</i>	—	—
<i>Reclassification of financial assets from amortized cost</i>	—	—
<i>Other gains (losses)</i>	438	295
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(51)	114
<i>Reclassification of financial assets from fair value through other comprehensive income</i>	—	—
<i>Reclassification of financial assets from amortized cost</i>	—	—
<i>Other gains (losses)</i>	(51)	114
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	128	45
Gains (losses) from hedge accounting, net	—	(36)
Subtotal gains (losses) on financial assets and liabilities	516	501
Exchange Differences	(122)	56
Total	394	558

The breakdown of the balance (excluding exchange rate differences) under this heading in the income statements by the nature of financial instruments is as follows:

Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)		
	2022	2021
Debt instruments	(76)	77
Equity instruments	(1,227)	1,756
Loans and advances to customers	(241)	63
Derivatives	1,746	(1,457)
Derivatives held for trading	1,747	(1,421)
<i>Interest rate agreements</i>	294	113
<i>Security agreements</i>	1,509	(1,585)
<i>Commodity agreements</i>	—	—
<i>Credit derivative agreements</i>	(38)	(24)
<i>Foreign-exchange agreements</i>	(18)	75
Hedging Derivatives Ineffectiveness	—	(36)
Fair value hedges	—	(36)
<i>Hedging derivative</i>	224	238
<i>Hedged item</i>	(225)	(274)
Cash flow hedges	—	—
Customer deposits	316	63
Other	(3)	(2)
Total	516	501

In addition, in 2022 and 2021, under the heading “Exchange differences, net” of the income statements, net amounts of negative €37 million and negative €41 million, respectively, are recognized for transactions with foreign exchange trading derivatives.

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38. Other operating income and expense

The breakdown of the balance under the heading "Other operating income" and in the accompanying income statements is as follows:

Other operating income (Millions of Euros)			
		2022	2021
Real estate income		35	29
Financial income from non-financial services		290	130
Other operating income		14	10
Total		339	170

The breakdown of the balance under the heading "Other operating expense" in the accompanying income statements is as follows:

Other operating expense (Millions of Euros)			
	Notes	2022	2021
Contributions to guaranteed banks deposits funds	1.7	498	405
Real estate agencies		36	35
Other operating expense		109	105
Total		642	546

39. Administration costs

39.1 Personnel expense

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

Personnel expense (Millions of Euros)			
	Notes	2022	2021
Wages and salaries		1,705	1,736
Social security costs		337	354
Defined contribution plan expense	22	37	38
Defined benefit plan expense	22	2	2
Other personnel expense		136	107
Total		2,217	2,237

39.1.1 Share-based employee remuneration

The amounts recognized under the heading "Administration costs - Personnel expense - Other personnel expense" in the income statements for the year ended December 31, 2022 and 2021, corresponding to the remuneration plans based on equity instruments in each year, amounted to €32 million and €31 million for BBVA, respectively. These amounts have been recognized with a corresponding entry under the heading "Shareholders' funds - Other equity instruments" in the accompanying balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

Variable remuneration in shares

BBVA has a specific remuneration scheme applicable to those employees whose professional activities have a material impact on the risk profile of BBVA and/or its Group (hereinafter "Identified Staff") involving the delivery of BBVA shares or instruments linked to BBVA shares, designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2022, this remuneration scheme is reflected in the following remuneration policies:

- BBVA Group General Remuneration Policy, approved by the Board of Directors on June 30, 2021, that applies to employees and BBVA Senior Management (excluding BBVA executive directors) and at Group companies with respect to which BBVA exercises control over management. This policy includes the specific rules applicable to the members of the Identified Staff, including BBVA Senior Management.

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- BBVA Directors' Remuneration Policy, approved by the General Shareholders' Meeting of BBVA held on April 20, 2021, that it's applicable to the members of the Board of Directors of BBVA. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, incorporating some particularities of their own, derived from their condition of directors.

The variable remuneration for the Identified Staff members is subject to the following rules established in their corresponding remuneration policies, specifically:

- Annual Variable Remuneration for Identified Staff members for each financial year will be subject to ex ante adjustments, so that it shall be reduced at the time of their appraisal in the event of a downturn in the Group's results or other parameters such as the level of achievement of budgeted targets, and it will not accrue or it will accrue in a reduced amount, should a certain level of profits and capital ratio not be achieved in accordance with the provisions of applicable regulations at any given time.
- 60% of the Annual Variable Remuneration will be vested and paid, if conditions are met, as a general rule, in the first four months of the financial year following that to which the Annual Variable Remuneration corresponds (the "Upfront Portion"). For executive directors, the rest of the members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter the "Deferred Portion") for a 5 year-period for executive directors and members of the Senior Management, and 4 years for the remaining members of the Identified Staff.
- 50% of the Annual Variable Remuneration, including both the Upfront Portion and the Deferred Portion, shall be established in BBVA shares or in instruments linked to BBVA shares. As regards executive directors and the rest of the members of Senior Management, 60% of the Deferred Portion shall be established in shares.
- The shares or instruments awarded as Annual Variable Remuneration, both from the Upfront Portion and the Deferred Portion, shall be withheld for a one-year period after delivery. This will not apply to those shares or instruments the sale of which would be required to honor the payment of taxes accruing on delivery.
- The Deferred Portion of the Annual Variable Remuneration may be reduced, but never increased, depending on the results of multi-year performance indicators which are aligned with the Group's core risk management and control metrics related to the solvency, liquidity, profitability or value creation.
- The cash amounts of the Deferred Portion of Annual Variable Remuneration finally vested, shall be updated by applying the Consumer Price Index (CPI), measured as year-on-year change in prices, or any other criteria established for such purposes by the Board of Directors.
- The entire Annual Variable Remuneration corresponding to each financial year shall be subject to arrangements for the reduction of variable remuneration ("malus") and arrangements for the recovery of variable remuneration already paid ("clawback") during the whole deferral and withholding period, which will be applicable in the event of the occurrence of any of the circumstances expressly named in the remuneration policies.
- No personal hedging strategies or insurances shall be used in connection with variable remuneration or liability that may undermine the effects of alignment with prudent risk management.
- The variable component of the remuneration for a financial year (understood as the sum of all variable components of the remuneration) shall be limited to a maximum amount of 100% of the fixed component of the total remuneration (understood as the sum of all fixed components of the remuneration), unless the General Shareholders' Meeting of BBVA resolves to increase this percentage up to a maximum of 200%.

In this regard, the General Shareholders' Meeting of BBVA held on March 18, 2022 resolved to increase this limit to a maximum level of 200% of the fixed component of the total remuneration for a given number of the Identified Staff members, in the terms indicated in the report issued for this purpose by the Board of Directors dated February 9, 2022.

- Any type of remuneration, other than Annual Variable Remuneration, considered to be variable remuneration shall be subject to the rules regarding award, vesting and payment applicable in accordance with the type and nature of the remuneration component itself.

During 2022, in accordance with the applicable remuneration policies, the right to receive a total amount of 3,420,608 BBVA shares or instruments linked to BBVA shares corresponding mostly to the Upfront Portion of 2021 Annual Variable Remuneration and other variable components of remuneration, was accrued by the Identified Staff.

Additionally, according to the Remuneration Policy applicable in 2017, during 2022 a total amount of 106,072 BBVA shares corresponding to the second payment of the Deferred Portion of 2017 Annual Variable Remuneration of executive directors and the rest of the members of Senior Management were delivered.

Finally, according to the Remuneration Policy applicable in 2018, during 2022 a total amount of 3,739,044 BBVA shares were delivered to the Identified Staff corresponding to the first payment of the Deferred Portion of 2018 Annual Variable Remuneration of executive directors and the rest of the members of Senior Management and to the full Deferred Portion of the 2018 Annual Variable Remuneration of the rest of the Identified Staff.

Detailed information on the delivery of shares to executive directors and the rest of the members of Senior Management of BBVA who held this position as of December 31, 2022, is included in Note 49.

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39.2 Other administrative expense

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

Other administrative expense. Breakdown by main concepts (Millions of Euros)			
		2022	2021
Technology and systems		721	670
Communications		51	53
Advertising		99	78
Property, fixtures and materials		110	117
Taxes		47	69
Surveillance and cash courier services		34	34
Other expense		475	436
Total		1,538	1,456

40. Depreciation and amortization

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

Depreciation and amortization (Millions of Euros)			
	Notes	2022	2021
Tangible assets	15	308	320
For own use		101	110
Right-of-use assets		207	210
Intangible assets	16	330	318
Total		638	639

41. Provisions or reversal of provisions

For the years ended December 31, 2022 and 2021, the net provisions recognized in this income statement line item were as follows:

Provisions or reversal of provisions (Millions of Euros)			
	Notes	2022	2021
Pensions and other post-employment defined benefit obligations	22	(123)	52
Commitments and guarantees given	21	(32)	43
Other Provisions (1)	21	205	855
Total		50	950

(1) In 2021, it includes a provision for the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Note 21).

42. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

The breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification by the nature of those assets in the accompanying income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)			
	Notes	2022	2021
Financial assets at fair value through other comprehensive income		16	(7)
Financial assets at amortized cost		504	482
Of which: Recovery of written-off assets by cash collection	5.2.5	(228)	(253)
Total		521	475

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43. Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates

The impairment losses on non-financial assets and investments in subsidiaries, joint ventures or associates broken down by the nature of these assets in the accompanying income statements is as follows:

Impairment or reversal of impairment of Investments in subsidiaries, joint ventures and associates (Millions of Euros)		
	2022	2021
Investments in subsidiaries, joint ventures and associates ⁽¹⁾	(642)	911
Total	(642)	911

(1) Includes reversal of impairment recorded in 2022 and impairment recorded of Garanti in 2021 (see Note 14)

44. Impairment or reversal of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the accompanying income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)			
	Notes	2022	2021
Tangible assets ⁽¹⁾	15	(21)	164
Intangible assets	16	15	4
Other		(1)	(1)
Total		(7)	167

(1) In 2021, it includes the impairment due to the closure of rented offices after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 15 and 21).

45. Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The main items included in the balance under this heading in the accompanying income statements are as follows:

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)			
	Notes	2022	2021
Gains on sale of real estate		43	20
Impairment of non-current assets held for sale ⁽¹⁾	19	(64)	(100)
Gains (losses) on sale of investments classified as non-current assets held for sale ⁽²⁾		(4)	187
Total		(26)	107

(1) In 2021, it included the impairment due to the closing of owned offices and the decommissioning of facilities after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 19 and 21).

(2) The balance for 2021 corresponds to the participation in BBVA Paraguay (see Note 14).

46. Statements of cash flows

The table below shows the breakdown of the main cash flows related to financing activities as of December 31, 2022 and 2021:

Main Cash Flows in financing activities 2022 (Millions of Euros)				
	December 31, 2021	December 31, 2020	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	184	173		
Issuances of subordinated liabilities	8,922	9,739		
Total	9,106	9,912	(568)	(238)

Main cash flows in financing activities 2021 (Millions of Euros)				
	December 31, 2020	December 31, 2019	Net Cash Flows	Foreign Exchange movements and other
Subordinated deposits	173	360		
Issuances of subordinated liabilities	9,739	10,736		
Total	9,912	11,096	(1,325)	141

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47. Accountant fees and services

The details of the fees for the services contracted by BBVA for the year ended December 31, 2022, with their respective auditors and other audit entities are as follows:

Fees for Audits Conducted and other related services (Millions of Euros) ⁽²⁾	
	2022
Audits of the companies audited by firms belonging to the EY worldwide organization and other reports related with the audit ⁽¹⁾	14.0
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the EY worldwide organization	0.3
Fees for audits conducted by other firms	—

(1) Including fees pertaining to annual legal audits (€11.9 million as of December 31, 2022)

(2) Regardless of the billed period.

In addition in 2022 the Bank contracted services (other than audits) as follows:

Other services rendered (Millions of Euros)	
	2022
Firms belonging to the EY worldwide organization	—

This total of contracted services includes the detail of the services provided by Ernst & Young, S.L. to BBVA, S.A. at the date of preparation of these financial statements as follows:

Fees for Audits Conducted ⁽¹⁾ (Millions of Euros)	
	2022
Legal audit of BBVA, S.A.	5.9
Other audit services of BBVA, S.A.	5.2
Limited Review of BBVA, S.A.	1.4
Reports related to issuances	0.4
Assurance services and other required by the regulator	0.5

(1) Services provided by Ernst & Young, S.L. to companies located in Spain, to the branch of BBVA in New York and to the branch of BBVA in London.

Information related to the services provided by Ernst & Young, S.L., to companies controlled by BBVA, S.A., during the year ended December 31, 2022, is in the accompanying Consolidated financial statements as of December 31, 2022.

The services provided by the auditors meet the independence requirements of the external auditor established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC).

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48. Related-party transactions

As a financial institution, BBVA engages in transactions with related parties in the normal course of business. These transactions are not relevant and are carried out under normal market conditions. As of December 31, 2022 and 2021 the following are the transactions with related parties:

48.1. Transactions with significant shareholders

As of December 31, 2022 and 2021 there were no shareholders considered significant (see Note 23).

48.2. Transactions with BBVA Group entities

The balances of the main captions in the accompanying balance sheets arising from the transactions carried out by the Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances arising from transactions with Entities of the Group (Millions of Euros)		
	2022	2021
Assets:		
Debt securities	269	393
Loans and advances to credit institutions	586	365
Loans and advances to customers	4,356	4,755
Liabilities:		
Deposits from credit institutions	1,053	1,180
Customer deposits	12,887	13,207
Memorandum accounts:		
Financial guarantees given	7,034	5,238
Contingent commitments	704	1,235
Other commitments given	950	1,210

The balances of the main captions in the accompanying income statements resulting from transactions carried out by the Bank with Group companies, which consist of ordinary business and financial transactions carried out under normal market conditions, are as follows:

Balances of Income Statement arising from transactions with Entities of the Group (Millions of Euros)		
	2022	2021
Income statement:		
Financial Incomes	125	42
Financial Costs	252	98
Fee and commission income	601	601
Fee and commission expense	102	120

There were no other material effects in the financial statements arising from dealings with these entities, and from the insurance policies to cover pension or similar commitments, which are described in Note 22.

In addition, as part of its normal activity, the Bank has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the financial statements.

48.3. Transactions with members of the Board of Directors and Senior Management

The transactions entered into between BBVA or its Group companies with members of the Board of Directors and Senior Management of the Bank or their related parties were within the scope of the ordinary course of business of the Bank and were immaterial, defined as transactions the disclosure of which is not necessary to present a true and fair view of the Bank's equity, financial position and results, and were concluded on normal markets terms or on terms applicable to the rest of employees.

The amount and nature of the main transactions carried out with members of the Board of Directors and Senior Management of the Bank, or their respective related parties, are shown below.

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

Balance at 31st December of each year (thousands of Euros)

	2022				2021			
	Directors	Related parties of Directors	Senior Management*	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management*	Related parties of Senior Management
Loans and credits	668	1,880	6,321	764	765	207	5,419	573
Bank guarantees	—	—	10	—	—	—	10	—
Business credit	—	—	—	—	—	—	—	—

*Excluding executive directors

Information on remuneration paid and other benefits granted to members of the Board of Directors and Senior Management of BBVA is provided in Note 49.

49. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

The remuneration of the non-executive directors who are members of the Board of Directors during the financial years 2022 and 2021 is as follows, individually and by remuneration item:

Remuneration for non-executive directors (thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions ⁽¹⁾	Total	
									2022	2021
José Miguel Andrés Torrecillas	129	167	66			115		50	527	527
Jaime Caruana Lacorte	129	167	165	107					567	567
Raúl Galamba de Oliveira	129			107			43	53	332	278
Belén Garijo López	129		66		107	46			349	349
Connie Hedegaard ⁽²⁾	107								107	0
Sunir Kumar Kapoor ⁽³⁾	32						11		43	172
Lourdes Máiz Carro	129		66		43				238	238
José Maldonado Ramos	129	167				46			342	342
Ana Peralta Moreno	129		66		43				238	238
Juan Pi Llorens	129			214		46	43	27	458	512
Ana Revenga Shanklin	129			107			29		264	236
Susana Rodríguez Vidarte	129	167		107		46			449	449
Carlos Salazar Lomelín	129				43				172	172
Jan Verplancke	129				43		43		214	214
Total ⁽⁴⁾	1,684	667	431	642	278	301	168	130	4,300	4,293

(1) Amounts perceived in 2022 and 2021 by José Miguel Andrés Torrecillas, as Deputy Chair of the Board, Juan Pi Llorens, as Lead Director (until 28 April 2022) and Raúl Galamba de Oliveira (from its appointment as Lead Director on 28 April 2022).

(2) Director appointed by the General Meeting held on 18 March 2022. Remuneration received based on date of acceptance of office.

(3) Director who left office on 18 March 2022. Remuneration for the term of office in 2022.

(4) Includes amounts corresponding to membership of the Board and its various committees during the 2022 and 2021 financial year.

In addition, in financial years 2022 and 2021, Carlos Salazar Lomelín received €90 thousand and €101 thousand, respectively, as per diems for his membership of the management body of BBVA México, S.A. and Grupo Financiero BBVA México, S.A. de C.V. and the BBVA México strategy forum.

Also, during the 2022 and 2021 financial years, €110 thousand and €102 thousand was paid out, respectively, in healthcare and casualty insurance premiums for non-executive directors.

Remuneration system with deferred delivery of shares for non-executive directors

BBVA has a fixed remuneration system with deferred delivery of shares for its non-executive directors, which was approved by the General Meeting held on 18 March 2006 and extended by resolutions of the General Meetings held on 11 March 2011 and 11 March 2016 for a further five-year period in each case, and by the General Meeting held on 20 April 2021 for a further three-year period.

This system is based on the annual allocation to non-executive directors of a number of theoretical shares of BBVA equivalent to 20% of the total annual fixed allowance in cash received by each director in the previous financial year, calculated according to the average closing price of the BBVA share during the 60 trading sessions prior to the dates of the Annual General Meetings approving the corresponding financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for any reason other than serious dereliction of their duties.

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During the financial years 2022 and 2021, the following "theoretical shares" derived from the remuneration system with deferred delivery of shares have been allocated to the non-executive directors, in an amount equivalent to 20% of the total annual fixed cash allocation received by each of them in the financial years 2021 and 2020, respectively:

	2022		2021	
	Theoretical shares allocated	Theoretical shares accumulated as of December 31	Theoretical shares allocated	Theoretical shares accumulated as of December 31
José Miguel Andrés Torrecillas	19,253	118,025	22,860	98,772
Jaime Caruana Lacorte	20,733	77,705	25,585	56,972
Raúl Galamba de Oliveira	10,177	19,677	9,500	9,500
Belén Garijo López	12,741	90,589	15,722	77,848
Connie Hedegaard ⁽¹⁾	0	0	0	0
Sunir Kumar Kapoor ⁽²⁾	6,270	0	7,737	30,652
Lourdes Máiz Carro	8,696	64,356	10,731	55,660
José Maldonado Ramos	12,493	136,477	15,416	123,984
Ana Peralta Moreno	8,696	35,092	10,731	26,396
Juan Pi Llorens	18,703	134,599	23,079	115,896
Ana Revenga Shanklin	8,611	16,179	7,568	7,568
Susana Rodríguez Vidarte	16,400	177,775	20,237	161,375
Carlos Salazar Lomelín	6,270	11,912	5,642	5,642
Jan Verplancke	7,835	29,251	9,024	21,416
Total ⁽³⁾	156,878	911,637	183,832	791,681

(1) Director appointed by the General Meeting held on 18 March 2022, therefore the allocation of theoretical shares is not due until 2023.

(2) Director who left office on 18 March 2022. In application of the system, he received a total of 36,922 BBVA shares after leaving office, which is equivalent to the total of theoretical shares accumulated up to that date.

(3) The number of theoretical shares allocated in 2022 and 2021 to each non-executive director is equivalent to 20% of the total fixed annual cash allocation received in 2021 and 2020, respectively, based on the average of the closing prices of BBVA shares during the 60 trading sessions prior to the General Meetings of 18 March 2022 and 20 April 2021, which were €5.47 and €4.44 per share, respectively.

Remuneration received by executive directors

The remuneration of executive directors for the financial years 2022 and 2021 in application of the BBVA Directors' Remuneration Policy approved by the General Meeting of 20 April 2021 is shown below, individually and by remuneration item:

Annual Fixed Remuneration (thousands of Euros)		
	2022	2021
Chair	2,924	2,924
Chief Executive Officer	2,179	2,179
Total	5,103	5,103

In addition, in accordance with the conditions established in the BBVA Directors' Remuneration Policy, during the 2022 and 2021 financial years, the Chief Executive Officer received €654 thousand each year as "cash in lieu of pension" (equivalent to 30% of his Annual Fixed Remuneration) as he does not have a retirement pension (see the "Pension commitments with executive directors" section of this Note), and €600 thousand as mobility allowance.

Remuneration in kind (thousands of Euros)

Furthermore, during the financial years 2022 and 2021, remuneration in kind was paid to executive directors, including insurance and other premiums, amounting to €283 thousand and €328 thousand in the case of the Chair, and €155 thousand and €158 thousand in the case of the Chief Executive Officer, respectively.

Annual Variable Remuneration (AVR)				
	2022 ⁽²⁾		2021 ⁽¹⁾	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Chair	926	158,169	849	159,235
Chief Executive Officer	712	121,646	645	120,977
Total	1,639	279,815	1,494	280,212

(1) Remuneration corresponding to the initial portion (40%) of the Annual Variable Remuneration for the financial year 2021 paid in 2022. The Annual Variable Remuneration for the financial year 2021 is subject to the deferral, vesting and payment rules and the other conditions applicable to Annual Variable Remuneration set out in the BBVA Directors' Remuneration Policy.

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(2) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2022, which will be paid, if the conditions are met, during the first quarter of the financial year 2023, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the financial year 2022. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Directors' Remuneration Policy.

Moreover, the remaining rules set forth in the BBVA Directors' Remuneration Policy regarding the Annual Variable Remuneration of executive directors will be applicable to 2022 Annual Variable Remuneration, including: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update of the Deferred Portion in cash in accordance with the CPI; (iv) malus and clawback arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2022.

Deferred Annual Variable Remuneration from previous financial years					
	Deferred AVR	2022 ⁽²⁾		2021 ⁽¹⁾	
		In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Chair	2021	215	57,325	—	—
	2020	0	0	—	—
	2019	513	136,587	—	—
	2018	128	35,795	364	107,386
	2017	154	27,898	146	27,898
Subtotal		1,011	257,605	510	135,284
Chief Executive Officer	2021	164	43,552	—	—
	2020	0	0	—	—
	2019	460	122,572	—	—
	2018	—	—	332	61,282
	2017	—	—	—	—
Subtotal		624	166,124	332	61,282
Total		1,635	423,729	842	196,566

(1) Deferred remuneration from previous financial years to be awarded after 2021 year-end. Award to the Chair and the Chief Executive Officer took place in 2022, in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 Deferred AVR: in 2022, the first payment was made (60% of the Deferred Portion) in the case of the Chair and the full payment in the case of the Chief Executive Officer, including in both cases the update of their portion in cash. This remuneration is associated with their previous positions as Chief Executive Officer and President & CEO of BBVA USA, respectively.
- 2017 Deferred AVR: in 2022, the Chair was paid the second payment (20% of the Deferred Portion), including the update of his portion in cash. This remuneration is associated with his former position as Chief Executive Officer.

(2) Deferred remuneration from previous years to be awarded after 2022 year-end. Award to the Chair and/or Chief Executive Officer will take place in 2023 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: corresponding to the first payment (20% of the Deferred Portion) to the executive directors, including the update of their portion in cash. Thereafter, 80% of the 2021 Deferred AVR will be deferred for both executive directors and, if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.
- 2019 Deferred AVR: corresponding to the first payment (60% of the Deferred Portion) to the executive directors, including the update of their portion in cash, and after having verified that no reduction was applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors. Thereafter, 40% of the 2019 Deferred AVR will be deferred for both executive directors and, if the conditions are met, it will be paid in 2024 and 2025.
- 2018 Deferred AVR: corresponds to the second payment (20% of the Deferred Portion) to the Chair, including the update of his portion in cash. Following this, 20% of the 2018 Deferred AVR will be deferred and if the conditions are met, it will be paid in 2024. This remuneration is associated with his previous position as Chief Executive Officer.
- 2017 Deferred AVR: corresponds to the third and final payment (20% of the Deferred Portion) to the Chair, including the update of his portion in cash. Following this, the payment to the Chair of the 2017 Deferred AVR will be finalized. This remuneration is associated with his previous position as Chief Executive Officer.

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Pension commitments with executive directors

The Bank has not assumed any pension obligations with non-executive directors.

With regard to the executive directors, the BBVA Directors' Remuneration Policy establishes a pension framework whereby, in the case of the Chair, he is eligible to receive a retirement pension, paid in either income or capital, when he reaches the legally established retirement age, provided that he does not leave his position as a result of serious dereliction of his duties. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields at that date.

The annual contribution to cover the retirement contingency in the Chair's defined contribution system, established in the BBVA Directors' Remuneration Policy approved by the General Meeting in 2021, is €439 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the agreed annual contribution will be based on variable components and considered "discretionary pension benefits" and will, therefore, be subject to the conditions regarding delivery in shares, withholding and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the BBVA Directors' Remuneration Policy.

In the event that the Chair's contract is terminated before he reaches retirement age for reasons other than serious dereliction of duties, the retirement pension payable to the Chair upon him reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank up to that date, as per the terms set out, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank as of the time of termination.

With respect to the commitments in favor of the Chair to cover the contingencies of death and disability, the Bank will pay the corresponding annual insurance premiums in order to top up this coverage.

In accordance with the foregoing, in the financial year 2022, an amount of €451 thousand has been registered, comprising the agreed annual contribution to cover the retirement contingency, which is €439 thousand, and an amount of €12 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2021, which were declared at the end of that year and which corresponded to the contribution to the accumulated fund in 2022. €473 thousand in premiums for death and disability has also been paid.

As of December 31, 2022, the total accumulated amount of the fund to meet the retirement commitments for the Chair amounted to €22,771 thousand.

With regard to the agreed annual contribution for the retirement contingency corresponding to the 2022 financial year, 15% (€66 thousand) was registered in said financial year as "discretionary pension benefits". Following the end of the financial year, this amount was adjusted by applying the same criteria used to determine the Annual Variable Remuneration for the Chair for the 2022 financial year and was determined to amount to €85 thousand, which represents an upward adjustment of €19 thousand. These "discretionary pension benefits" will be included in the accumulated fund in the 2023 financial year and will be subject to the conditions established for them in the BBVA Directors' Remuneration Policy.

With regard to the Chief Executive Officer, in accordance with the provisions of the BBVA Directors' Remuneration Policy and those in his contract, the Bank has not undertaken any retirement commitments, although he is entitled to an annual cash sum instead of a retirement pension (cash in lieu of pension) equal to 30% of his Annual Fixed Remuneration. In accordance with the above, in the 2022 financial year, the Bank paid the Chief Executive Officer the amount of fixed remuneration in the form of "cash in lieu of pension", as described in the "Remuneration received by executive directors" section of this Note.

However, the Bank has undertaken commitments to cover the death and disability contingencies for the Chief Executive Officer, for which the corresponding annual insurance premiums are paid. To this end, in 2022, €285 thousands of euros have been recognized for this concept.

Executive directors (thousands of Euros)						
	Contributions ⁽¹⁾				Funds accumulated	
	Retirement		Death and disability			
	2022	2021	2022	2021	2022	2021
Chair	451	340	473	574	22,771	24,546
Chief Executive Officer	—	—	285	295	—	—
Total	451	340	758	869	22,771	24,546

(1) Contributions recognized to meet pension commitments to executive directors in financial years 2022 and 2021. In the case of the Chair, these correspond to the sum of the annual retirement pension contribution and the adjustment made to the "discretionary pension benefits" for the financial years 2021 and 2020, the contribution to which was to be made in the financial years 2022 and 2021, respectively, and with the death and disability premiums. In the case of the Chief Executive Officer, the contributions recognized correspond exclusively to the insurance premiums paid by the Bank in 2022 and 2021 to cover the contingencies of death and disability, given that, in his case, the Bank has not undertaken any commitments to cover the retirement contingency.

Remuneration received by Senior Management

The remuneration of all Senior Management, excluding executive directors, for the financial years 2022 and 2021 (16 members with such status as of December, 31 2022 and 2021), in application of the BBVA Group General Remuneration Policy applicable to them, is shown below by remuneration item:

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Annual Fixed Remuneration (thousands of Euros)

	2022	2021
Senior Management Total	18,149	16,435

Remuneration in kind (thousands of Euros)

During the financial years 2022 and 2021, remuneration in kind, including insurance and other premiums, has been paid to all Senior Management, excluding executive directors, for an aggregate total amount of €1,093 thousand and €1,409 thousand, respectively.

Annual Variable Remuneration (AVR)

	2022 ⁽²⁾		2021 ⁽¹⁾	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total	2,143	365,746	1,849	346,106

(1) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2021 paid in the first half of 2022. The Annual Variable Remuneration for the financial year 2021 is subject to the deferral, vesting and payment rules and the other conditions applicable to Annual Variable Remuneration set out in the BBVA Group General Remuneration Policy.

(2) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2022, which will be paid, if the conditions are met, during the first quarter of the financial year 2023, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the financial year 2022. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Group General Remuneration Policy.

Moreover, the remaining rules applicable to the Annual Variable Remuneration of the members of Senior Management established in the BBVA Group General Remuneration Policy shall apply to the Annual Variable Remuneration for the financial year 2022, which include: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update for the Deferred Portion in cash in accordance with the CPI; (iv) malus and clawback arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2022.

Deferred Annual Variable Remuneration from previous financial years

		2022 ⁽²⁾		2021 ⁽¹⁾	
		In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total	2021	473	124,602	—	—
	2020	0	0	—	—
	2019	1,355	320,172	—	—
	2018	152	41,442	697	177,104
	2017	168	29,267	158	29,267
Total		2,149	515,483	855	206,371

(1) Deferred remuneration from previous financial years to be awarded after 2021 year-end. Award to Senior Management who were beneficiaries took place in 2022 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 Deferred AVR: in 2022, the members of Senior Management who were beneficiaries have been paid the amounts that corresponded in each case in accordance with the payment schedule established in the remuneration policies in force in 2018, including the update of their portion in cash.
- 2017 Deferred AVR: in 2022, the second payment (20% of the Deferred Share) has been paid to the members of the Senior Management who were beneficiaries, including the update of their portion in cash.

(2) Deferred remuneration from previous years to be awarded after 2022 year-end. Award to members of Senior Management who are beneficiaries will take place in 2023 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: corresponds to the first payment (20% of the Deferred Portion), including the update of their portion in cash. Thereafter, 80% of the 2021 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.

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- 2019 Deferred AVR: corresponds to the first payment (60% of the Deferred Portion) or payment in full (depending on the payment schedule set out in the policies in force in 2019) including the update of their portion in cash, and after having verified that no reduction is applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors. In addition, the first payment of the Deferred Portion of a withholding plan is payable to two members of Senior Management. Thereafter, 40% of the 2019 Deferred AVR will be deferred for certain members of Senior Management. For the two members of Senior Management with withholding plans, the remaining 40% will be paid, if the conditions are met, in 2024 and 2025.
- 2018 Deferred AVR: corresponds to the second payment (20% of the Deferred Portion) including the update of their portion in cash. Thereafter, 20% of the 2018 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2024.
- 2017 Deferred AVR: corresponds to the third and final payment (20% of the Deferred Portion), including the update of their portion in cash. After this, the payment of the 2017 Deferred AVR to its beneficiaries will be finalized.

Pension commitments with members of Senior Management

In the 2022 financial year, an aggregate total amount of €3,694 thousand has been recognized in 2022 to cover pension commitments to members of Senior Management (16 members with such status as of December 31, 2022, excluding executive directors), which corresponds to the annual contribution agreed to cover the retirement contingency, increased by an amount of €111 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2021, which were registered at the end of the financial year 2021 and which should have been contributed to the accumulated fund in 2022. Furthermore, an aggregate total amount of €1,465 thousand in premiums for death and disability has also been paid.

As of December, 31 2022, the total accumulated amount of the fund to meet the retirement commitments for members of Senior Management amounted to €29,435 thousand.

As in the case of executive directors, 15% of the annual contributions agreed for members of Senior Management to cover the contingency of retirement will be based on variable components and will be considered "discretionary pension benefits", and will therefore be subject to the conditions of delivery in shares, withholding and recovery established in the applicable regulations, as well as to such other conditions of variable remuneration as may be applicable to them in accordance with the remuneration policy applicable to members of Senior Management.

For these purposes, of the annual contribution for the retirement contingency recognized in the 2022 financial year, an amount of €536 thousand has been recognized in the 2022 financial year as "discretionary pension benefits" and, once the financial year is closed, as in the case of the Chair, this amount has been adjusted, applying the same criteria used to determine the Annual Variable Remuneration of the members of Senior Management corresponding to the 2022 financial year. As a result, the "discretionary pension benefits" for the year, corresponding to all members of Senior Management, have been determined at a total combined amount of €689 thousand, which represents an upward adjustment of €153 thousand. These "discretionary pension benefits" will be included in the accumulated fund for the 2023 financial year, and will be subject to the conditions established for them in the remuneration policy applicable to members of Senior Management, in accordance with the regulations applicable to the Bank on this matter.

	Contributions ⁽¹⁾				Funds accumulated	
	Retirement		Death and disability		2022	2021
	2022	2021	2022	2021		
Senior Management Total	3,694	3,056	1,465	1,333	29,435	27,472

(1) Contributions recognized to meet pension commitments to all Senior Management in 2022 and 2021, which correspond to the sum of the annual retirement pension contributions and the adjustments made to the "discretionary pension benefits" for 2021 and 2020 whose contribution was to be made in 2022 and 2021, respectively, and to the insurance premiums paid by the Bank for death and disability contingencies.

Payments for the termination of the contractual relationship

In accordance with the BBVA Directors' Remuneration Policy, the Bank has no commitments to pay severance indemnity to executive directors.

With regard to Senior Management, excluding executive directors, the Bank did not make any payments arising from the termination of contractual relationships in 2022 and 2021.

50. Other information

50.1. Environmental impact

Given the activities BBVA entities engage in, the Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2022, there is no item included in the Consolidated Financial Statements that requires disclosure in an environmental information report pursuant to Ministry JUS/616/2022, of June 30, by which the new model for the presentation of consolidated annual accounts in the Commercial Register is approved

BBVA's management of environmental impacts and risks is presented in more detail in the attached Management Report.

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50.2. Breakdown of agents of credit institutions

Appendix XIII contains a list of the Bank's agents as required by article 21 of Royal Decree 84/2015, dated February 13, of the Ministry of Economy and Finance.

50.3. Report on the activity of the Customer Care Service and the Customer Ombudsman

The report on the activity of the Customer Care Service and the Customer Ombudsman, required pursuant to Article 17 of Ministry of Economy Order ECO/734/2004 dated March 11, is included in the Management Report accompanying these financial statements.

50.4. Mortgage market policies and procedures

The information on "Mortgage market policies and procedures" (for the granting of mortgage loans and for debt issues secured by such mortgage loans) required by Bank of Spain Circular 5/2011, applying Royal Decree 716/2009, dated April 24, on the regulation of the mortgage market and other mortgage and financial market regulations and Royal Decree 24/2021, dated November 2, on transposition of European Union directives in matters of covered bonds and cross-border distribution of undertakings for collective investment, can be found in Appendix X.

50.5. Reporting requirements of the Spanish National Securities Market Commission (CNMV)

Dividends paid

The table below presents the dividends per share paid in cash in 2022 and 2021 (cash basis accounting, regardless of the year in which they are accrued). For a complete analysis of all remuneration awarded to shareholders in 2022 and 2021 (see Note 3).

	2022			2021		
	% Over nominal	Euros per share	Amount (Millions of Euros)	% Over nominal	Euros per share	Amount (Millions of Euros)
Ordinary shares	71.43 %	0.35	2,190	16.33 %	0.08	533
Rest of shares	—	—	—	—	—	—
Total dividends paid in cash	71.43%	0.35	2,190	16.33%	0.08	533
Dividends with charge to income	24.49 %	0.12	724	16.33 %	0.08	533
Dividends with charge to reserve or share premium	46.94 %	0.23	1,467	—	—	—
Dividends in kind	—	—	—	—	—	—
Flexible payment	—	—	—	—	—	—

Interest income by geographical area

The breakdown of the balance under the heading "Interest Income and similar income" in the accompanying income statements by geographical area is as follows:

Interest Income. Breakdown by Geographical Area (Millions of Euros)			
	Notes	2022	2021
Domestic		5,086	3,945
Foreign		818	344
European Union		193	117
Eurozone		193	117
No Eurozone		—	—
Rest of countries		625	227
Total	33.1	5,903	4,289

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

Number of employees

The breakdown of the average number of employees in the Bank in 2022 and 2021, by gender, is as follows:

	2022		2021	
	Male	Female	Male	Female
Management team	1,070	440	1,020	386
Managers	4,812	4,050	4,873	3,909
Other line personnel and clerical staff	3,941	6,043	5,057	7,307
Branches abroad	601	440	554	427
Total ⁽¹⁾	10,424	10,973	11,504	12,029

(1) The variation is mainly due to the agreement with the union representatives on the collective layoff procedure that is being carried out at Banco Bilbao Vizcaya Argentaria, S.A (see Note 21). in Spain in 2021

During 2022 and 2021, the average number of handicap employees with disabilities greater than or equal to 33% was 139 employees and 130, respectively.

The breakdown of the number of employees in the Bank as of December 31, 2022 and 2021, by category and gender, is as follows:

	2022		2021	
	Male	Female	Male	Female
Management team	1,155	486	1,066	443
Managers	4,999	4,307	4,846	4,167
Other line personnel and clerical staff	3,899	5,950	3,844	5,820
Branches abroad	632	455	569	440
Total	10,685	11,198	10,325	10,870

50.6. Responsible lending and consumer credit granting

BBVA has incorporated the best practices of responsible lending and credit granting to Retail Customers, and has policies and procedures that contemplate these practices complying with the provisions of the Central Bank of Spain, ECB and the Ministries of *Asuntos Económicos y Transformación Digital* and *Hacienda y Función Pública*.

Specifically, the Corporate Retail Credit Risk Policy (approved by the Executive Committee of the Board of Directors of the Bank on September 18, 2019) and the Rules and the Operating Frameworks derived from it, establish policies, practices and procedures in relation to responsible granting of loans and credit to Retail Customers.

In compliance with the different Regulation of the Bank of Spain, ECB and the Ministries of *Asuntos Económicos y Transformación Digital* and *Hacienda y Función Pública*, the following summary of those policies contained in the Corporate Retail Credit Risk Policy BBVA is provided:

- The need to adapt payment plans with sources of payment capacity;
- The evaluation requirements of affordability;
- The need when applicable, to take into account the existing financial obligations payments;
- In cases where, for commercial reasons or the type of rate/currency, the offer to the borrowers includes contractual clauses or contracting financial products to hedge interest rate and exchange rate risks.
- The need, when there is collateral, to establish a reasonable relationship between the amount of the loan and its potential extensions and value of collateral, regardless revaluations thereof;
- The need for extreme caution in the use of appraisal values on credit operations that have real estate as an additional borrower's personal guarantee;
- The periodic review of the value of collateral taken to hedge loans;
- A number of elements of management in order to ensure independence in the activity of appraisal companies;
- The need to warn customers of potential consequences in terms of cost by default interest and other expenses that would continue in default;

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- Debt renegotiation criteria (refinancing and restructurings);
- The minimum documentation that operations should have in order to be granted and during its term.

In order to maintain an effective monitoring of these policies, BBVA has the following control mechanisms:

- Validations and computer controls built into the workflows of analysis, decision and contracting operations, in order to embed these principles in management;
- Alignment between the specifications of the product catalog with the policies of responsible lending;
- Different areas of sanction to ensure adequate hierarchy decision levels in response to the complexity of operations;
- A reporting scheme that allows to monitor the proper implementation of the policies of responsible lending.

51. Subsequent events

On February 1, 2023, it was announced that a cash distribution for the amount of €0.31 gross per share in April as a final dividend for the year 2022 and the execution of a share buyback program of BBVA for an amount of €422 million were planned to propose to the corresponding corporate bodies for consideration, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before the inception of its execution (see Note 3).

In relation to the recent earthquake in Turkey, at these early stages, the Group is working on the definition of some emergency measures to help alleviate the effects of the humanitarian crisis caused by this catastrophe.

The necessary internal protocols have been applied to monitor the situation and begin to assess the direct and future impacts for the Group that may arise from it. The direct exposure of the Group in the affected areas is not significant and, up to the date of approval of this financial statements and management report, no relevant impacts on the future continuity of the Group's operations and business in Turkey have been identified. However, it is not possible at this time to carry out a precise evaluation of the future impacts that may derive from this situation. Such impacts, if applicable, will be recorded in the Bank's financial statements at a later time.

From January 1, 2023 to the date of preparation of these financial statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Bank's earnings or its equity position.

52. Explanation added for translation into English

Translation of financial statements originally issued in Spanish and prepared in accordance with Bank of Spain Circular 4/2017, and as amended thereafter, which adapts the EU-IFRS for banks.



Appendices

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



APPENDIX I. BBVA Group Consolidated Financial Statements

Consolidated balance sheets as of December 31, 2022, 2021 and 2020

ASSETS (Millions of Euros)	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS	79,756	67,799	65,520
FINANCIAL ASSETS HELD FOR TRADING	110,671	123,493	105,878
Derivatives	39,908	30,933	40,183
Equity instruments	4,404	15,963	11,458
Debt securities	24,367	25,790	23,970
Loans and advances to central banks	1,632	3,467	53
Loans and advances to credit institutions	25,231	31,916	18,317
Loans and advances to customers	15,130	15,424	11,898
NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS	6,888	6,086	5,198
Equity instruments	6,511	5,303	4,133
Debt securities	129	128	356
Loans and advances to customers	247	655	709
FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	913	1,092	1,117
Debt securities	913	1,092	1,117
FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME	58,980	60,421	69,440
Equity instruments	1,198	1,320	1,100
Debt securities	57,755	59,074	68,308
Loans and advances to credit institutions	26	27	33
FINANCIAL ASSETS AT AMORTIZED COST	422,061	372,676	367,668
Debt securities	43,606	34,781	35,737
Loans and advances to central banks	4,401	5,681	6,209
Loans and advances to credit institutions	16,031	13,276	14,575
Loans and advances to customers	358,023	318,939	311,147
DERIVATIVES - HEDGE ACCOUNTING	1,891	1,805	1,991
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	(148)	5	51
JOINT VENTURES AND ASSOCIATES	916	900	1,437
Joint ventures	100	152	149
Associates	816	749	1,288
INSURANCE AND REINSURANCE ASSETS	210	269	306
TANGIBLE ASSETS	8,737	7,298	7,823
Properties, plant and equipment	8,441	7,107	7,601
For own use	7,911	6,874	7,311
Other assets leased out under an operating lease	530	233	290
Investment properties	296	191	222
INTANGIBLE ASSETS	2,156	2,197	2,345
Goodwill	707	818	910
Other intangible assets	1,449	1,379	1,435
TAX ASSETS	16,472	15,850	16,526
Current tax assets	1,978	932	1,199
Deferred tax assets	14,494	14,917	15,327
OTHER ASSETS	2,614	1,934	2,513
Insurance contracts linked to pensions	—	—	—
Inventories	325	424	572
Other	2,289	1,510	1,941
NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	1,022	1,061	85,987
TOTAL ASSETS	713,140	662,885	733,797

(1) Presented for comparison purposes only.

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



Consolidated balance sheets as of December 31, 2022, 2021 and 2020

LIABILITIES AND EQUITY (Millions of Euros)			
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
FINANCIAL LIABILITIES HELD FOR TRADING	95,611	91,135	84,109
Derivatives	37,909	31,705	41,680
Short positions	13,487	15,135	12,312
Deposits from central banks	3,950	11,248	6,277
Deposits from credit institutions	28,924	16,176	14,377
Customer deposits	11,341	16,870	9,463
FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS	10,580	9,683	10,050
Customer deposits	700	809	902
Debt certificates	3,288	3,396	4,531
Other financial liabilities	6,592	5,479	4,617
<i>Memorandum item: Subordinated liabilities</i>	—	—	—
FINANCIAL LIABILITIES AT AMORTIZED COST	528,629	487,893	490,606
Deposits from central banks	38,323	47,351	45,177
Deposits from credit institutions	26,935	19,834	27,629
Customer deposits	393,856	349,761	342,661
Debt certificates	55,429	55,763	61,780
Other financial liabilities	14,086	15,183	13,358
<i>Memorandum item: Subordinated liabilities</i>	12,509	14,808	16,488
DERIVATIVES - HEDGE ACCOUNTING	3,303	2,626	2,318
FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK	—	—	—
LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS	11,848	10,865	9,951
PROVISIONS	4,933	5,889	6,141
Pensions and other post-employment defined benefit obligations	2,632	3,576	4,272
Other long term employee benefits	466	632	49
Provisions for taxes and other legal contingencies	685	623	612
Commitments and guarantees given	770	691	728
Other provisions	380	366	479
TAX LIABILITIES	2,742	2,413	2,355
Current tax liabilities	1,415	644	545
Deferred tax liabilities	1,326	1,769	1,809
OTHER LIABILITIES	4,880	3,621	2,802
LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE	—	—	75,446
TOTAL LIABILITIES	662,526	614,125	683,777

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Consolidated balance sheets as of December 31, 2022, 2021 and 2020

LIABILITIES AND EQUITY (Continued) (Millions of Euros)			
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
SHAREHOLDERS' FUNDS	64,422	60,383	58,904
Capital	2,955	3,267	3,267
Paid up capital	2,955	3,267	3,267
Unpaid capital which has been called up	—	—	—
Share premium	20,856	23,599	23,992
Equity instruments issued other than capital	—	—	—
Other equity	63	60	42
Retained earnings	32,536	31,841	30,508
Revaluation reserves	—	—	—
Other reserves	2,345	(1,857)	(164)
Reserves or accumulated losses of investments in joint ventures and associates	(221)	(247)	(164)
Other	2,566	(1,610)	—
Less: treasury shares	(29)	(647)	(46)
Profit or loss attributable to owners of the parent	6,420	4,653	1,305
Less: Interim dividends	(722)	(532)	—
ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)	(17,432)	(16,476)	(14,356)
Items that will not be reclassified to profit or loss	(1,881)	(2,075)	(2,815)
Actuarial gains (losses) on defined benefit pension plans	(760)	(998)	(1,474)
Non-current assets and disposal groups classified as held for sale	—	—	(65)
Share of other recognized income and expense of investments in joint ventures and associates	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income	(1,194)	(1,079)	(1,256)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income	—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	72	2	(21)
Items that may be reclassified to profit or loss	(15,550)	(14,401)	(11,541)
Hedge of net investments in foreign operations (effective portion)	(1,408)	(146)	(62)
Foreign currency translation	(13,103)	(14,988)	(14,185)
Hedging derivatives. Cash flow hedges (effective portion)	(458)	(533)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income	(562)	1,274	2,069
Hedging instruments (non-designated items)	—	—	—
Non-current assets and disposal groups classified as held for sale	—	—	644
Share of other recognized income and expense of investments in joint ventures and associates	(18)	(9)	(17)
MINORITY INTERESTS (NON-CONTROLLING INTERESTS)	3,624	4,853	5,471
Accumulated other comprehensive income (loss)	(3,112)	(8,414)	(6,949)
Other items	6,736	13,267	12,421
TOTAL EQUITY	50,615	48,760	50,020
TOTAL EQUITY AND TOTAL LIABILITIES	713,140	662,885	733,797
MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)			
	0	2021 ⁽¹⁾	2020 ⁽¹⁾
Loan commitments given	136,920	119,618	132,584
Financial guarantees given	16,511	11,720	10,665
Other commitments given	39,137	34,604	36,190

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Consolidated income statements for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED INCOME STATEMENTS (Millions of Euros)			
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
Interest and other income	31,432	23,015	22,389
Interest expense	(12,279)	(8,329)	(7,797)
NET INTEREST INCOME	19,153	14,686	14,592
Dividend income	123	176	137
Share of profit or loss of entities accounted for using the equity method	21	1	(39)
Fee and commission income	8,261	6,997	5,980
Fee and commission expense	(2,907)	(2,232)	(1,857)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	64	134	139
Gains (losses) on financial assets and liabilities held for trading, net	562	341	777
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(67)	432	208
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150	335	56
Gains (losses) from hedge accounting, net	(45)	(214)	7
Exchange differences, net	1,275	883	359
Other operating income	528	661	492
Other operating expense	(3,438)	(2,041)	(1,662)
Income from insurance and reinsurance contracts	3,103	2,593	2,497
Expense from insurance and reinsurance contracts	(1,892)	(1,685)	(1,520)
GROSS INCOME	24,890	21,066	20,166
Administration costs	(9,432)	(8,296)	(7,799)
Personnel expense	(5,612)	(5,046)	(4,695)
Other administrative expense	(3,820)	(3,249)	(3,105)
Depreciation and amortization	(1,328)	(1,234)	(1,288)
Provisions or reversal of provisions	(291)	(1,018)	(746)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,379)	(3,034)	(5,179)
Financial assets measured at amortized cost	(3,303)	(3,017)	(5,160)
Financial assets at fair value through other comprehensive income	(76)	(17)	(19)
NET OPERATING INCOME	10,460	7,484	5,153
Impairment or reversal of impairment of investments in joint ventures and associates	42	—	(190)
Impairment or reversal of impairment on non-financial assets	(27)	(221)	(153)
Tangible assets	53	(161)	(125)
Intangible assets	(25)	(19)	(19)
Other assets	(55)	(41)	(9)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(11)	24	(7)
Negative goodwill recognized in profit or loss	—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(108)	(40)	444
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	10,356	7,247	5,248
Tax expense or income related to profit or loss from continuing operations	(3,529)	(1,909)	(1,459)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	6,827	5,338	3,789
Profit (loss) after tax from discontinued operations	—	280	(1,729)
PROFIT (LOSS)	6,827	5,618	2,060
ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)	407	965	756
ATTRIBUTABLE TO OWNERS OF THE PARENT	6,420	4,653	1,305
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
EARNINGS (LOSSES) PER SHARE (Euros)	0.99	0.67	0.14
Basic earnings (losses) per share from continuing operations	0.99	0.63	0.40
Diluted earnings (losses) per share from continuing operations	0.99	0.63	0.40
Basic earnings (losses) per share from discontinued operations	—	0.04	(0.26)
Diluted earnings (losses) per share from discontinued operations	—	0.04	(0.26)

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Consolidated statements of recognized income and expense for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)			
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT	6,827	5,618	2,060
OTHER RECOGNIZED INCOME (EXPENSE)	810	(3,977)	(5,375)
ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	190	358	(822)
Actuarial gains (losses) from defined benefit pension plans	354	218	(88)
Non-current assets and disposal groups held for sale	—	(3)	17
Share of other recognized income and expense of entities accounted for using the equity method	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(121)	189	(796)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	100	33	4
Income tax related to items not subject to reclassification to income statement	(143)	(80)	40
ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT	621	(4,335)	(4,553)
Hedge of net investments in foreign operations (effective portion)	(1,172)	(117)	378
Valuation gains (losses) taken to equity	(1,172)	(117)	378
Transferred to profit or loss	—	—	—
Other reclassifications	—	—	—
Foreign currency translation	3,387	(2,256)	(4,873)
Translation gains (losses) taken to equity	3,387	(2,239)	(4,873)
Transferred to profit or loss	—	(17)	—
Other reclassifications	—	—	—
Cash flow hedges (effective portion)	97	(691)	230
Valuation gains (losses) taken to equity	116	(553)	230
Transferred to profit or loss	(19)	(137)	—
Transferred to initial carrying amount of hedged items	—	—	—
Other reclassifications	—	—	—
Debt securities at fair value through other comprehensive income	(2,454)	(1,139)	460
Valuation gains (losses) taken to equity	(2,484)	(1,082)	515
Transferred to profit or loss	30	(57)	(54)
Other reclassifications	—	—	—
Non-current assets and disposal groups held for sale	—	(663)	(492)
Valuation gains (losses) taken to equity	—	(30)	(472)
Transferred to profit or loss	—	(633)	(20)
Other reclassifications	—	—	—
Entities accounted for using the equity method	(7)	8	(13)
Income tax relating to items subject to reclassification to income statements	770	523	(243)
TOTAL RECOGNIZED INCOME (EXPENSE)	7,637	1,640	(3,315)
Attributable to minority interest (non-controlling interests)	1,351	(500)	(606)
Attributable to the parent company	6,286	2,141	(2,709)

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Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2022	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest		Total
												Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	
Balances as of January 1, 2022 ⁽¹⁾	3,267	23,599	—	60	31,841	—	(1,857)	(647)	4,653	(532)	(16,476)	(8,414)	13,267	48,760
Total income/expense recognized	—	—	—	—	—	—	—	—	6,420	—	(134)	944	407	7,637
Other changes in equity	(313)	(2,743)	—	3	695	—	4,202	617	(4,653)	(190)	(822)	4,358	(6,938)	(5,783)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	(313)	(2,743)	—	—	250	—	(355)	3,160	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,463)	—	—	—	—	(722)	—	—	(185)	(2,370)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,966)	—	—	—	—	—	(2,966)
Sale or cancellation of treasury shares	—	—	—	—	—	—	9	423	—	—	—	—	—	432
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity ⁽²⁾ (see Note 2.2.19)	—	—	—	—	2,234	—	2,709	—	(4,653)	532	(822)	4,358	(4,358)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity ⁽²⁾	—	—	—	25	(326)	—	1,839	—	—	—	—	—	(2,395)	(857)
Balance as of December 31, 2022	2,955	20,856	—	63	32,536	—	2,345	(29)	6,420	(722)	(17,432)	(3,112)	6,736	50,615

(1) Balances as of December 31, 2021 as originally reported in the consolidated Financial Statements for the year 2021.

(2) The headings "Transfers within equity" and "Other increases or decreases in equity" include the effects of the application of IAS 29 in the subsidiaries in Turkey for amounts of €1,873 million in "Retained earnings", €1,862 million in "Accumulated other comprehensive income (loss)" and, under the heading of "Non-controlling interests" include, €1,621 million in "Other" and €1,480 million in "Accumulated other comprehensive income (loss)" in the consolidated Financial Statements.

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

Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2021 ⁽¹⁾	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest		Total
												Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	
Balances as of January 1, 2021 ⁽²⁾	3,267	23,992	—	42	30,508	—	(164)	(46)	1,305	—	(14,356)	(6,949)	12,421	50,020
Effect of changes in accounting policies	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Adjusted initial balance	3,267	23,992	—	42	30,508	—	(164)	(46)	1,305	—	(14,356)	(6,949)	12,421	50,020
Total income/expense recognized	—	—	—	—	—	—	—	—	4,653	—	(2,512)	(1,465)	965	1,640
Other changes in equity	—	(393)	—	17	1,333	—	(1,693)	(600)	(1,305)	(532)	391	—	(119)	(2,900)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	(532)	—	—	(119)	(1,045)
Purchase of treasury shares	—	—	—	—	—	—	—	(1,022)	—	—	—	—	—	(1,022)
Sale or cancellation of treasury shares	—	—	—	—	—	—	17	421	—	—	—	—	—	438
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	1,693	—	(780)	—	(1,305)	—	391	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(11)	—	—	—	—	—	—	—	—	—	(11)
Other increases or (-) decreases in equity	—	—	—	28	(360)	—	(930)	—	—	—	—	—	1	(1,260)
Balance as of December 31, 2021	3,267	23,599	—	60	31,841	—	(1,857)	(647)	4,653	(532)	(16,476)	(8,414)	13,267	48,760

(1) Presented for comparison purposes only.

(2) Balances as of December 31, 2020 as originally reported in the consolidated Financial Statements for the year 2020.

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

Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2020 ⁽¹⁾	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest		Total
												Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	
Balances as of January 1, 2020 ⁽²⁾	3,267	23,992	—	56	26,402	—	(125)	(62)	3,512	(1,084)	(7,234)	(3,527)	9,728	54,925
Effect of changes in accounting policies	—	—	—	—	2,986	—	6	—	—	—	(2,992)	(2,045)	2,045	—
Adjusted initial balance	3,267	23,992	—	56	29,388	—	(119)	(62)	3,512	(1,084)	(10,226)	(5,572)	11,773	54,925
Total income/expense recognized	—	—	—	—	—	—	—	—	1,305	—	(4,014)	(1,361)	755	(3,315)
Other changes in equity	—	—	—	(14)	1,120	—	(45)	16	(3,512)	1,084	(116)	(16)	(107)	(1,590)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,066)	—	—	—	—	—	—	—	(124)	(1,190)
Purchase of treasury shares	—	—	—	—	—	—	—	(807)	—	—	—	—	—	(807)
Sale or cancellation of treasury shares	—	—	—	—	—	—	—	823	—	—	—	—	—	823
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	2,585	—	(41)	—	(3,512)	1,084	(116)	(16)	16	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity	—	—	—	8	(399)	—	(4)	—	—	—	—	—	1	(394)
Balance as of December 31, 2020	3,267	23,992	—	42	30,508	—	(164)	(46)	1,305	—	(14,356)	(6,949)	12,421	50,020

(1) Presented for comparison purposes only.

(2) Balances as of December 31, 2019 as originally reported in the consolidated Financial Statements for the year 2019.

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

Consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)			
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
A) CASH FLOWS FROM OPERATING ACTIVITIES	23,718	(1,242)	39,349
Profit for the year	6,827	5,618	2,060
Adjustments to obtain the cash flow from operating activities	11,770	7,688	11,653
Depreciation and amortization	1,328	1,234	1,288
Other adjustments	10,442	6,454	10,365
Net increase/decrease in operating assets	(42,900)	(38,267)	(57,370)
Financial assets held for trading	14,658	(17,031)	(10,351)
Non-trading financial assets mandatorily at fair value through profit or loss	(421)	(908)	(241)
Other financial assets designated at fair value through profit or loss	179	25	97
Financial assets at fair value through other comprehensive income	(1,014)	7,116	(16,649)
Financial assets at amortized cost	(55,754)	(28,062)	(30,212)
Other operating assets	(548)	592	(15)
Net increase/decrease in operating liabilities	51,256	25,266	84,961
Financial liabilities held for trading	2,907	6,479	247
Other financial liabilities designated at fair value through profit or loss	293	(837)	647
Financial liabilities at amortized cost	48,161	19,682	84,853
Other operating liabilities	(105)	(58)	(787)
Collection/Payments for income tax	(3,234)	(1,546)	(1,955)
B) CASH FLOWS FROM INVESTING ACTIVITIES	(3,911)	(1,634)	(37)
Investment	(4,506)	(12,472)	(1,185)
Tangible assets	(1,812)	(396)	(632)
Intangible assets	(630)	(550)	(491)
Investments in joint ventures and associates	(81)	(50)	(62)
Subsidiaries and other business units	(1,389)	—	—
Non-current assets classified as held for sale and associated liabilities	(594)	(11,476)	—
Other settlements related to investing activities	—	—	—
Divestments	596	10,838	1,148
Tangible assets	29	78	558
Intangible assets	—	—	—
Investments in joint ventures and associates	127	80	307
Subsidiaries and other business units	—	10	—
Non-current assets classified as held for sale and associated liabilities	440	10,670	283
Other collections related to investing activities	—	—	—
C) CASH FLOWS FROM FINANCING ACTIVITIES	(7,563)	(4,349)	(2,069)
Payments	(7,996)	(4,786)	(5,316)
Dividend distribution (shareholders remuneration)	(2,185)	(926)	(1,065)
Subordinated liabilities	(2,258)	(2,301)	(2,820)
Treasury share amortization	(313)	—	—
Treasury share acquisition	(2,670)	(1,022)	(807)
Other items relating to financing activities	(571)	(538)	(624)
Collections	434	438	3,247
Subordinated liabilities	—	—	2,425
Treasury shares increase	—	—	—
Treasury shares disposal	434	438	822
Other items relating to financing activities	—	—	—
D) EFFECT OF EXCHANGE RATE CHANGES	(288)	(1,864)	(4,658)
E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)	11,957	(9,089)	32,585
F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR ⁽²⁾	67,799	76,888	44,303
G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F) ⁽³⁾	79,756	67,799	76,888
COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)			
	2022	2021 ⁽¹⁾	2020 ⁽¹⁾
Cash	6,533	6,877	6,447
Balance of cash equivalent in central banks	67,314	55,004	53,079
Other financial assets	5,909	5,918	5,994
Less: Bank overdraft refundable on demand	—	—	—
TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR	79,756	67,799	65,520
TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED AS NON-CURRENT ASSETS AND DISPOSABLE GROUPS CLASSIFIED AS HELD FOR SALE IN THE UNITED STATES	—	—	11,368

(1) Presented for comparison purposes only.

(2) In fiscal year 2021, the balance of Group companies in the United States included in the sale to PNC is included.

(3) In fiscal year 2020, the balance of Group companies that were in the process of being sold in the United States included in the sale to PNC is included.

This Appendix is an integral part of Note 1.9 of the financial statements for the year ended December 31, 2021.

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

APPENDIX II. Additional information on subsidiaries and structured entities composing the BBVA Group

Company	Location	Activity	% share of participation ⁽¹⁾			Millions of Euros ⁽²⁾		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.64	49.36	100.00	3	3	—
ADQUIRA MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	8	5	3
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	18	17	2
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	1,194	1,189	12
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	—	100.00	100.00	37	36	2
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1,142	1,128	14
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	—	100.00	100.00	25	25	—
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESSOAL, LTDA	PORTUGAL	REAL ESTATE	—	100.00	100.00	24	17	-1
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	—	100.00	100.00	11	9	7
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
APLICA NEXTGEN SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	53	114	—
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	56	62	—
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	59	75	—
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	22	22	—
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	—	100.00	100.00	17	25	-1
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	—	99.95	—	—	—
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.59	66.55	158	671	925
BANCO BBVA PERÚ SA (3)	PERU	BANKING	—	46.12	46.12	1,278	2,300	474
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	—	100.00	110	221	29
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	—
BANCO PROVINCIAL OVERSEAS NV	CURACAO	BANKING	—	100.00	100.00	44	42	2
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	46	208	7
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	99.80	0.20	100.00	—	581	31
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	—	100.00	114	139	7
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	—	100.00	100.00	—	—	—
BBVA AI FACTORY SL	SPAIN	SERVICES	—	100.00	100.00	6	4	—
BBVA ASSET MANAGEMENT ARGENTINA SAU SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSIÓN	ARGENTINA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	20	—	20
BBVA ASSET MANAGEMENT MEXICO SA DE CV, SOC. OPERADORA DE FONDOS DE INVERSIÓN, GRUPO FRO. BBVA MEXICO	MEXICO	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	36	23	13
BBVA ASSET MANAGEMENT SA SAF	PERU	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	7	5	2
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	INVESTMENT FUND MANAGEMENT	100.00	—	100.00	36	-80	116
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	20	15	5
BBVA AXIAL TECH SA DE CV	MEXICO	SERVICES	100.00	—	100.00	192	249	15
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	—	100.00	100.00	5	4	1
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	—	100.00	16	20	—
BBVA BROKER ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	—	99.96	99.96	—	2	9
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	—	2	7

(1) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(2) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2022. In the carrying amount (net of provision and hedge in foreign operations), the Group's ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2022. The data of the companies in Turkey and Argentina are prior to the application of hyperinflation accounting.

(3) Full consolidation method is used according to accounting rules (see Glossary).

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

Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation ⁽¹⁾			Millions of Euros ⁽²⁾		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	77.41	18.06	95.47	341	1,062	193
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME, S.A. (BBVA CONSUMER FINANCE - EDPYME)	PERU	IN LIQUIDATION	—	100.00	100.00	4	1	3
BBVA DISCOVERY INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	9	17	(8)
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	6	3	3
BBVA FUNDOS S.GESTORA FUNDOS PENSOES, S.A.	PORTUGAL	PENSION FUND MANAGEMENT	100.00	—	100.00	8	6	1
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	5	—
BBVA GLOBAL MARKETS BV	NETHERLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	—	—
BBVA GLOBAL SECURITIES, B.V.	NETHERLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	—	—
BBVA HOLDING CHILE, S.A.	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	158	299	43
BBVA INFORMATION TECHNOLOGY ESPAÑA, S.L.	SPAIN	SERVICES	76.00	—	76.00	1	5	2
BBVA INSTITUIÇÃO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	61	4
BBVA LEASING MEXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	51	214	22
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	99.99	0.01	100.00	11	(14)	27
BBVA MEXICO, S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA MEXICO	MEXICO	BANKING	—	100.00	100.00	14,382	10,770	3,611
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	33	25	5
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
BBVA OP3N S.L.	SPAIN	SERVICES	—	100.00	100.00	—	2	—
BBVA OPERADORA MEXICO, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	65	60	5
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	336	242	95
BBVA PENSIONES, S.A. ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUND MANAGEMENT	100.00	—	100.00	13	15	9
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	—	100.00	109	1,066	219
BBVA PREVISION AFP, S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUND MANAGEMENT	75.00	5.00	80.00	2	5	11
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	1	1	—
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	—	100.00	100.00	39	57	9
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	233	266	(13)
BBVA SEGUROS ARGENTINA, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	11	19	32
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	17	10
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	81	22
BBVA SEGUROS MÉXICO, S.A. DE CV GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	518	228	290
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	—	99.96	713	675	223
BBVA SEGUROS SALUD MEXICO, S.A. DE CV GRUPO FRO. BBVA MEXICO.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	12	9	4
BBVA SERVICIOS ADMINISTRATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	36	52	(16)
BBVA SERVICIOS CORPORATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	4	4	—
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	—	100.00	100.00	—	—	—
BBVA SOCIEDAD TITULIZADORA, S.A.	PERU	OTHER ISSUANCE COMPANIES	—	100.00	100.00	1	1	—
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	9	9	—

(1) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(2) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2022. In the carrying amount (net of provision and hedge in foreign operations), the Group's ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2022. The data of the companies in Turkey and Argentina are prior to the application of hyperinflation accounting.

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation ⁽¹⁾			Millions of Euros ⁽²⁾		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
BBVA VALORES COLOMBIA, S.A.	COLOMBIA	SECURITIES DEALER	—	100.00	100.00	8	8	—
COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	—	100.00	100.00	8	8	—
BILBAO VIZCAYA HOLDING SAU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	160	321	(32)
CAIXA MANRESA INMOBILIARIA ON CASA, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
CARTERA E INVERSIONES, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	92	131	4
CASA DE BOLSA BBVA MEXICO, S.A. DE CV	MEXICO	SECURITIES DEALER	—	100.00	100.00	69	46	24
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
CATALUNYACAIXA INMOBILIARIA, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	194	181	14
CATALUNYACAIXA SERVEIS, S.A.	SPAIN	SERVICES	100.00	—	100.00	2	2	—
CDD GESTION I S.R.L. IN LIQUIDAZIONE	ITALY	IN LIQUIDATION	100.00	—	100.00	—	—	—
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	16	15	2
CIERVANA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	53	52	2
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	—	—	—
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	—	100.00	100.00	3	4	—
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	272	10
CONSOLIDAR A.F.J.P, S.A.	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	1	—	—
CONTENTS AREA, S.L.	SPAIN	SERVICES	—	100.00	100.00	5	5	—
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	510	885	19
CREA MADRID NUEVO NORTE, S.A.	SPAIN	REAL ESTATE	—	75.54	75.54	130	176	(4)
DATA ARCHITECTURE AND TECHNOLOGY MEXICO, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	1	1	—
DATA ARCHITECTURE AND TECHNOLOGY, S.L.	SPAIN	SERVICES	—	51.00	51.00	—	4	—
DATA ARQUITECTURE AND TECHNOLOGY OPERADORA, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	—	—	—
DEUTSCHE BANK MEXICO, S.A. FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
DEUTSCHE BANK MEXICO, S.A. FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
ECASA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	39	30	10
EMPRENDIMIENTOS DE VALOR, S.A.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	3	3	—
EUROPEA DE TITULIZACION, S.A. SGFT.	SPAIN	FINANCIAL SERVICES	88.24	—	88.24	2	18	2
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION (3)	MEXICO	REAL ESTATE	—	42.40	42.40	1	1	—
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	—	65.00	65.00	—	1	—
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	4	3	—
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	57	46	11
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	—	100.00	100.00	—	—	—
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	—	100.00	100.00	4	3	1
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	COLOMBIA	REAL ESTATE	—	100.00	100.00	—	1	—
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	—	59.99	59.99	—	1	—
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	—	100.00	100.00	2	2	—

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(3) Full consolidation method is used according to accounting rules (see Glossary).

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation ⁽¹⁾			Millions of Euros ⁽²⁾		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
FINANCIERA AYUDAMOS, S.A. DE C.V., SOFOMER	MEXICO	IN LIQUIDATION	—	100.00	100.00	6	5	—
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES, S.L. EN LIQUIDACION	SPAIN	IN LIQUIDATION	—	60.00	60.00	—	—	—
FORUM COMERCIALIZADORA DEL PERU, S.A.	PERU	SERVICES	—	100.00	100.00	1	1	—
FORUM DISTRIBUIDORA DEL PERU, S.A.	PERU	FINANCIAL SERVICES	—	100.00	100.00	8	7	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	45	41	2
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	271	219	42
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	IN LIQUIDATION	—	100.00	100.00	1	1	—
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	393	325	—
GARANTI BANK, S.A.	ROMANIA	BANKING	—	100.00	100.00	254	317	39
GARANTI BBVA AS	TURKEY	BANKING	85.97	—	85.97	5,247	4,914	2,941
GARANTI BBVA EMEKULIK AS	TURKEY	INSURANCES SERVICES	—	84.91	84.91	87	50	51
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	—	81.84	81.84	28	17	18
GARANTI BBVA FILO AS	TURKEY	SERVICES	—	100.00	100.00	100	50	50
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	189	118	71
GARANTI BBVA PORTFOY AS	TURKEY	MANAGEMENT	—	100.00	100.00	16	8	8
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	112	51	61
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(8)	6
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	565	394	—
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	—	100.00	100.00	—	—	—
GARANTI KULTUR AS	TURKEY	SERVICES	—	100.00	100.00	—	—	—
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	6	4	3
GARANTI ODEME VE ELEKTRONIK PARA HIZMETLERI ANONIM SIRKETI	TURKEY	PAYMENT ENTITIES	—	100.00	100.00	5	6	(2)
GARANTI YATIRIM ORTAKLIGI AS (3) (4)	TURKEY	INVESTMENT COMPANY	—	3.61	3.61	—	2	1
GARANTI BANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	—	100.00	100.00	724	603	41
GESCAT GESTIO DE SOL, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	8	6	2
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
GESCAT LLOGUERS, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	3	3	—
GESCAT VIVENDES EN COMERCIALIZTACIO, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	36	38	(2)
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	MANAGEMENT	60.00	—	60.00	9	15	6
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSÁ	SPAIN	SERVICES	—	100.00	100.00	1	1	—
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	424	432	15
GRUPO FINANCIERO BBVA MEXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	99.98	—	99.98	8,480	12,275	4,004
INMUEBLES Y RECUPERACIONES CONTINENTAL, S.A.	PERU	REAL ESTATE	—	100.00	100.00	15	13	2
INVERAHORRO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	118	122	(4)
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	—	100.00	100.00	—	—	—
INVERSIONES BANPRO INTERNATIONAL INC NV (3)	CURACAO	INVESTMENT COMPANY	48.00	—	48.00	16	44	2

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(3) Full consolidation method is used according to accounting rules (see Glossary).

(4) The percentage of voting rights owned by the Group entities in this company is 99.97%.

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Company	Location	Activity	% share of participation ⁽¹⁾			Millions of Euros ⁽²⁾		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	—	100.00	—	—	—
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	—	60.46	60.46	—	—	—
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	—	100.00	100.00	4	3	—
MISAPRE, S.A. DE C.V.	MEXICO	IN LIQUIDATION	—	100.00	100.00	—	—	—
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	7	8	—
MOTORACTIVE IFN, S.A.	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	35	32	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	—	100.00	100.00	—	3	1
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	COLOMBIA	FINANCIAL SERVICES	—	50.00	50.00	7	11	(7)
MULTIASISTENCIA OPERADORA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	—	—	—
MULTIASISTENCIA SERVICIOS, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	—	—	—
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	73	52	21
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	—	100.00	100.00	3	3	—
OPENPAY ARGENTINA, S.A.	ARGENTINA	PAYMENT ENTITIES	—	100.00	100.00	5	6	2
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	—	100.00	100.00	4	3	(2)
OPENPAY PERÚ, S.A.	PERU	PAYMENT ENTITIES	—	100.00	100.00	6	5	(3)
OPENPAY, S.A. DE C.V.	MEXICO	PAYMENT ENTITIES	—	100.00	100.00	30	18	(9)
OPENPAY SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
OPERADORA DOS LAGOS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	—	100.00	1	23	10
PECRI INVERSION, S.L.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	112	109	2
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	26	26	—
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	15	19	1
PROMOU CT OPENSEGRE, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	5	5	—
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
PROPEL EXPLORER FUND I LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	20	22	—
PROPEL EXPLORER FUND II LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	—	—	—
PROPEL VENTURE PARTNERS BRAZIL US LP	UNITED STATES	INVESTMENT COMPANY	—	99.80	99.80	20	22	—
PROPEL VENTURE PARTNERS GLOBAL US, LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	121	230	(54)
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	99.50	—	99.50	207	276	(2)
PROPEL XYZ I LP	UNITED STATES	INVESTMENT COMPANY	—	99.40	99.40	7	8	(2)
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	—	58.86	58.86	—	—	—
PROVINCIAL DE VALORES CASA DE BOLSA CA	VENEZUELA	SECURITIES DEALER	—	90.00	90.00	1	1	—
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA CA	VENEZUELA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	1	1	—
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUND MANAGEMENT	—	100.00	100.00	2	2	—
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	50.00	50.00	11	13	9
RALFI IFN, S.A.	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	37	21	(3)
RPV COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(1)	—

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Additional information on subsidiaries and structured entities composing the BBVA Group (Continued)

Company	Location	Activity	% share of participation ⁽¹⁾			Millions of Euros ⁽²⁾		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
SATICEM GESTIO, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SATICEM HOLDING, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	5	5	—
SATICEM INMOBLES EN ARRENDAMENT, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	—	100.00	100.00	10	14	(4)
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	—	100.00	100.00	8	8	—
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO, S.A.	SPAIN	SERVICES	100.00	—	100.00	67	65	2
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	1	3	—
SPORT CLUB 18, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	11	11	—
TREE INVERSIONES INMOBILIARIAS, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	1,988	754	23
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	—	100.00	100.00	1	1	—
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	531	417	20
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	—	60.60	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS MEXICO SACV	MEXICO	SERVICES	—	100.00	100.00	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS, S.L.	SPAIN	SERVICES	—	51.00	51.00	1	4	(1)
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS USA LLC	UNITED STATES	SERVICES	—	100.00	100.00	—	—	—
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	51.00	51.00	18	22	14

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This Appendix is an integral part of Note 14.1 of the financial statements for the year ended December 31, 2022.

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APPENDIX III. Additional information on investments joint ventures and associates in the BBVA Group as of December 31, 2022

Most significant companies are included, which together represent 99.5% of the total investment in this group.

Company	Location	Activity	% Legal share of participation			Millions of Euros ⁽¹⁾				
			Direct	Indirect	Total	Affiliate entity data				
						Net carrying amount	Assets 31.12.2022	Liabilities 31.12.2022	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
ASSOCIATES										
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	—	44.44	44.44	4	20	11	9	1
ATOM HOLDCO LIMITED	UNITED KINGDOM	INVESTMENT COMPANY	42.77	—	42.77	132	7,063	6,755	314	(7)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	—	49.00	49.00	5	10	1	10	—
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	—	50.00	50.00	248	836	298	535	4
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO, S.A.	SPAIN	PUBLIC COMPANIES AND INSTITUTIONS	16.67	—	16.67	31	191	7	168	16
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	—	21.50	21.50	2	126	118	4	5
METROVACESA, S.A.	SPAIN	REAL ESTATE	9.44	11.41	20.85	259	2,541	695	1,830	16
PLAY DIGITAL, S.A.	ARGENTINA	PAYMENT ENTITIES	—	10.80	10.80	2	19	3	27	(10)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	24.90	—	24.90	20	121	42	75	4
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	40.00	40.00	4	122	112	10	—
SBD CREIXENT, S.A.	SPAIN	REAL ESTATE	—	23.05	23.05	1	5	1	5	—
SEGURIDAD Y PROTECCION BANCARIAS, S.A. DE CV	MEXICO	SERVICES	—	26.14	26.14	1	4	—	3	1
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE CV	MEXICO	SERVICES	—	46.14	46.14	23	50	—	38	13
SERVIREO SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	28.72	—	28.72	8	82	54	26	2
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO, S.A.	SPAIN	PAYMENT ENTITIES	20.61	—	20.61	2	377	369	5	3
SOLARIS SE ⁽²⁾	GERMANY	BANKING	—	15.51	15.51	66	3,317	3,086	268	(36)
TELEFONICA FACTORING ESPAÑA, S.A. ⁽³⁾	SPAIN	FINANCIAL SERVICES	30.00	—	30.00	4	73	57	7	9
TF PERU SAC	PERU	FINANCIAL SERVICES	—	24.30	24.30	1	6	1	4	1
JOINT VENTURES										
ALTURA MARKETS SOCIEDAD DE VALORES, S.A.	SPAIN	SECURITIES DEALER	50.00	—	50.00	42	3,391	3,307	73	12
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE CV	MEXICO	SERVICES	—	50.00	50.00	10	20	—	19	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. ⁽⁴⁾	SPAIN	INVESTMENT COMPANY	—	50.00	50.00	29	62	4	58	—
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA ⁽⁴⁾	MEXICO	REAL ESTATE	—	44.09	44.09	9	185	—	185	—
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	—	42.40	42.40	7	17	—	17	—
INVERSIONES PLATCO CA	VENEZUELA	FINANCIAL SERVICES	—	50.00	50.00	3	7	1	7	(1)
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	—	39.11	39.11	1	3	—	3	—
RCI COLOMBIA, S.A. COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	—	49.00	49.00	36	755	682	57	16

(1) In foreign companies the exchange rate of December 31, 2022 is applied.

(2) The percentage of voting rights owned by the Group entities in this company is 22.22%.

(3) Financial Statements as of December 31, 2021.

(4) Classified as Non-current asset held for sale.

This Appendix is an integral part of Note 14.2 of the financial statements for the year ended December 31, 2022.

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

APPENDIX IV. Changes and notifications of participations in the BBVA Group in 2022

Acquisitions or increases of interest ownership in consolidated subsidiaries

Company ⁽¹⁾	Type of transaction	Total voting rights controlled after the disposal	Effective Date for the Transaction (or Notification Date)
PROPEL VENTURE PARTNERS GLOBAL US, LP	FOUNDING	99.50	31-Mar-22
PROPEL VENTURE PARTNERS BRAZIL US LP	FOUNDING	99.80	31-Mar-22
PROPEL XYZ I LP	FOUNDING	99.40	09-Jun-22
TREE INVERSIONES INMOBILIARIAS, S.A.	ACQUISITION	100.00	15-Jun-22
PROPEL EXPLORER FUND I LP	CONSTITUCIÓN	0.00	15-Jun-22
PROPEL EXPLORER FUND II LP	CONSTITUCIÓN	0.00	15-Jun-22
BBVA DISCOVERY INC	CONSTITUCIÓN	100.00	20-Sep-22
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	CONSTITUCIÓN	50.00	13-Oct-22
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS MEXICO SACV	CONSTITUCIÓN	100.00	14-Feb-22
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS USA LLC	CONSTITUCIÓN	100.00	30-Jul-22
GARANTI ODEME VE ELEKTRONIK PARA HIZMETLERI ANONIM SIRKETI	CONSTITUCIÓN	100.00	30-Apr-22
GARANTI BBVA AS	COMPRA-OPA	85.97	18-May-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

Disposals or reduction of interest ownership in consolidated subsidiaries

Company ⁽¹⁾	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
BANCO INDUSTRIAL DE BILBAO, S.A.	MERGER	—	15-Dec-22
BBVA FINANZIA SPA	LIQUIDATION	—	08-Jun-22
UNIVERSALIDAD TIPS PESOS E-9	MERGER	—	01-Jun-22
BBVA PLANIFICACION PATRIMONIAL, S.L.	LIQUIDATION	—	07-Jan-22
INMESP DESARROLLADORA, S.A. DE C.V.	MERGER	—	30-Mar-22
PROPEL VENTURE PARTNERS GLOBAL, S.L.	MERGER	—	27-Dec-22
PROPEL VENTURE PARTNERS BRAZIL S.L.	MERGER	—	27-Dec-22
PROPEL EXPLORER FUND I, S.L.	MERGER	—	27-Dec-22
PROMOU CT GEBIRA, S.L.	LIQUIDATION	—	15-Jun-22
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	LIQUIDATION	—	23-Aug-22
JALE PROCAM, S.L. (EN LIQUIDACIÓN)	LIQUIDATION	—	23-Dec-22
SATICEM INMOBILIARIA, S.L.	LIQUIDATION	—	06-Sep-22
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO, S.A.	LIQUIDATION	—	02-May-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

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Changes and notifications of participations in the BBVA Group in 2022

Business combinations and other acquisitions or increases of interest ownership in associates and joint-ventures accounted for under the equity method

Company ⁽¹⁾	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
NUEVO MARKETPLACE, S.L.	CAPITAL INCREASE	28.16	30-Sep-22
ATOM HOLDCO LIMITED	FOUNDING	42.77	30-Nov-22
SOLARIS SE ⁽²⁾	CAPITAL INCREASE	15.51	04-Nov-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

(2) The percentage of voting rights owned by the Group entities in this company is 22.22%.

Disposal or reduction of interest ownership in associates and joint-ventures companies accounted for under the equity method

Company ⁽¹⁾	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
IRB RIESGO OPERACIONAL SL	CAPITAL DECREASE	—	11-Jan-22
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	DISPOSAL	—	16-Jun-22
ATOM BANK PLC	TRANSFER PARTICIPATIONS	—	01-Nov-22
PRIVACYCLOUD S.L.	DISPOSAL	—	15-Dec-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

This Appendix is an integral part of Note 14.3 of the financial statements for the year ended December 31, 2022.

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

APPENDIX V. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2022

Company	Activity	% of voting rights controlled by the Bank		
		Direct	Indirect	Total
BANCO BBVA PERÚ SA	BANKING	—	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	—	48.01
PRO-SALUD, C.A.	NO ACTIVITY	—	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	—	60.46	60.46
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	PENSION FUND MANAGEMENT	75.00	5.00	80.00
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	—	50.00	50.00
CREA MADRID NUEVO NORTE SA	REAL ESTATE	—	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	—	60.00
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	FINANCIAL SERVICES	—	50.00	50.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	—	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	—	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	BANKING	—	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	—	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	—	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	—	51.00	51.00
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	FINANCIAL SERVICES	—	50.00	50.00
GARANTI BBVA EMEKLILIK AS	INSURANCES	—	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. EN LIQUIDACION	IN LIQUIDATION	—	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	—	76.00
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	BANKING	—	50.00	50.00

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APPENDIX VI. BBVA Group's structured entities as of December 31, 2022. Securitization funds

Securitization fund (consolidated)	Company	Origination date	Millions of Euros	
			Total securitized exposures at the origination date	Total securitized exposures as of December 31, 2022
TDA 22 Mixto, FTA (Unnim)	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Dec-04	592	13
AYT HIP MIXTO V	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Jul-06	120	16
TDA 27 Mixto, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Dec-06	275	58
TDA 28 Mixto, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	23-Jul-07	250	59
HIPOCAT 8 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	06-May-05	1,500	143
HIPOCAT 9 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-05	1,016	112
HIPOCAT 10 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	05-Jul-06	1,526	166
HIPOCAT 11 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Mar-07	1,628	181
TDA 19 MIXTO, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Feb-04	600	12
GAT TARRAGONA 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	30-Nov-07	397	59
GAT VPO (UNNIM)	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Jun-09	780	25
BBVA CONSUMO 10 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	08-Jul-19	2,000	908
BBVA CONSUMO 11 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	12-Mar-21	2,500	1,285
BBVA CONSUMO 9 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Mar-17	1,375	204
BBVA CONSUMER AUTO 2018-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Jun-18	800	206
BBVA CONSUMER AUTO 2020-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	15-Jun-20	1,100	780
BBVA RMBS 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	19-Feb-07	2,500	616
BBVA RMBS 2 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	26-Mar-07	5,000	1,152
BBVA RMBS 3 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Jul-07	3,000	1,037
BBVA RMBS 5 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-May-08	5,000	1,727
BBVA RMBS 9 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Apr-10	1,295	603
BBVA RMBS 14 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Nov-14	700	316
BBVA CONSUMER AUTO 2022-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	13-Jun-22	1,200	1,036
BBVA RMBS 22	BANCO BILBAO VIZCAYA ARGENTARIA SA	28-Nov-22	1,400	1,380
BBVA RMBS 17 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Nov-16	1,800	1,044
BBVA RMBS 21	BANCO BILBAO VIZCAYA ARGENTARIA SA	17-Mar-22	12,400	11,296
BBVA RMBS 19 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-19	2,000	1,475
BBVA RMBS 20 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	14-Jun-21	2,500	2,143
BBVA LEASING 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Jun-07	2,500	89
BBVA LEASING 2 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Jul-20	2,100	711
BBVA-6 FTPYME FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	10-Jun-07	1,500	25

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APPENDIX VII. BBVA Group's structured entities. Securitization funds as of December 31, 2022

Issue Type and data (Millions of Euros)					
	2022	2021	Interest rate in force in 2022	Fix (F) or variable (V)	Maturity date
Non-convertible					
Mar-07	74	73	3.28%	V	Perpetuo
Apr-07	—	68	—%	V	Perpetual
Mar-08	125	125	6.03%	F	3-Mar-33
May-08	50	50	15.34%	V	19-May-23
Jul-08	100	100	6.20%	F	4-Jul-23
Feb-17	1,000	1,000	3.50%	F	10-Feb-27
Feb-17	99	99	4.00%	F	24-Feb-32
Mar-17	65	65	4.00%	F	24-Feb-32
Mar-17	53	53	2.34%	V	16-Mar-27
Mar-17	113	106	5.70%	F	31-Mar-32
May-17	20	19	1.60%	F	24-May-27
May-17	150	150	2.54%	F	24-May-27
May-18	279	263	5.25%	F	29-May-33
Feb-19	750	750	2.58%	F	22-Feb-29
Jan-20	994	994	1.00%	F	16-Jan-30
Jul-20	338	357	3.10%	F	15-Jul-31
Subordinated debt - convertible					
May-17	—	500	0.00%	V	Perpetuo
Nov-17	938	883	6.13%	V	Perpetual
Sep-18	1,000	1,000	5.88%	V	Perpetual
Mar-19	1,000	1,000	6.00%	V	Perpetual
Sep-19	938	883	6.50%	V	Perpetual
Jul-20	1,000	1,000	6.00%	V	Perpetual
					Perpetual
Subtotal	9,086	9,538			
Subordinated deposits	184	173			
Total	9,270	9,711			

This Appendix is an integral part of Note 20.4 of the financial statements for the year ended December 31, 2022.

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

APPENDIX VIII. Balance sheets held in foreign currency as of December 31, 2022 and 2021

2022 (Millions of Euros)

	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	11,592	1,497	515	13,604
Non-trading financial assets mandatorily at fair value through profit or loss	373	—	61	434
Financial assets designated at fair value through other comprehensive income	4,923	197	3,065	8,185
Financial assets at amortized cost	28,645	2,385	3,618	34,648
Investments in subsidiaries, joint ventures and associates	—	—	15,189	15,189
Tangible assets	7	13	3	23
Other Assets	4,216	44	834	5,094
Total	49,756	4,136	23,285	77,177
Liabilities				
Financial assets held for trading	10,527	333	399	11,259
Other financial liabilities designated at fair value through profit or loss	1,467	109	284	1,860
Financial liabilities at amortized cost	35,186	4,519	3,022	42,727
Other Liabilities	333	37	86	456
Total	47,513	4,998	3,791	56,302

2021 (Millions of Euros)

	USD	Pounds sterling	Other currencies	TOTAL
Assets				
Financial assets held for trading	10,864	5,845	796	17,505
Non-trading financial assets mandatorily at fair value through profit or loss	83	—	66	149
Financial assets designated at fair value through other comprehensive income	3,464	109	5,152	8,725
Financial assets at amortized cost	21,608	1,855	3,064	26,527
Investments in subsidiaries, joint ventures and associates	—	—	11,968	11,968
Tangible assets	6	3	6	15
Other Assets	3,856	166	489	4,511
Total	39,881	7,978	21,541	69,400
Liabilities				
Financial assets held for trading	10,334	234	189	10,757
Other financial liabilities designated at fair value through profit or loss	1,605	163	153	1,921
Financial liabilities at amortized cost	22,632	3,117	2,592	28,341
Other Liabilities	301	40	95	436
Total	34,872	3,554	3,029	41,455

This Appendix is an integral part of Note 2.13 of the financial statements for the year ended December 31, 2022.

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

APPENDIX IX. Income statement corresponding to the first and second half of 2022 and 2021

INCOME STATEMENTS (Millions of Euros)				
	Six months ended June 30, 2022	Six months ended June 30, 2021	Six months ended December 31, 2022	Six months ended December 31, 2021
Interest income	2,326	2,155	3,577	2,134
Financial assets and liabilities at fair value through other comprehensive income	182	98	316	137
Financial assets at amortized cost	1,801	1,759	3,615	1,667
Other interest income	343	298	(354)	330
Interest expense	(561)	(428)	(1,521)	(433)
NET INTEREST INCOME	1,765	1,727	2,056	1,701
Dividend income	1,485	898	1,984	910
Fee and commission income	1,323	1,183	1,289	1,332
Fee and commission expense	(234)	(204)	(255)	(259)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(1)	61	2	23
Financial assets at amortized cost	—	—	—	23
Other financial assets and liabilities	(1)	61	2	—
Gains (losses) on financial assets and liabilities held for trading, net	215	229	223	66
Reclassification of financial assets from fair value through other comprehensive income	—	—	—	—
Reclassification of financial assets from amortized cost	—	—	—	—
Other gains or losses	215	229	223	66
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(48)	79	(3)	35
Reclassification of financial assets from fair value through other comprehensive income	—	—	—	—
Reclassification of financial assets from amortized cost	—	—	—	—
Other gains or losses	(48)	79	(3)	35
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	81	42	47	3
Gains (losses) from hedge accounting, net	3	(28)	(3)	(8)
Exchange differences, net	59	28	(182)	28
Other operating income	165	89	174	81
Other operating expense	(325)	(264)	(318)	(282)
GROSS INCOME	4,489	3,840	5,014	3,630
Administrative expense	(1,808)	(1,816)	(1,947)	(1,877)
Personnel expense	(1,040)	(1,086)	(1,177)	(1,151)
Other administrative expense	(767)	(729)	(771)	(727)
Depreciation and amortization	(317)	(322)	(322)	(317)
Provisions or reversal of provisions	(11)	(939)	(39)	(11)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(183)	(326)	(337)	(149)
Financial assets at amortized cost	(166)	(330)	(338)	(152)
Financial assets at fair value through other comprehensive income	(17)	5	1	2
NET OPERATING INCOME	2,170	437	2,369	1,277
Impairment or reversal of impairment of investments in subsidiaries, joint ventures and associates	634	(35)	8	(876)
Impairment or reversal of impairment on non-financial assets	47	(155)	(41)	(12)
Tangible assets	47	(156)	(26)	(8)
Intangible assets	(1)	—	(15)	(4)
Other assets	1	1	—	—
Gains (losses) on derecognition of non - financial assets and subsidiaries, net	1	3	(1)	—
Negative goodwill recognized in profit or loss	—	—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(10)	110	(16)	(3)
PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS	2,843	360	2,320	386
Tax expense or income related to profit or loss from continuing operations	(240)	208	(107)	(150)
PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS	2,603	568	2,212	235
Profit (loss) after tax from discontinued operations	—	277	—	—
PROFIT (LOSS) FOR THE YEAR	2,603	845	2,212	235

APPENDIX X. Information on data derived from the special accounting registry and other information bonds

The Bank has implemented policies and procedures for its activities in the mortgage market and in the financing of exportation of goods and services or the process of internationalization of companies, which allow ensuring compliance with the applicable regulations of the mortgage market and for the issuance of bonds.

a. Mortgage market policies and procedures

Information required pursuant to Circular 5/2011 of the Bank of Spain is indicated as follows.

The mortgage origination policy is based on principles focused on assessing the adequate ratio between the amount of the loan, and the payments, and the income of the applicant. Applicants must in all cases prove sufficient repayment ability (present and future) to meet their repayment obligations, for both the mortgage debt and for other debts detected in the financial system. Therefore, the applicant's repayment ability is a key aspect within the credit decision-making tools and retail risk acceptance manuals, and has a high weighting in the final decision.

During the mortgage risk transaction analysis process, documentation supporting the applicant's income (payroll, etc.) is required, and the applicant's position in the financial system is checked through automated database queries (internal and external). This information is used for calculation purposes in order to determine the level of indebtedness/compliance with the remainder of the system. This documentation is kept in the transaction's file.

In addition, the mortgage origination policy assesses the adequate ratio between the amount of the loan and the appraisal value of the mortgaged asset. The policy also establishes that the property to be mortgaged be appraised by an independent appraisal company as established by Circular 4/2017. BBVA selects those companies whose reputation, standing in the market and independence ensure that their appraisals adapt to the market reality in each region. Each appraisal is reviewed and checked before the loan is granted and, in those cases where the loan is finally granted, it is kept in the transaction's file.

As for issues related to the mortgage market, the Finance area annually defines the strategy for wholesale finance issues, and more specifically mortgage bond issues, such as mortgage covered bonds or mortgage securitization. The Assets and Liabilities Committee tracks the budget monthly. The volume and type of assets in these transactions is determined in accordance with the wholesale finance plan, the trend of the Bank's "Loans and advances" outstanding balances and the conditions in the market.

The Board of Directors of the Bank authorizes each of the issues of Mortgage Transfer Certificates and/or Mortgage Participations issued by BBVA to securitize the credit rights derived from loans and mortgage loans. Likewise, the Board of Directors authorizes the establishment of a Base Prospectus for the issuance of fixed-income securities through which the mortgage-covered bonds are implemented.

As established on the applicable regulation, the Bank has set up a series of controls for mortgage covered bonds, which regularly control the total volume of issued mortgage covered bonds issued and the collateral which serves as guarantee and the eligible collateral, to avoid exceeding any limit which is applicable in accordance with the applicable regulations at any time. In the case of securitizations, the preliminary portfolio of loans and mortgage loans to be securitized is checked according to an agreed procedures engagement, by an independent expert from outside the Bank. There is also a series of filters through which some mortgage loans and credits are excluded in accordance with legal, commercial and risk concentration criteria.

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b. Quantitative information on activities in the mortgage market

The quantitative information on activities in the mortgage market required by Bank of Spain Circular 5/2011 as of December 31, 2022 and 2021 is shown below.

b.1) Ongoing operations ¹

Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)		
	2022	2021
Nominal value of outstanding loans and mortgage loans	82,753	86,112
Minus: Nominal value of all outstanding loans and mortgage loans that form part of the portfolio, but have been mobilized through mortgage bond holdings or mortgage transfer certificates.	(26,197)	(27,106)
Nominal value of outstanding loans and mortgage loans, excluding securitized loans	56,556	59,006
Of which: Loans and mortgage loans which would be eligible if the calculation limits set forth in Article 12 of Spanish Royal Decree 716/2009 were not applied.	42,607	45,006
Of which: Minus: Loans and mortgage loans which would be eligible but, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, cannot be used to collateralize any issuance of mortgage bonds.	(611)	(1,043)
Eligible loans and mortgage loans that, according to the criteria set forth in Article 12 of Spanish Royal Decree 716/2009, can be used as collateral for the issuance of mortgage bonds	41,996	43,963
Issuance limit: 80% of eligible loans and mortgage loans that can be used as collateral	33,597	35,170
Issued Mortgage-covered bonds	23,276	31,899
Outstanding Mortgage-covered bonds	7,775	9,399
Capacity to issue mortgage-covered bonds	10,321	3,271
Memorandum items:		
Percentage of overcollateralization across the portfolio	243 %	185 %
Percentage of overcollateralization across the eligible used portfolio	180 %	138 %
Nominal value of available sums (committed and unused) from all loans and mortgage loans.	6,409	5,765
Of which: Potentially eligible	5,146	4,972
Of which: Ineligible	1,263	793
Nominal value of all loans and mortgage loans that are not eligible, as they do not meet the thresholds set in Article 5.1 of Spanish Royal Decree 716/2009, but do meet the rest of the eligibility requirements indicated in Article 4 of the Royal Decree.	5,915	7,623
Nominal value of the replacement assets subject to the issue of mortgage-covered bonds.	—	—
Mortgage loans. Eligibility for the purpose of the mortgage market (Millions of Euros)		
	2022	2021
Total loans	(1) 82,753	86,112
Issued mortgage participations	(2) 8,604	3,703
Of which: recognized on the balance sheet	7,666	2,632
Issued mortgage transfer certificates	(3) 17,593	23,403
Of which: recognized on the balance sheet	16,019	21,530
Mortgage loans as collateral of mortgages bonds	(4) —	—
Loans supporting the issuance of mortgage-covered bonds	1-2-3-4 56,556	59,006
Non eligible loans	13,949	14,000
Comply requirements to be eligible except the limit provided for under the article 5.1 of the Spanish Royal Decree 716/2009	5,915	7,623
Other	8,034	6,377
Eligible loans	42,607	45,006
That cannot be used as collateral for issuances	611	1,043
That can be used as collateral for issuances	41,996	43,963
Loans used to collateralize mortgage bonds	—	—
Loans used to collateralize mortgage-covered bonds	41,996	43,963

¹ The issues of Guaranteed Bonds are subject to the provisions of Royal Decree-Law 24/2021 as from its entry into force on July 8, 2022.

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Nominal value of the total mortgage loans (Millions of Euros)						
	2022			2021		
	Total mortgage loans	Eligible Loans ⁽¹⁾	Eligibles that can be used as collateral for issuances ⁽²⁾	Total mortgage loans	Eligible Loans ⁽¹⁾	Eligibles that can be used as collateral for issuances ⁽²⁾
Total	56,556	42,607	41,996	59,006	45,006	43,963
By source of the operations						
Originated by the bank	52,698	39,463	38,867	54,830	41,426	40,413
Subrogated by other institutions	706	532	532	687	549	545
Rest	3,152	2,612	2,597	3,489	3,031	3,005
By Currency						
In Euros	56,399	42,532	41,921	58,873	44,908	43,865
In foreign currency	157	75	75	133	98	98
By payment situation						
Normal payment	52,175	41,067	40,622	53,002	42,477	41,789
Other situations	4,381	1,540	1,374	6,004	2,529	2,174
By residual maturity						
Up to 10 years	11,845	9,716	9,572	11,948	9,776	9,505
10 to 20 years	23,244	19,466	19,016	24,634	21,332	20,653
20 to 30 years	19,373	13,071	13,056	19,513	13,139	13,064
Over 30 years	2,094	354	352	2,911	759	741
By Interest rate						
Fixed rate	17,632	14,020	13,991	16,657	12,529	12,462
Floating rate	38,924	28,587	28,005	42,349	32,477	31,501
Mixed rate	—	—	—	0	0	0
By target of operations						
For business activity	9,017	5,689	5,107	9,494	6,316	5,482
<i>Of which: RE development</i>	<i>1,758</i>	<i>1,157</i>	<i>577</i>	<i>2,116</i>	<i>1,415</i>	<i>695</i>
Household and NPISHs	47,539	36,918	36,889	49,512	38,690	38,481
By type of guarantee						
Secured by completed assets/buildings	54,952	41,753	41,427	57,390	44,052	43,275
Residential use	48,598	37,666	37,397	50,941	39,806	39,182
<i>Of which: public housing</i>	<i>3,053</i>	<i>2,508</i>	<i>2,428</i>	<i>3,418</i>	<i>2,851</i>	<i>2,728</i>
Commercial	6,334	4,086	4,029	6,407	4,236	4,083
Other	20	1	1	42	10	10
Secured by assets/buildings under construction	1,142	666	421	1,132	779	556
Residential use	813	515	270	836	619	400
<i>Of which: public housing</i>	<i>1</i>	<i>—</i>	<i>—</i>	<i>1</i>	<i>—</i>	<i>—</i>
Commercial	329	151	151	296	160	156
Other	—	—	—	0	0	0
Secured by land	462	188	148	484	175	132
Urban	171	76	38	178	73	33
Non-urban	291	112	110	306	102	99

(1) Not taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

(2) Taking into account the thresholds established by article 12 of Spanish Royal Decree 716/2009.

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Nominal value of the total mortgage loans (Millions of Euros)

	Loan to Value (Last available appraisal risk)				Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80%	
December 2022					
Home mortgages	14,160	12,814	11,378	—	38,352
Other mortgages	2,387	1,868			4,255
Total	16,547	14,682	11,378	—	42,607
December 2021					
Home mortgages	13,612	13,935	13,004	—	40,551
Other mortgages	2,264	2,191			4,455
Total	15,876	16,126	13,004	—	45,006

Eligible and non-eligible mortgage loans. Changes of the nominal values in the period (Millions of Euros)

	2022		2021	
	Eligible ⁽¹⁾	Non eligible	Eligible ⁽¹⁾	Non eligible
Balance at the beginning	45,006	14,000	44,854	16,350
Retirements	9,627	7,427	6,829	6,033
Held-to-maturity cancellations	3,962	1,198	4,008	1,013
Anticipated cancellations	2,247	751	2,283	971
Subrogations to other institutions	98	31	56	20
Rest	3,320	5,447	482	4,029
Additions	7,228	7,376	6,981	3,684
Originated by the bank	3,698	3,539	5,275	3,138
Subrogations to other institutions	63	41	25	10
Rest	3,467	3,796	1,682	535
Balance at the end	42,607	13,949	45,006	14,000

(1) Not taking into account the thresholds established by Article 12 of Spanish Royal Decree 716/2009.

Mortgage loans supporting the issuance of mortgage-covered bonds. Nominal value (Millions of Euros)

	2022	2021
Potentially eligible	5,146	4,972
Ineligible	1,263	793
Total	6,409	5,765

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b.2) Liabilities operations

Issued Mortgage Bonds (Millions of Euros)				
	2022		2021	
	Nominal value	Average residual maturity	Nominal value	Average residual maturity
Mortgage bonds	—		—	
Mortgage-covered bonds	23,276		31,899	
Of which: Non recognized as liabilities on balance	15,501		22,500	
Of Which: outstanding	7,775		9,399	
Debt securities issued through public offer	7,950		7,700	
Residual maturity up to 1 year	2,250		1,250	
Residual maturity over 1 year and less than 2 years	1,000		2,250	
Residual maturity over 2 years and less than 3 years	2,000		1,000	
Residual maturity over 3 years and less than 5 years	2,500		3,000	
Residual maturity over 5 years and less than 10 years	—		—	
Residual maturity over 10 years	200		200	
Debt securities issued without public offer	14,105		22,610	
Residual maturity up to 1 year	2,500		2,000	
Residual maturity over 1 year and less than 2 years	—		9,000	
Residual maturity over 2 years and less than 3 years	4,000		—	
Residual maturity over 3 years and less than 5 years	4,605		8,500	
Residual maturity over 5 years and less than 10 years	3,000		3,110	
Residual maturity over 10 years	—		—	
Deposits	1,221		1,589	
Residual maturity up to 1 year	100		368	
Residual maturity over 1 year and less than 2 years	—		100	
Residual maturity over 2 years and less than 3 years	371		—	
Residual maturity over 3 years and less than 5 years	100		371	
Residual maturity over 5 years and less than 10 years	650		750	
Residual maturity over 10 years	—		—	
Mortgage participations	7,666	248	2,632	251
Issued through public offer	7,666	248	2,632	251
Issued without public offer	—	—	—	—
Mortgage transfer certificates	16,019	248	21,530	251
Issued through public offer	16,019	248	21,530	251
Issued without public offer	—	—	—	—

Given the characteristics of the type of covered bonds issued by the Bank, there is no substituting collateral related to these issues.

The Bank does not hold any derivative financial instruments relating to mortgage bond issues, as defined in the aforementioned Royal Decree.

c. Quantitative information on internationalization covered bonds

Below is the quantitative information of BBVA, S.A. internationalization covered bonds required by Bank of Spain Circular 4/2017 as of December 31, 2022 and 2021:

c.1) Assets operations

Principal outstanding payment of loans (Millions of Euros)		
	Nominal value 2022	Nominal value 2021
Eligible loans according to article 34.6 and 7 of the Law 14/2013	3,574	3,539
Minos: Loans that support the issuance of internationalization bonds	—	—
Minos: NPL to be deducted in the calculation of the issuance limit, according to Article 13 of Royal Decree 579/2014	1	15
Total loans included in the base of all issuance limit	3,573	3,524

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c.2) Liabilities operations

Internationalization covered bonds (Millions of Euros)		
	Nominal value 2022	Nominal value 2021
(1) Debt securities issued through public offer (a)	—	1,500
<i>Of which: treasury shares</i>	—	1,500
Residual maturity up to 1 year	—	1,500
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(2) Debt securities issued without public offer (a)	—	—
<i>Of which: treasury shares</i>	—	—
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
(3) Deposits (b)	—	—
Residual maturity up to 1 year	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
TOTAL: (1) + (2) + (3)	—	1,500
	Percentage	Percentage
Coverage ratio of internationalization covered bonds on loans (c)	—%	43%
a.	Balance that includes all internationalization covered bonds issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).	
b.	Nominative bonds.	
c.	Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.	

Given the characteristics of the Bank's internationalization covered bonds, there are no substitute assets assigned to these issuances.

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d. Territorial bonds

d.1) Assets operations

Loans that serves as collateral for the territorial bonds

	Nominal Value (a)		
	Total	Spanish Residents	Residents in other countries of the European Economic Area
December 2022			
Central Governments	1,585	1,582	3
Regional Governments	7,131	7,105	26
Local Governments	3,678	3,678	—
Total loans	12,394	12,365	29
December 2021			
Central Governments	1,435	1,422	13
Regional Governments	7,756	7,729	27
Local Governments	3,598	3,598	—
Total loans	12,789	12,749	40

(a) Principal pending payment of loans.

d.2) Liabilities operations

TERRITORIAL BONDS

	Nominal value 2022	Nominal value 2021
Territorial bonds issued (a)	6,240	6540
Issued through a public offering	6,240	6,540
Of which: Treasury share	6,040	6,040
Residual maturity up to 1 year	200	840
Residual maturity over 1 year and less than 2 years	500	200
Residual maturity over 2 years and less than 3 years	3,000	500
Residual maturity over 3 years and less than 5 years	2,540	5,000
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
Other issuances	—	—
Of which: Treasury share	—	—
Residual maturity over 1 year and less than 2 years	—	—
Residual maturity over 2 years and less than 3 years	—	—
Residual maturity over 3 years and less than 5 years	—	—
Residual maturity over 5 years and less than 10 years	—	—
Residual maturity over 10 years	—	—
Coverage ratio of the territorial bonds on loans (b)	Percentage 50%	Percentage 51%
a.	Includes the nominal value of all loans that serve as collateral for the territorial bonds, regardless of the item in which they are included in the balance sheet. Principal pending payment of loans. The territorial bonds include all the instruments issued by the entity pending amortization, although they are not recognized in the liability (because they have not been placed to third parties or have been repurchased).	
b.	Percentage that results from the value of the quotient between the nominal value of the issued and non-overdue bonds, even if they are not recognized in the liability, and the nominal value balance pending collection of the loans that serve as guarantee.	

This Appendix is an integral part of Notes 12.3, 20.4 and 50.4 of the financial statements for the year ended December 31, 2022.

APPENDIX XI. Risks related to the developer and real-estate sector in Spain

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

BBVA has teams specializing in the management of the Real-Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in the Risk-Acceptance teams, but throughout the handling, commercial, problematic management legal, etc. Specialization has been increased and the management teams in the areas of recovery and the Real Estate Unit itself have been reinforced.

The portfolio management policies, established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio.

Specific policies for analysis and admission of new real estate developer risk transactions

There are guidelines for action that most of the operations follow, among which the contrast of the commercialization that guarantees the economic and financial viability of the project is of special importance.

In this context, the strategy with clients in the development sector is subject, to an asset allocation limit and to an action framework that allows defining a target portfolio, both in volume and in credit quality specifications.

Risk monitoring policies

Monitoring Committees are held on a monthly basis in which the evolution of the real estate portfolio is reviewed, with a review of its credit quality, the ratings given to customers and the entries in arrears that have occurred.

Monitoring Committees are held on a quarterly basis with the risk areas of the countries in which the development of all financed projects, their correct evolution in terms of works and sales, and compliance with the expected delivery schedules are analyzed.

As for the policies relating to risk refinancing with the developer and real-estate sector, they are the same as the general policies used for all of the Group's risks (Annex XII). In the developer and real estate sector, they are based on clear solvency and viability criteria for projects, being demanding in obtaining additional guarantees and legal compliance with a refinancing tool that standardizes the criteria and variables to be considered in any refinancing.

b. Quantitative information on activities in the real-estate market in Spain

Lending for real estate development according to the purpose of the loans as of December 31, 2022 and 2021 is shown below:

Financing Allocated to Construction and Real Estate Development and its Coverage (Millions of Euros)						
	Gross amount		Drawn over the guarantee value		Accumulated impairment	
	2022	2021	2022	2021	2022	2021
Financing to construction and real estate development (including land) (Business in Spain)	1,861	2,123	350	455	(171)	(224)
<i>Of which: Impaired assets</i>	239	336	82	132	(132)	(158)
<i>Memorandum item:</i>						
Write-offs	2,086	2,155				
<i>Memorandum item:</i>						
Total loans and advances to customers, excluding the Public Sector (Business in Spain)	176,853	172,877				
Total consolidated assets (total business)	458,888	442,279				
Impairment and provisions for normal exposures	(1,407)	(1,825)				

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The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)		
	2022	2021
Without secured loan	232	248
With secured loan	1,629	1,875
Terminated buildings	898	1,172
Homes	710	936
Other	188	235
Buildings under construction	556	517
Homes	536	509
Other	21	8
Land	175	186
Urbanized land	119	124
Rest of land	56	62
Total	1,861	2,123

As of December 31, 2022 and 2021, 48.3% and 55.2% of loans to developers were guaranteed with buildings (79.1% and 79.9%, are homes), and only 9.3% and 8.8% by land, of which 68% and 66.6% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2022 and 2021:

Financial guarantees given (Millions of Euros)		
	2022	2021
Houses purchase loans	54	56
Without mortgage	3	3

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2022 and 2021 is as follows:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)				
	Gross amount		Of which: impaired loans	
	2022	2021	2022	2021
Houses purchase loans	71,799	74,094	2,486	2,748
Without mortgage	1,539	1,631	8	13
With mortgage	70,260	72,463	2,477	2,735

The loan to value (LTV) ratio of the above portfolio is as follows:

LTV Breakdown of mortgage to households for the purchase of a home (Business in Spain) (Millions of Euros)"						
Total risk over the amount of the last valuation available (Loan To Value-LTV)						
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%	Total
December 2022						
Gross amount	16,981	20,060	22,255	6,794	4,171	70,260
of which: Impaired loans	248	341	438	450	999	2,477
December 2021						
Gross amount	15,189	18,107	22,782	9,935	6,449	72,463
of which: Impaired loans	216	327	462	483	1,246	2,735

Outstanding home mortgage loans for house purchase as of December 31, 2022 and 2021 had an average LTV of 43 and 46% respectively.

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The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

Information about Assets Received in Payment of Debts (Business in Spain) (Millions of Euros)								
	Gross Value		Provisions		Of which: Valuation adjustments on impaired assets, at the time of foreclosure		Carrying Amount	
	2022	2021	2022	2021	2022	2021	2022	2021
Real estate assets from loans to the construction and real estate development sectors in Spain.	23	28	(18)	(20)	(3)	(1)	5	8
Terminated buildings	3	4	(1)	(2)	—	—	2	2
Homes	2	3	—	(1)	—	—	2	2
Other	1	1	(1)	(1)	—	—	—	—
Buildings under construction	—	—	—	—	—	—	—	—
Homes	—	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—	—
Land	20	24	(17)	(18)	(3)	(1)	3	6
Urbanized land	20	24	(17)	(18)	(3)	(1)	3	6
Rest of land	—	—	—	—	—	—	—	—
Real estate assets from mortgage financing for households for the purchase of a home	716	943	(397)	(505)	(124)	(141)	318	438
Rest of foreclosed real estate assets	449	494	(270)	(264)	(79)	(62)	179	230
Equity instruments, investments and financing to non-consolidated companies holding said assets	410	434	(293)	(316)	(254)	(278)	117	118
Total	1,598	1,899	(977)	(1,105)	(460)	(482)	620	794

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2022 and 2021 amounted to €716 and €943 million, respectively, with an average coverage ratio of 55.4% and 53.6%, respectively.

As of December 31, 2022 and 2021, the gross book value total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €1,188 and €1,465 million, respectively. The coverage ratio was 57.7% and 53.9%, respectively.

This Appendix is an integral part of Note 5 of the financial statements for the year ended December 31, 2022.

APPENDIX XII. Refinanced and restructured operations and other requirements under Bank of Spain Circular 6/2012

a) Policies and strategies established by the Group to deal with risks related to refinancing and restructuring operations.

Refinancing and restructuring transactions (see definition in the Glossary) are carried out with customers who have requested such a transaction in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring transaction is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.
- With the aim of increasing the solvency of the transaction, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring transactions do not in general increase the amount of the customer's loan, except for the expense inherent to the transaction itself.
- The capacity to refinance and restructure a loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring a loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of the customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of transactions based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the transaction in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of transactions is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring transactions are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring transaction does not mean the loan is reclassified from "impaired" or "significant increase in credit risk" to normal risk. The reclassification to "significant increase in credit risk" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

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The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as unlikely to pay when there are significant doubts that the terms of their refinancing may not be met; or
- "Significant increase in credit risk" until the conditions established for their consideration as normal risk are met.

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

- The customer has to have paid a significant part of the pending exposure.
- At least one year must have elapsed since the later of: i) the time at which the restructuring measures were extended,
- The customer does not have past due payments and objective criteria, demonstrating the borrower's ability to pay, have been verified.

The conditions established for assets classified as "Significant increase in credit risk" to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower's ability to pay, have been verified; none of its exposures is more than 30 days past-due.
- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan or, if later, the date of reclassification from the deteriorated category. Regular payments must have been made during at least half of this probation period; and
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The economic impact caused by the COVID-19 pandemic required the adaptation of the repayment schedule of a large volume of loans in all geographies and portfolios. In general, support was given through the granting of deferrals that comply with the principles established by the EBA, which allowed for the application of a differential accounting and prudential treatment.

Renewals and renegotiations are classified as normal risk, provided that there is no significant increase in risk. This classification is applicable initially, and in the event of any deterioration, the criteria established in the existing policy are followed. In this sense, the aforementioned conditions are considered, including, among others, the requirement that the facility is not more than 30 days past due and that it has not been identified as 'unlikely to pay'.

The BBVA Group's refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

In any case, a restructuring will be considered impaired when the reduction in the present net value of the financial obligation is greater than 1%, in line with the management criteria introduced during 2021.

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b) Quantitative information on refinancing and restructuring operations

	BALANCE OF FORBEARANCE (Millions of Euros)"													
	TOTAL													
	Unsecured loans				Secured loans								Accumulated impairment or accumulated losses in fair value due to credit risk	
	Number of operations		Gross carrying amount		Number of operations		Gross carrying amount		Maximum amount of secured loans that can be considered					
									Real estate mortgage secured		Rest of secured loans			
2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	
Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—	—	—
General Governments	55	57	37	62	24	32	9	22	6	15	—	—	9	11
Other financial corporations and individual entrepreneurs (financial business)	267	313	9	29	18	24	1	2	1	2	—	—	5	5
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	38,236	43,314	2,707	2,885	5,380	6,368	1,674	2,139	911	1,365	71	20	1,471	1,481
Of which: financing the construction and property (including land)	96	164	14	31	585	727	264	379	137	208	—	—	123	168
Rest homes	57,386	61,650	856	901	36,956	41,299	3,842	4,353	2,834	3,284	3	5	1,129	1,016
Total	95,944	105,334	3,609	3,877	42,378	47,723	5,526	6,516	3,752	4,666	74	25	2,614	2,513

	of which: IMPAIRED													
	TOTAL													
	Unsecured loans				Secured loans								Accumulated impairment or accumulated losses in fair value due to credit risk	
	Number of operations		Gross carrying amount		Number of operations		Gross carrying amount		Maximum amount of secured loans that can be considered					
									Real estate mortgage secured		Rest of secured loans			
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021		2022
Credit institutions	—		—		—		—		—		—		—	
General Governments	26	29	20	29	23	23	9	10	5	6	—	—	8	10
Other financial corporations and individual entrepreneurs (financial business)	206	212	8	10	14	16	1	1	1	1	—	—	4	4
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	30,100	31,186	1,299	1,426	3,910	4,368	1,075	1,275	455	665	6	9	1,298	1,289
Of which: financing the construction and property (including land)	89	150	14	30	436	529	185	262	73	118	—	—	111	145
Rest homes	39,196	35,566	611	521	19,756	20,547	2,037	2,178	1,331	1,486	1	—	1,008	885
Total	69,528	66,993	1,938	1,986	23,703	24,954	3,122	3,464	1,792	2,158	7	9	2,318	2,188

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c) Loans and advances to customers by activity (carrying amount)

December 2020 (Millions of euros)																
							Collateralized loans and receivables -Loans and advances to customers. Loan to value									
							Less than or equal to 40%		Over 40% but less than or equal to 60%		Over 60% but less than or equal to 80%		Over 80% but less than or equal to 100%		Over 100%	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
General governments	12,485	13,273	255	279	—	498	92	91	118	135	44	47	1	503	—	1
Other financial institutions and financial individual entrepreneurs	23,895	21,105	298	185	16,078	14,639	142	15	107	400	127	2,922	3,707	10,535	12,293	951
Non-financial institutions and non-financial individual entrepreneurs	97,716	84,814	9,702	10,005	1,703	1,599	4,508	4,257	3,270	3,533	1,481	2,203	865	317	1,282	1,294
Construction and property development	1,484	1,730	1,374	1,618	3	8	807	678	388	567	126	244	26	54	29	82
Construction of civil works	5,202	5,007	514	566	257	246	244	239	165	187	85	85	32	39	245	261
Other purposes	91,031	78,077	7,814	7,822	1,443	1,345	3,457	3,340	2,717	2,779	1,269	1,874	806	223	1,008	951
Large companies	65,221	52,972	2,701	2,505	941	863	1,268	1,044	808	815	397	945	641	41	527	523
SMEs ⁽²⁾ and individual entrepreneurs	25,810	25,104	5,113	5,317	503	483	2,188	2,296	1,909	1,964	872	929	165	182	481	429
Rest of households and NPISHs ⁽³⁾	89,790	91,202	71,156	73,641	321	358	17,961	16,218	20,691	18,797	22,516	23,228	6,652	9,847	3,657	5,909
Housing	72,283	74,729	70,303	72,695	104	114	17,702	15,911	20,446	18,564	22,339	23,004	6,496	9,669	3,424	5,660
Consumption	14,637	13,472	80	96	134	152	57	66	55	65	51	67	22	26	30	24
Other purposes	2,871	3,000	773	850	83	92	203	242	190	167	126	157	134	152	203	224
TOTAL	223,887	210,393	81,411	84,110	18,102	17,094	22,703	20,581	24,186	22,865	24,167	28,401	11,224	21,202	17,232	8,155
MEMORANDUM:																
Forbearance operations ⁽⁴⁾	6,521	7,879	4,200	5,292	78	31	920	991	839	949	756	1,025	631	775	1,131	1,582

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises

(3) Nonprofit institutions serving households.

(4) Net of provisions.

d) Concentration of risks by activity and geographical area (carrying amount)

December 2022 (Millions of Euros)											
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2021
Credit institutions	123,167	110,717	54,616	44,085	30,904	30,776	16,053	13,127	21,594	22,729	
General governments	64,214	65,578	44,905	44,751	11,506	13,488	3,897	1,515	3,906	5,823	
Central Administration	49,251	49,933	31,535	30,009	10,727	13,190	3,572	1,217	3,418	5,517	
Other	14,963	15,645	13,370	14,742	779	297	325	299	488	307	
Other financial institutions and financial individual entrepreneurs	59,130	54,128	11,885	14,419	26,013	22,716	14,908	11,506	6,324	5,487	
Non-financial institutions and non-financial individual entrepreneurs	145,087	135,255	86,078	81,120	22,617	22,946	20,426	14,806	15,966	16,384	
Construction and property development	2,371	2,715	2,371	2,715	—	—	—	—	—	—	
Construction of civil works	8,352	7,745	6,254	5,851	1,056	999	263	176	780	719	
Other purposes	134,365	124,796	77,454	72,555	21,561	21,947	20,163	14,629	15,186	15,664	
Large companies	106,495	97,769	50,424	46,452	21,037	21,541	19,989	14,272	15,045	15,503	
SMEs and individual entrepreneurs	27,869	27,027	27,029	26,103	525	406	174	357	141	161	
Other households and NPISHs	90,066	91,472	88,500	89,680	1,180	1,326	91	98	295	367	
Housing	72,284	74,730	70,901	73,145	1,044	1,178	78	86	261	320	
Consumer	14,637	13,472	14,595	13,436	20	15	11	11	10	10	
Other purposes	3,146	3,270	3,004	3,099	116	133	2	1	24	37	
TOTAL	481,665	457,150	285,985	274,055	92,219	91,252	55,375	41,052	48,085	50,790	

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

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December 2022 - Spain (Millions of euros)																				
	TOTAL ⁽¹⁾		Andalucía		Aragón		Asturias		Balears		Canarias		Cantabria		Castilla La Mancha		Castilla y León		Cataluña	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Credit institutions	54,616	44,085	717	2,231	40	51	—	—	45	34	—	—	687	1,119	3	—	—	—	401	307
Government agencies	44,905	44,751	964	1,115	466	556	236	367	526	659	678	803	9	11	408	362	1,039	1,070	1,656	1,797
Central Administration	31,535	30,009	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	13,370	14,742	964	1,115	466	556	236	367	526	659	678	803	9	11	408	362	1,039	1,070	1,656	1,797
Other financial institutions and financial individual entrepreneurs	11,885	14,419	114	144	50	58	6	4	16	17	3	3	—	—	1	1	11	13	383	402
Non-financial institutions and non-financial individual entrepreneurs	86,078	81,120	7,660	7,124	2,109	1,706	1,628	1,299	2,436	2,310	2,301	2,276	572	534	1,544	1,376	1,637	1,467	15,001	13,883
Construction and property development	2,371	2,715	320	334	17	20	21	41	15	22	98	106	9	6	45	31	25	26	622	680
Construction of civil works	6,254	5,851	566	529	130	98	50	47	144	148	136	121	52	55	151	119	91	85	1,023	1,028
Other purposes	77,454	72,555	6,775	6,260	1,962	1,587	1,557	1,211	2,277	2,140	2,066	2,050	511	473	1,348	1,227	1,522	1,355	13,356	12,176
Large companies	50,424	46,452	2,579	2,154	1,139	812	1,248	904	1,449	1,448	843	784	303	260	489	412	658	464	7,196	6,399
SMEs and individual entrepreneurs	27,029	26,103	4,195	4,106	823	776	309	307	828	691	1,223	1,266	208	213	859	815	864	891	6,160	5,777
Other households and NPISHs	88,500	89,680	13,402	13,407	1,404	1,433	1,229	1,250	1,980	2,006	3,885	3,894	863	874	2,546	2,583	2,938	2,972	26,810	27,370
Housing	70,901	73,145	10,592	10,820	1,116	1,168	887	926	1,636	1,695	2,789	2,862	706	727	1,923	2,017	2,259	2,338	22,259	23,106
Consumer	14,595	13,436	2,472	2,257	256	235	283	268	318	286	1,004	939	126	116	567	513	568	528	3,547	3,264
Other purposes	3,004	3,099	339	330	32	30	59	56	26	25	92	93	31	31	55	52	111	107	1,004	1,000
TOTAL	285,985	274,055	22,857	24,022	4,069	3,804	3,099	2,921	5,002	5,026	6,867	6,976	2,131	2,538	4,502	4,322	5,626	5,522	44,251	43,759

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

December 2022 - Spain (Millions of euros)																		
	Extremadura		Galicia		Madrid		Murcia		Navarra		Comunidad Valenciana		País Vasco		La Rioja		Ceuta y Melilla	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
Credit institutions	—	—	375	1,940	51,010	1,940	—	—	6	3	1,095	743	238	486	—	—	—	—
Government agencies	312	365	730	797	3,446	797	129	171	313	370	746	941	1,560	1,732	84	84	67	87
Central Administration	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Other	312	365	730	797	3,446	797	129	171	313	370	746	941	1,560	1,732	84	84	67	87
Other financial institutions and financial individual entrepreneurs	1	1	30	46	10,710	46	2	2	—	—	4	5	552	573	—	—	—	—
Non-financial institutions and non-financial individual entrepreneurs	955	922	2,608	2,514	30,343	2,514	1,767	1,738	1,112	1,011	6,010	5,350	7,936	7,522	352	322	106	104
Construction and property development	12	10	71	61	825	61	41	38	4	5	143	158	99	165	2	4	3	7
Construction of civil works	48	49	225	192	2,941	192	88	102	56	66	291	275	236	251	12	11	12	11
Other purposes	894	863	2,311	2,261	26,577	2,261	1,638	1,598	1,052	940	5,577	4,918	7,601	7,105	338	307	91	87
Large companies	354	311	1,322	1,277	22,148	1,277	806	709	711	599	2,727	2,241	6,309	5,744	139	111	5	5
SMEs and individual entrepreneurs	540	552	989	984	4,429	984	832	889	341	341	2,850	2,677	1,292	1,362	199	196	86	82
Other households and NPISHs	1,447	1,444	3,194	3,340	14,126	3,340	1,969	1,962	496	505	8,192	8,254	2,917	2,908	336	336	766	772
Housing	1,073	1,097	2,361	2,419	11,628	2,419	1,511	1,533	389	399	6,526	6,725	2,349	2,360	266	271	629	641
Consumer	337	312	669	620	1,874	620	422	394	91	85	1,470	1,340	404	386	59	53	128	118
Other purposes	37	35	164	300	624	300	35	34	15	21	197	189	164	162	12	12	10	12
TOTAL	2,716	2,732	6,937	8,637	109,634	8,637	3,867	3,873	1,928	1,888	16,048	15,293	13,204	13,220	773	742	940	963

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Appendix XIII Agency Network

EMILIO GUSTAVO GONZALEZ GUTIERREZ LEIRE TERRADILLOS PEREZ GESTION ESTUDIO Y AUDITORIA DE EMPRESAS GEA S.R.L. MARIA GUTIERREZ FERNANDEZ SIRA ASUNCION ORUE BARASOAIN	NAGORE LOMBIDE HERNANDEZ J RETA ASOCIADOS S.L. DAVID REYES HERNANDO SERGIO DIENTE ALONSO BORJA POLO PRIETO	MITJAVILA Y ASOCIADOS ESTUDIO JURIDICO FISCAL S.L. REGINA MARIA ARESTI MUGICA
CREACIONES CARLINA S.L. FERNANDO PEGUERO LANZOS	RAFAEL MARTIN CARLOSENA MARIA ISABEL HERNANDEZ SANCHEZ	DAVID ACEBES MAYA GERARD MARTINEZ ALCAÑIZ LLUIS CASAS CASTELLA MARIA ISABEL GONZALEZ ALVAREZ MARIA ISABEL ARCOS PEIXOTO ROLO GESTION E INVERSION SOCIEDAD LTDA. CRISTINA ARDAO ESPUCH ENRIQUE DE AGUINAGA ANDREU NURIA NOGUERON MATAMOROS MARIA PILAR CALVET REVERTE MIGUEL BELLO NAVARRO MARIA DOLORES SUBIRATS ESPUNY ANNA MARIA CESARI MORA MEDONE SERVEIS S.L. DAVID SOTERAS MORERA FERNANDO MARIA ARTAJÓ JARQUE VIRGINIA FENOY CRUZ DIEGO TORRES PARRA
EASY MODE S C GONZALO CASTEJON DE LA ENCINA	EMASFA S.L. TELEMEDIDA Y GAS S.L.	
RAFAEL CLAVER GIMENO	YBIS XXI S.L.	
VICTOR MANUEL FERNANDEZ PUERTAS PEDRO JOSE GARCIA LOPEZ JAVIER CANALES FUENTE	BEGOÑA MONICA FERNANDEZ QUILEZ FRANCISCO JAVIER SMITH BASTERRA JOSE IGNACIO DE PRADO MANEIRO MARIA ENCARNACION MARTINEZ MEZQUITA LAURA GISTAU LATRE MARIA ISABEL PIÑERO MARTINEZ LAURA SOTOCA SANCHEZ	
ANA GAROZ DURO CRISTINA ACEBES PEREZ PATRICIA LOPEZ SANCHEZ ALPHALYNX CAPITAL S.L.		
CARLOS GOMEZ EBRI EZEQUIEL AND SANCHEZ CONSULTORES S.L. LEONILA PLUS S.L. PERUCHET GRUP CONSULTOR D ENGINYERIA SCP MARIANO PELLICER BARBERA TERESA VERNET VILLAGRASA ELISENDA FERNANDEZ RAMON	JOSEFA FOLCRA MARTIN JULIAN FERREIRA FRAGA RAMON CLAPES ESQUERDA ANA MARIA CARO MARTIN ACOFI S.L. SERGIO GONZALEZ RUIZ FRANCISCO JAVIER GOMEZ CARRILLO ASESORES FINANCIEROS R V SABIO S.L.U. BENALWIND S.L.	PROELIA S.L. JOSE JUAN LAFUENTE ALMELA FRANCIAMAR S.L.U. INVERSIONES IZARRA 2000, S.L.
JESUS MARTOS LOPEZ NOELIA TORRELLAS GRAMAJE		FERNANDO M ORTEGA ALTUNA ALFONSO MARTINEZ PUJANTE ESSENTIA CONSULTORES EAFI S.L. INVAL 02 S.L. SAENZ DE TEJADA ASESORES SL MARTA MARIA GOMEZ DE MAINTENANT GESTITRAMI FINANCIAL S.L. ANTONIO JOSE PLEGUEZUELO WITTE INVERSIONES SUAREZ IBAÑEZ S.L.
MARIA LOPEZ GALINDO CATALINA MARIA RAMIS BOYERAS	LEONARDO JAEN CLAVEL LINA CAYUELA	
RAMON GARCIA PEREZ DE ARRILUCEA	MARIA ESMERALDA RUIZ ALMIRON	
CHILCO GESTION S.L. ISKANDER LOPEZ RUIZ	JOSE IGNACIO ARIAS HERREROS ASIER LARREA ORCOYEN	
MANUEL SALGADO FEIJOO	CENTRO ASESOR MONTEHERMOSO S.L.	
DORLETA LOPEZ LOPEZ	JUAN CARLOS RODRIGUEZ HERNANDEZ GABINETE JURIDICO FINANCIERO SERRANO S.L. ESPERANZA MACARENA POZO GONZALEZ GESTION Y SERVICIOS SAN ROMAN DURAN S.L. ALEXIA MARIA GONZALEZ LANZA ALEJANDRO NUEVO DIAZ CAPAFONS Y CIA S.L.	
SARA ROBLES ALONSO		LLUIS CERVERA SABALLS JUAN JOSE GARRIDO RODRIGUEZ JUAN CARLOS RODRIGUEZ RODRIGUEZ ASESORIA LEMA Y GARCIA S.L. LETICIA GARCIA CAMAFREITA ESTIBALIZ REBOLLO GARCIA
LUIS DONAIRE MOLANO		
BEATRIZ MARIA PACHA PRIOR JOSE ANTONIO PAREDES GOMEZ GESTION FINANCIERA MIGUEL TURRA S.L. PEDRO CRUCERA GARCIA		

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MARIA ISABEL CALVO SANCHEZ	PUENTE B GESTION INTEGRAL S.L.	FAMILYSF SALUFER S.L.
MANUEL ANTONIO DE LAS MORENAS LOPEZ	JAVIER GARCIA LORENZO	NURIA ROIG MARTORELL
ASTILLERO	MARIA ISABEL MORENO SILVERIA	LUCAS CRESPO GOMEZ
FRANCISCO JAVIER SANCHEZ PARRA	EVA MARIA FERNANDEZ CAMPO	IVAN CALLES VAQUERO
ARANE PROMOCION Y GESTION S.L.	JUAN LOPEZ MARTINEZ	VICENC COMAS VICENS
EMPRENDE SERVICIOS FINANCIEROS S.L.	VICENTE MONTESINOS CONTRERAS	RUFINO NIETO GONZALEZ
FRANCISCO EULOGIO ORTIZ MARTIN	IGNACIO VALLS BENAVIDES	ALBERTO MARTIN NADAL
BLANMED ASESORES SOCIEDAD COOP.		
SANTAMANS ASESORES LEGALES Y	ISABEL ALVAREZ CALDERON	DIEGO LOPEZ PRO
TRIBUTARIOS S.L.	DEBCO ESTRUCTURA PROFESIONAL	
	S.L.P.	FRESNO CAPITAL S.L.
MARIA ROSARIO CLIMENT MARTOS	MIGUEL DIAZ GARCIA FUENTES	JULIO MOREIRA GARCIA
GESTIO I ASSESSORAMENT OROPESA S.L.	DAVID JIMENEZ BETANZOS	NANOBOLSA S.L.
AMPARO ALBIÑANA BOLUDA		SERVICIOS FINANCIEROS AZMU
		S.L.
LEOPOLDO MARTINEZ BERMUDEZ	FINFORYOU ADVISORS S.L.	
	MIQUEL VALLS ECONOMISTES	CRISTINA CEBALLOS URCELAY
BENJAMIN MONFORT GUILLAMON	ASSOCIATS S.L.	VICTOR MIGUEL PEREZ
		CORDOBA
MONICA MIGUEL MOLINA	ASESORIA SAGASTIZABAL S.L.	
	FRANCISCO JAVIER SERRANO	JOSE ANDRES RAMOS SOBRIDO
NURIA VAZQUEZ CARRASCO	DOMINGUEZ	
	PERALTA Y ARENSE ASESORES Y	FATIMA ROMERO FORMOSO
ARMANDO GRANDA RODRIGUEZ DE LA FLOR	CONSULTORES S.L.	PAULA REY FERRIN
MARIA TERESA DE ZAYAS CAMPOS	ANTONIO FERMIN LUNA GARCIA MINA	ALFREDO ABADIAS ANORO
JOSE LUIS GARCIA PRIETO	JARAIZ SELECCION S.L.	IVAN PELAYO MARTIN
LUCIA MARTINEZ FERNANDEZ	MARIA JESUS LOPEZ RASCON	JOSE MARIA GUILLAMON
		CAMARERO
MANUEL ABELENDA MONTES	VALDELASIERRA ASESORES S.L.	URBANSUR GLOBAL S.L.
BELEN FIRVIDA PLAZA	ALLIED CAPITAL S.L.	ESCRIVA DE ROMANI S.L.
SILVIA ATANES GONZALEZ	ANGEL MAYA MONTERO	
	G F CONSULTORIA DE EMPRESAS SDAD.	ISABEL SOTO DE PRADO
ROCIO REY PAZ	LTDA.	A E S T E S.L.
MARIA LOPEZ PEREZ	CANOVAS 1852 SL	RAUL ANTELO JALLAS
ANABEL VARELA PAZ	STRAFY 4 ASSET MANAGEMENT S.L.	HECTOR JAVIER LAGIER
		MATEOS
FRANCISCO JOSE PAZ GRANDIO	ISAAC OLIVA RUIZ	GONZALO GONZALEZ MAYO
MARIA JOSE RODRIGUEZ PEREZ	ANTONIO RUIZ SORIA	ARTURO MARIA GOMEZ JUEZ
ASESORES E CONSULTORES GESCON S.L.	ARAN PALLARS ASSESSORS S.L.	ALEJANDRO PEREZ ANDREU
JOSE MANUEL LOPEZ IRIARTE	ASEFINSO SC	
	AGENTES TRIBUTARIOS Y FINANCIEROS	ALBERTO GOMEZ MARTINEZ
DANIEL FERNANDEZ ONTAÑON	S.L.	JORGE LUIS RAMOS ROMAN
ENRIQUE MATA SANTIN	LUIS ALBERTO LARA GARCIA	TANIA FERNANDEZ NOGALES
ANTONIO DAVILA RUEDA	LUIS DURO DOMENE	DIEGO HERNANDEZ QUERO
JULIAN CALVO FERNANDEZ	JUAN ANTONIO ASTORGA SANCHEZ	MARBELLA CASADO
XESCONTA ASESORIA DE EMPRESAS		RODRIGUEZ
SOCIEDAD LTDA.	PEDRO RAFAEL MARTINEZ GARCIA	ESTHER SIERRA SIERRA
FRANCISCO MANUEL GOMEZ RODRIGUEZ	NOCOC INVESTMENTS S C	JUAN CARLOS DUQUE
		MEDRANO
MIGUEL ANGEL LANERO PEREZ	ZARIZA CONSULTORES S.L.	VIRGINIA GARCIA DEL HOYO
JAVIER ANTONIO GONZALEZ GOMEZ	ASSET GROWTH XXI EAF S.L.U.	ALERCIA INTERNATIONAL
		WEALTH MANAGEMENT S.L.
ALZO CAPITAL S.L.	MANUEL LUIS DEL BARCO ASECIO	ANTONIO LOPEZ GARCIA
FRANCISCO JAVIER REZA MONTES	DOLORES MARIA RAMIREZ PEREA	ASESORES Y CONSULTORES
		AFICO S.L.
JOSE ANTONIO SANCHEZ SANCHEZ	MONTSERRAT COSTA CALAF	MEDINA FINANZAS S.L.
CRISTINA FARRE BOSCH	MARIANO DOMINGO BALTA	CORCUERA ABOGADOS Y
		ASESORES DE PATRIMONIO S.L.
CRISTINA MODOL RUIZ	JOSEP GIBERT GATELL	

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JUAN FRANCISCO DIAZ FLORES	ESTHER ANDREINA BITORAGE RANGEL	JULIO MARCO MORERA
ALVARO FUENTE VILLARAN	JAUME PARES FONTANALS	CELDRAN
REBECA GUTIERREZ FERNANDEZ	SALVADOR CASELLAS GASSO	ASESORIA RANGEL 2002 S.L.
BERNARDO ANDRES GIRALDO CHALARCA	PAU SERRAT SUSI	IVAN RODRIGUEZ CIFUENTES
MSJN FINANCIAL ADVISORS S.L.	RUBEN SANTOS MAYORDOMO	MARTA GIL USON
ESTHER MONTOYA CARRASCO	FRANCISCO JOSE PEÑUELA SANCHEZ S.L.	DARIO ALFONSO GINES LAHERA
JUAN DIOS COBLER FERNANDEZ	SOCIEDAD COOP. AGRICOLA NTRA. SRA. DEL CARMEN.	JESUS ANGEL ZUECO GIL
MARIA CISTERO BOFARULL	JOSE MARIA TORRECILLAS BELMONTE	ACERTIUS SUMA CAPITAL
ANNA DURAN VIDAL	RAMON LINARES LOPEZ	SOCIEDAD LTDA.
MARIA ANGELS MIRO SALA	MARTIN GUERRERO ARPI	ALBA ASENSIO REIG
OKAPI SES SALINES S.L.	ANA CAÑAS BLANCO	JUAN LORENZO S.L.
RAQUEL SANCHEZ MUÑOZ	LUIS ALBERTO GRAÑON LOPEZ	BEATRIZ INMACULADA
LAFUENTE SERVICIOS EXTERNOS S.L.	GALARRETA Y PROVEDO S.L.	JUNQUERA FRESCO
MONTE AZUL CASAS S.L.	ESTUDIOS FISCALES Y FINANCIEROS	ENRIQUE JUESAS FERNANDEZ
GUILLERMO CARBO PRACHNER	RIOJANOS S.L.	MORILLO-MUÑOZ CB
Q INVEST FAMILY OFFICE S.L.	TIO CODINA ASSESSORS D INVERSIONS S.L.	ANGEL ENRIQUE EUGENIO
CARLOS FERNANDEZ AYALA	GESTORA PAMASA S.L.	CUBEROS
JAVIER ALOSETE MINGUEZ	TRUC PEBE SALLENT S.L.	GONZALO CAMPOS BRAVO
JOSE LUIS ORTUÑO CAMARA	ANGEL GARCIA DESCALZO	FRANCISCO JOSE DIEGO MARTI
BEATRIZ MARIN ROBLES	BELRIVER PARTNERS S.L.	PABLO GAGO COMES
JOAN POMAR GUILLEN	JOSE RAMON MORSO PELAEZ	JUAN LUIS CU AT ALVAREZ
MARIA TERESA SEGURA MASSOT	ROCIO ARCONES GARCIA	OSSORIO
MARIA CRISTINA FERREIRO GARCIA	ENDOR INVERSIONES S.L.	MIGUEL JOSE FERNANDEZ
SILVIA LOPEZ PARDO	TRINIDAD CASTRILLO PEREZ	MARDOMINGO BARRIUSO
	ALVARO CHAVARRI GONZALEZ	MARIA TERESA ESPALLARGAS
		MONTSERRAT
		MALGOFRE S.L.
		AFIN 7 BAGES S.L.
		MARCOS GIL TEJADA
		MUÑOZ VIÑOLES S.L.
		JOAN ALBERT ROS

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Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Adjusted acquisition cost	The acquisition cost of the securities less accumulated amortizations, plus interest accrued, but not net of any other valuation adjustments.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Building Block Approach (BBA)	This is one of the three measurement models for the valuation of technical provisions for insurance contracts. This model is used by default and is mandatory except when the conditions are met to apply the other two methods: Variable Fee Approach or Premium Allocation Approach.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: · Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected. · Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services. · Fees and commissions generated by a single act are accrued upon execution of that act.
Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.
Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.
Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: a) Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns. b) Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative. c) Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.

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Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current service cost	Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.
Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Default	An asset will be considered as defaulted whenever it is more than 90 days past due.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.
Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Domestic activity	Domestic balances are those of BBVA's Group entities domiciled in Spain, which reflect BBVA's domestic activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate (EIR)	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.

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Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than "Capital" and "Equity component of compound financial instruments".
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.
Expected Credit Loss (ECL)	<p>Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect:</p> <ol style="list-style-type: none"> 1. An unbiased and probability-weighted amount. 2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and 3. Reasonable and supportable information that is available without undue cost or effort. <p>The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).</p>
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not been recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Foreign activity	International balances are those of BBVA's Group entities domiciled outside of Spain, which reflect our foreign activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	<p>Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term.</p> <p>This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").</p>
Immunized portfolios	This is considered to be the portfolios on which "cash flow matching" is carried out, that is, balance sheet management with the aim of trying to mitigate the risk derived from the different maturities and interest rates between assets and liabilities.

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Impaired financial assets	An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events: a. significant financial difficulty of the issuer or the borrower, b. a breach of contract (e.g. a default or past due event), c. a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower’s financial difficulty – that the lender would not otherwise consider, d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization, e. the disappearance of an active market for that financial asset because of financial difficulties, or f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.
Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets of the arrangement and obligations for the liabilities. A joint venturer shall recognize the following for its participation in a joint operation: a) its assets, including any share of the assets of joint ownership; b) its liabilities, including any share of the liabilities incurred jointly; c) income from the sale of its share of production from the joint venture; d) its share of the proceeds from the sale of production from the joint venture; and e) its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Lease liability	Lease that represents the lessee’s obligation to make lease payments during the lease term.
Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity’s balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: a) it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset. b) the sale is considered highly probable.

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Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Non-trading financial assets mandatorily at fair value through Profit or loss	The financial assets registered under this heading are assigned to a business model whose objective is achieved by obtaining contractual cash flows and / or selling financial assets but which the contractual cash flows have not complied with the SPPI test conditions.
Option risk	Risks arising from options, including embedded options.
Other financial assets/liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: a) It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved. b) The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. These are financial assets managed jointly with "Liabilities under insurance and reinsurance contracts" measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.
Other Reserves	This heading is broken down as follows: i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associate: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years. ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Premium Allocation Approach (PAA)	This is one of the three measurement models for the valuation of technical provisions for insurance contracts. This model is mandatory for contracts with direct participation of the policyholder
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Property, plant and equipment/tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.
Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.
Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.

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Renegotiated Operation	An operation whose financial conditions are modified when the borrower is not experiencing financial difficulties, and is not expected to experience them in the future, i.e. the conditions are modified for reasons other than restructuring.
Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.
Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Right of use asset	Asset that represents the lessee's right to use an underlying asset during the lease term.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.
Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: a. Quantitative criterion: based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios. b) Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.
Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: a) representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions; c) material transactions between the entity and its investee; d) interchange of managerial personnel; or e) provision of essential technical information.
Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - without significant increase in credit risk (Stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - significant increase in credit risk (Stage 2) and the third one, the impaired operations Impaired (Stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to Stage 2 is no longer met, the exposure will be transferred to Stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as Stage 2. However, when the loan is not flagged as forbearance it will be transferred back to Stage 1.

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Statements of cash flows	<p>The indirect method has been used for the preparation of the statement of cash flows. This method starts from the entity's profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used:</p> <ul style="list-style-type: none"> · Cash flows: Inflows and outflows of cash and equivalents. · Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities. · Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities. · Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.
Statements of changes in equity	<p>The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.</p> <p>The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.</p>
Statements of recognized income and expenses	<p>The statement of recognized income and expenses reflect the income and expenses generated in each fiscal year, distinguishing between those recognized in the profit and loss accounts and the "Other recognized income and expenses"; which are recorded directly in the equity.</p> <p>The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts.</p> <p>The sum of the variations recorded in the "accumulated other comprehensive income" caption of the equity and the profit for the year represents the "Total income and expenses".</p>
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	<p>A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:</p> <ol style="list-style-type: none"> a) restricted activities. b) a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors y passing on risks and rewards associated with the assets of the structured entity to investors. c) insufficient equity to permit the structured entity to finance its activities without subordinated financial support. d) financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	<p>Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is:</p> <ol style="list-style-type: none"> a) an agreement that gives the parent the right to control the votes of other shareholders; b) power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; c) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.
Tangible book value	Tangible Book Value represents the tangible equity's value for the shareholders as it does not include the intangible assets and the minority interests (non-controlling interests). It is calculated by discounting intangible assets, that is, goodwill and the rest of consolidated intangibles recorded under the public balance sheet (goodwill and intangible assets of companies accounted for by the equity method or companies classified as non-current assets for sale are not subtracted). It is also shown as ex-dividends.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.

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Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.
Write- off	When the recovery of any recognized amount is considered to be remote, this amount is removed from the balance sheet, without prejudice to any actions taken by the entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.
Value at Risk (VaR)	Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level VaR figures are estimated following two methodologies: a) VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk. a. VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one. b. VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.
Variable Fee Approach (VFA)	This is one of the three measurement models for the valuation of technical provisions for insurance contracts. This model is optional and is used for short-term insurance contracts or those contracts whose results are similar to those of the Building Block Approach.
Yield curve risk	Risks arising from changes in the slope and the shape of the yield curve.

Management Report

BBVA 2022

Contents

1. BBVA in brief	2
2. Non-financial information report	3
2.1 Information on strategy and business model	3
2.2 Information on customers	6
2.3 Information on employees	13
2.4 Information on social matters	26
2.5 Information on suppliers	33
2.6 Report on climate change and other environmental and social issues	35
2.7 Additional information	42
3. Financial information	53
3.1 Balance sheet, business activity and earnings	53
3.2 Capital base and solvency	53
4. Risk management	55
4.1 General risk management and control model	55
4.2 Risks associated with climate change	63
4.3 Operational risk	63
4.4 Reputational risk	66
4.5 Risk factors	67
Subsequent events	71
Annual Corporate Governance Report	72
Annual Report on Directors' Remuneration	73

1. BBVA in brief

Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the “Bank” or “BBVA”) is a private-law entity governed by the rules and regulations applicable to banks operating in Spain.

BBVA S.A is a bank founded in 1857 and constitutes the parent company of the BBVA Group (hereafter, the Group or the Bank), a global financial services group with a vision focused on the customer and significant presence in the traditional banking business of retail banking, asset management and wholesale banking.

During its 165-year history, BBVA has stood out for its leadership in the transformation of the financial industry, which is clearly reflected in the Group's Purpose: **“To bring the age of opportunity to everyone”**. BBVA wants to help people, families, entrepreneurs, the self-employed, businessmen, employees and society in general to take advantage of the opportunities provided by innovation and technology.

BBVA, S.A., as the parent company of the BBVA Group, operates internationally, which is why it is affected by economic and regulatory trends in all the geographical areas where it operates through the entities of the BBVA Group. More information related to the economic and sector environment and perspectives, as well as a summary of the significant aspects of the regulatory environment, are included in the chapter “Macroeconomic and regulatory environment” of the BBVA Group Consolidated Management Report.

2. Non-financial information report

In accordance with the provisions of the Commercial Code and the Capital Companies Law, this “Non-financial information report” includes, among other matters: the information necessary to understand the performance, results and situation of the Bank; and the impact of its activity with respect to environmental and social issues, respect for human rights and the fight against corruption and bribery, as well as regarding employees. This Non-financial information report of Banco Bilbao Vizcaya Argentaria, SA, which forms part of its Individual Management Report, includes references to the sections of the Consolidated Non-Financial Information Report included in the BBVA Group Consolidated Management Report when these sections contain additional and complementary information to obtain a better understanding of the Bank, the BBVA Group and their respective actions in the matters described above.

For the publication of the key indicators of non-financial results, the guide of the Global Reporting Initiative (hereinafter, GRI), last modified in December 2021, has been followed as an international information framework in its selected GRI option, as well as the Communication of the European Commission of July 5 of 2017 on Guidelines on non-financial reporting (Methodology for reporting non-financial information, 2017/C 215/01). In preparing the non-financial information contained in this Non-financial information report, the Bank has carried out, in accordance with this framework, a materiality analysis that has allowed it to identify the most relevant aspects on which to inform its stakeholders. For more information on the materiality analysis that has been carried out at BBVA Group level, and which then also applies to the Bank, see the section “Materiality Analysis” within the chapter “Additional information” of this report.

The information included in the non-financial information report is verified by Ernst & Young Auditores, S. L., in its capacity as independent provider of verification services.

2.1 Information on strategy and objectives

BBVA's strategy and business model comprises the Group as a whole, including BBVA,S.A.

In 2022, the world faced an environment marked by uncertainty caused by the growing geopolitical risk, the invasion of Ukraine, strong inflationary tensions and the rise in interest rates, which has put a brake on the growth expected after leaving COVID-19 behind. However, in this environment, the global trends on which BBVA's strategy is based have confirmed its critical role in the transformation of the economy: digitization, innovation and decarbonization.

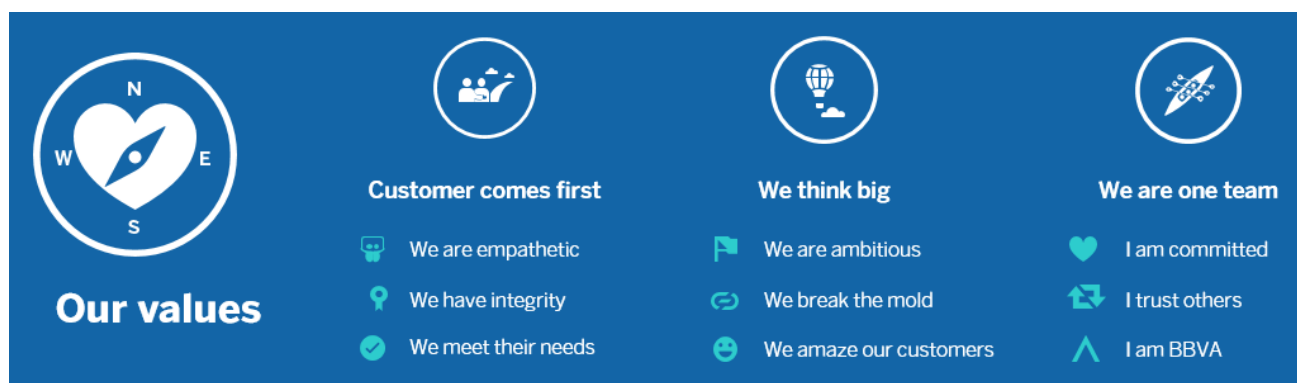
- On the one hand, the end of the pandemic has not slowed down digitization. People's behavior continues to move not only to digital and mobile channels, but also to large value ecosystems offered by the main technology companies with a differentiated customer experience.
- Second, innovation. Although the markets have not been immune to this new environment, with corrections in the valuations of sectors leveraged on innovation, the role of new technologies continues to play a critical function in the transformation of the economy, with a great impact on growth and the productivity. A true era of opportunities thanks to the new possibilities offered by new technologies such as artificial intelligence, quantum computing, cloud processing, blockchain technology, etc.
- Likewise, decarbonization is clearly a differential trend in the current environment and the greatest disruption in history due to its strong impact on the competitive dynamics of many sectors. Innovation plays a key role in the decarbonization process, a challenge that requires strong investments in new carbon-neutral technologies in all sectors, beyond energy. This challenge is of great importance today in a context that has shown that high energy dependence can be a strong vulnerability. Energy independence has become a priority beyond the fight against climate change.

All these trends validate the strategy pursued by BBVA. A strategy that revolves around a single Purpose: “To bring the age of opportunity to everyone”. Thanks to innovation and technology, BBVA seeks to have a positive impact on the lives of people and on the businesses of companies, providing access to products, advice and solutions that allow its customers to make better decisions about their finances and achieve their vital and business purposes.

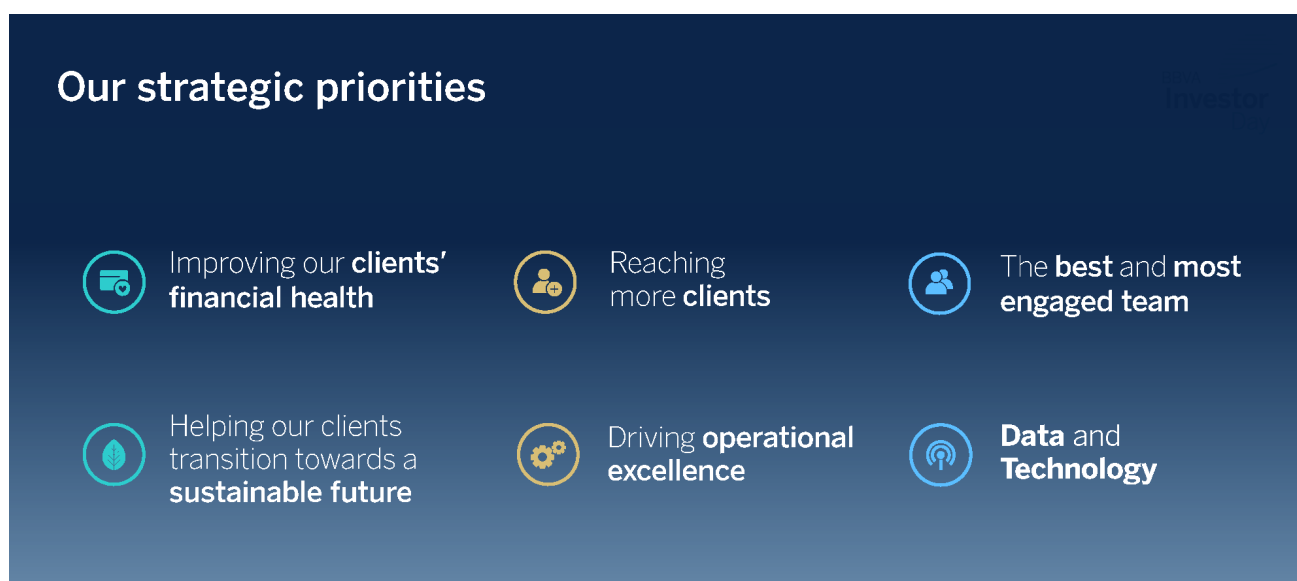
Likewise, the Group is based on solid values: customer comes first, we think big and we are one team.

BBVA's values, and their associated behaviors, are integrated into the models and key levers that promote the Group's transformation, as well as in the global people management processes: from the selection of new employees, through the role assignment processes, evaluation, people development, training; up to the incentive for meeting the annual objectives.

These values, together with the Purpose and strategic priorities, are the guide for action in all decisions and are in the DNA of all the people who are part of the BBVA Group. For more information on values, see section “2.3 Information on employees”, section “Culture and values”, of this report.



Guided by this Purpose, BBVA's strategy is structured around six strategic priorities:



1. Improving our customers' financial health

BBVA aspires to be its customer's trusted financial partner, helping them to improve their financial health by offering personalized advice based on technology and the use of data.

Money management is one of the greatest concerns for people. BBVA wants to help its customers improve their financial health in two ways:

- On the one hand, by supporting them in the day-to-day management of their finances, helping them understand and be aware of their income and expenses, management of future needs, capacity to save, etc.
- On the other hand, helping clients to make the best financial decisions to achieve their vital and business goals in the medium and long term through personalized advice.

2. Helping our customers transition toward a sustainable future

Climate change is a challenge that urgently needs to be addressed, but it is also a major business opportunity for the financial sector. The decarbonization of the economy will have an impact on all industries and on the way people move, consume or furnish their homes, requiring significant investments that will last for decades to come.

Additionally, the Bank has an opportunity in the development of inclusive growth. The current environment, with high digitization and use of data, makes it easier to provide an efficient service and with a better understanding of customer behavior. This environment allows the development of new business opportunities that favor inclusive economic development, supporting disadvantaged sectors and inclusive infrastructures, as well as mass banking leveraged on digital channels and new relationship models.

3. Reaching more customers

Scale is increasingly critical in the banking business. BBVA aims to accelerate profitable growth, supporting itself through its own channels and where the customers are (in third-party channels).

In this sense, BBVA has identified the payments, insurance, asset management and cross-border business activities of companies as key drivers of profitable growth, as well as the value segments of SMEs and private banking.

The key role of innovation in the growth of BBVA implies the Group's firm commitment to new business models such as digital neobanks and the creation of BBVA Spark, that offers a comprehensive proposal of financial services to accompany companies innovative in its different phases of growth.

4. Driving operational excellence

BBVA is committed to providing the best experience possible and is transforming its model of customer relations to adapt to changes in customer behavior. To do so, it provides access to its products and services through simple processes. The role of the commercial network is increasingly more focused on transactions of greater added value for customers. Interactions of lower added value are redirected to self-service channels, thus reducing unit costs and increasing productivity.

The transformation of the relational model is accompanied by a change in the operational model, focused on process reengineering in the search for greater automation and improved productivity, as well as speedy delivery to the market of new products and functionalities.

This is not forgetting disciplined management of both financial and non-financial risks and optimized use of capital key factors for consistently achieving a return higher than the cost of capital.

5. The best and most engaged team

The team continues to be a strategic priority for the Group. A diverse and empowered team, with an outstanding culture, guided by the BBVA Purpose and values and driven by a model of talent development which provides growth opportunities for all.

BBVA works to promote the growth and training of the people who make up the Group, who have the necessary skills, knowledge and experience to achieve strategic objectives efficiently and effectively. Also to ensure that employees live the values and behaviors of the Group. People want to be part of companies that are inspired by purpose, with an engaging culture and values that foster diversity, inclusion, equality, social impact, and recognition of work.

6. Data and technology

Data and technology are obvious accelerators to achieve our strategy. The commitment to developing advanced data analysis capacities, together with secure and reliable technology, allows the creation of outstanding high-quality solutions that help create competitive advantages.

The use of data and new technologies also generates the opportunity for increasingly global processes which can be used in the different geographies and are easily scalable, thus reducing the unit cost of the processing.

BBVA continues to make progress in the development of an increasingly robust model of security and privacy (cybersecurity, business processes, fraud and data security).

For additional information on the financial and business objectives for the coming years in terms of efficiency, profitability, the creation of added value for the investor, growth in customers and channeling sustainable financing of the BBVA Group (which therefore includes the Bank), as well as the main advances in the execution of the strategic priorities previously described, see the "2.1 Strategy" chapter of the Consolidated management report of BBVA Group.

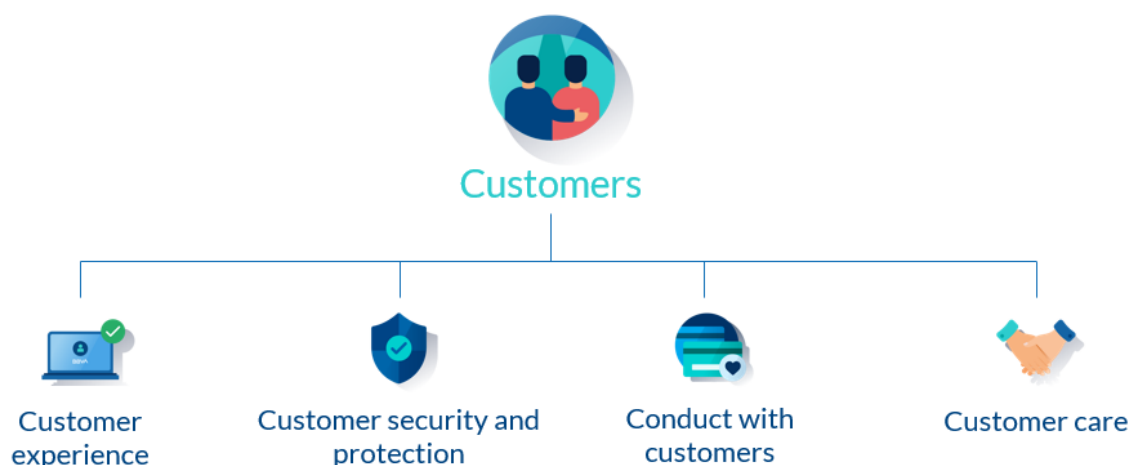
2.2 Information on customers

As previously mentioned in the Strategy section, "The customer comes first" is a value that is part of BBVA's DNA and that motivates the entire Group to place customers at the center of its activity. The relationship with customers must go beyond a simple provision of services and help them meet their vital objectives, while supporting them in improving their financial health.

In order to respond to all the needs of its customers and ensure compliance with the objectives, BBVA has developed a differential value proposition that ensures an exceptional, transparent, clear and accessible customer experience, while strengthening and reinforcing security in each existing interaction between the customer and the Group.

This differential value proposition, leveraged on an omnichannel strategy, with the mobile as remote control, has paid off in 2022, a record year in customer acquisition and leadership in individual NPS and supported by a simplified and transparent service catalogue, driven by proactive and personalized advice.

Four significant points of BBVA's relationship with its customers are developed below:



Regarding the customer experience axis, BBVA has continued to work on improving the accessibility of its solutions, increasing satisfaction rates and reducing the rate of customer flight. In parallel, it has continued to train its staff regarding the principles of Transparency, Clarity and Responsibility and implementing these principles in its new digital solutions and content for clients.

For its part, information security is a fundamental pillar to guarantee operational resilience. For this reason, the Group has established policies, procedures and controls in relation to the security of global infrastructures, digital channels and payment methods, with a comprehensive approach based on artificial intelligence.

In the axis of Conduct with customers, in 2022 the Group has continued to train and raise awareness among its employees about the BBVA Code of Conduct, as well as strengthening its internal regulation.

Finally, with regard to customer care, BBVA has continued to work on resolving customer complaints quickly, and has focused in particular on minimizing cases of fraud derived from the increase in online transactions.

Customer experience

Consumers are increasingly demanding and expect agile and personalized attention. BBVA is working to satisfy their needs and exceed their expectations with the aim of guaranteeing a new standard in customer experience.

Customer satisfaction

The internationally recognized NPS methodology measures customers' willingness to recommend a company and therefore, the level of satisfaction of BBVA's customers with its products, channels and services. This information is vital for checking the alignment between customer needs and expectations and the initiatives that have been implemented, setting up plans that eliminate detected gaps and providing the best experiences.

The Group's consolidation and application of this method over the last eleven years provides a common language both internally and with customers that facilitates everyone's involvement and the integration of the voice of customers in everything the Bank does, from the beginning. This has led to a steady increase in customers' level of trust, as they recognize BBVA to be one of the most secure and recommendable banking institutions in every country where it operates.

As of December 31, 2022, BBVA has maintained its leadership under the NPS retail in Spain, standing at first position. With respect to NPS SME, BBVA has maintained the second position. Thus, regarding NPS commercial, BBVA has gone up from the third to the second position.

Transparency, Clarity and Accountability (TCR)

The Bank's relationship with its customers must be based on transparency, clarity and responsibility. This is why BBVA integrates these three principles (hereinafter TCR) systematically in the design and implementation of the main solutions, deliverables and experiences for its customers. The objective pursued by TCR is to help customers make good decisions for their lives, as well as to maintain and increase their trust in the Bank.

Three work lines have been developed to turn these principles into reality:

- Implementation of TCR principles in new digital solutions through the participation of experts in their conceptualization and design, especially in digital solutions with a massive impact on retail customers.
- Incorporation of TCR principles in the creation and maintenance of key content for customers (advertising, product sheets, contracts, sales scripts, responses to customer letters, communication, etc.).
- TCR awareness and training through workshops and online actions.

Also during this financial year, based on the TCR Principles and within the framework of a Global Integrity Plan, the Bank has established at Group level, for retail customers, some essential minimums to be respected in the design and development: (i) advertising content through any channel, (ii) digital contracting and service processes ("servicing") and (iii) product marketing protocols. To this end, BBVA has carried out a cascade communication plan for all impacted subsegments, as well as information sessions for the teams involved. In addition, a permanent service channel for questions and queries about its application has been created.

BBVA has an indicator to measure its TCR performance: the Net TCR Score (NTCRS), which is calculated following the same methodology as the NPS. Based on the same survey, the NTCRS makes it possible to measure the degree to which customers perceive BBVA as a transparent and clear bank, compared to its competitors, in the main countries in which the Group is present. According to December 2022 data, BBVA maintained the leadership in NTCRS in Spain.

Accessibility

During the 2022 financial year, BBVA Spain made progress in the accessibility of the app and web functionalities most used by its customers, as well as in the accessibility of account and card contracts.

Additionally, the implementation of a manual testing process began to ensure that new designs and developments are accessible. It should be noted that BBVA Spain, in its commitment to financial inclusion, has implemented measures to guarantee the accessibility of the elderly to the different channels, developing a simplified global position for the elderly and increasing the font to improve the legibility of the app.

Customer safety and protection

Digital transformation and emerging new technologies mean an increase in possible threats and exposure to risk and new challenges affecting security, privacy and, in general, digital trust, which are key aspects for the best development survival of the digital economy.

For BBVA, information security is not only a fundamental piece to guarantee operational resilience, but also one of the main elements in its strategy. In this sense, information security is articulated around four fundamental pillars: (I) Cybersecurity, (II) Data security, (III) Physical security and (IV) Security in business processes and fraud. For each of them, a program has been designed with the aim of reducing the risks to which the Group is exposed. These programs, which consider the good practices established in internationally recognized security standards, are periodically reviewed to assess progress and the effective impact on the mitigation of the aforementioned risks.

During 2022, the measures adopted to guarantee effective protection of the information and assets that support the Entity's business processes have been reinforced, from a global perspective and with a comprehensive approach, considering both the technological field and the areas related to people, processes and security governance.

Among these measures are those designed to: (I) ensure end-to-end protection of business processes, considering logical and physical security, privacy and fraud management; (II) ensure compliance of the principles of security and privacy by design for new products and services; and (III) improve access and authentication control for customers associated with the provision of online services, both from the point of view of security and customer experience.

Below are some of the initiatives which are being implemented at global level or in specific geographical areas of the Group to improve security and customer protection:

- Use of facial biometrics for remote and online onboarding of customers, ensuring compliance with applicable legal requirements.
- Use of biometrics to sign transactions on the BBVA app, which improves the user experience and prevents SIM duplication and smishing attacks.
- Strengthening security measures implemented in all the business processes with greatest risk of fraud.
- Reinforcement of malware protection to enhance analytical and fraud detection capabilities on mobile channels.
- Use of advanced analytics models to protect the funds of BBVA customers.
- Enhancement of the section with security advice to make customers aware of the main cybersecurity risks they are exposed to, so that they can prevent or act against threats.

These new initiatives help protect BBVA customers, alongside the use of robust customer authentication mechanisms in e-commerce, the possibility of turning cards on and off from the BBVA app, the sending of real-time notifications on payments or transfers made and the reinforcement of card security to prevent possible fraudulent use of card data, such as the use of the Aqua card, which is the first card without numbering and without a printed CVV, using a dynamic CVV instead.

Additionally, BBVA has continued performing the training and awareness initiatives related to security and privacy, performing training actions and awareness campaigns for BBVA's employees, clients and society in general.

Among the main campaigns, awareness actions and recommendations included in the app, on BBVA's online channels and in social media, we could highlight those related to information protection, secure password management, device protection (computers, cell phones, etc.), detection of social engineering (phishing, smishing, vishing), detection of malware and other computer attacks, detection of cyber scams, security in online shopping and next steps in the event of a security incident.

Other lines of action also include periodic performance of global and local simulation exercises to raise the level of training and awareness of key BBVA personnel and ensure an immediate and effective response in case of a security incident.

Cybersecurity

In recent years there has been a rise in the number of cyber-attacks, accentuated by the presence of organized crime groups specialized in the banking sector.

In addition, the acceleration of digital transformation has led to the emergence of new risks and new challenges for businesses, including those related to security in work-from-home arrangements, security in cloud environments, the increase in the risk exposure surface and the management of risks associated with service providers.

Moreover, and especially since the onset of the COVID-19 pandemic, the scope of social engineering attacks carried out via email, SMS messages, instant messaging systems and social networks has increased.

As cyber-attacks evolve and become more sophisticated, BBVA has strengthened its prevention and monitoring efforts to ensure effective protection of its assets and customer information.

The Global Computer Emergency Response Team (CERT) is the Group's first line of detection and response to cyberattacks targeting global users and the Group's infrastructure, combining threat intelligence units of the Threat Intelligence Unit. The Global CERT, based in Madrid, operates 24 hours a day, 7 days a week and provides services in all the countries where BBVA operates, under a managed security services scheme, with lines of operation dedicated to fraud and cybersecurity.

During 2022, system monitoring capabilities have increased, paying special attention to critical assets that support business processes. Additionally, incident prevention, detection, and response capabilities have been strengthened through the use of integrated sources of information, improvement of analytical capabilities, and the use of automated platforms. On the other hand, work is being done on the development of new Artificial Intelligence and Machine Learning models that make it possible to predict and prevent cyberattacks against banking infrastructure, providing a more secure experience for customers.

Measures implemented have improved information security management from a predictive and proactive approach, based on the use of digital intelligence and advanced analytical capabilities. The main objective of these measures is to ensure an immediate and effective response to any security incident that may occur, with the coordination of different business and support areas involved, while reducing the possible negative impact and, if necessary, reporting in a timely manner to the corresponding supervisory or regulatory authorities.

BBVA also routinely reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. Specialized teams periodically perform security technical tests to detect and correct security vulnerabilities. These tests include technical tests of technological platforms as well as 'red-teaming' (simulated malicious attacks). The outcome of these exercises is essential to continuous improvement of the Group's safety strategy.

BBVA's information security and cybersecurity strategy is based on internationally accepted security standards. Best practices and security measures and controls established in standards like ISO/ IEC 27002 and ISO 2700 family, COBIT 5 and NIST Cybersecurity Framework have been implemented.

BBVA has also obtained several certifications in various of the countries where the Entity operates. To maintain these certifications, external audits are performed regularly by different external providers, according to each certification specific requirements. The external auditors that perform these audits are always selected among the most recognized audit firms in the specific areas of knowledge applicable in each case. Additionally, the annual financial audit also includes the review of aspects related to information security and cybersecurity within the internal platforms.

Security in business processes and fraud

Cybersecurity initiatives are frequently undertaken in close coordination with our fraud prevention efforts and there are considerable interactions and synergies between the relevant teams. As part of the efforts to monitor fraud evolution and to actively support the deployment of adequate anti-fraud policies and measures, a Fraud Management Working Group has been created, that oversees the evolution of all external and internal fraud types in all countries where the Group operates.

Among the functions of this Working Group are: (I) monitor actively the risks of fraud and mitigation plans; (ii) assess their impact on Group businesses and customers; and (III) monitor the relevant fraud facts, events and trends.

Both the Bank and the rest of the Group's subsidiaries have cybersecurity and fraud insurance, subject to certain loss limits, deductions and exclusions applicable.

Business Continuity

In 2022 and 2021, Business Continuity continued to be reinforced from a holistic perspective, paying special attention to the Group's resilience. All this has consolidated a shift from a model geared to ensuring the uninterrupted delivery of products and services in situations of significant impact which are infrequent but plausible, toward a model in which the organization has been provided with the ability to absorb and adapt to situations with an operational impact due to disruptions of various kinds (pandemics, cybersecurity incidents, natural disasters or technological failures) which has materialized in the past in the intense activity of the Business Resilience Office which, together with the Group's Crisis Management Committees and Continuity Committees, plays a fundamental role in managing the many areas that can be seen affected by such high-impact situations (such as the crisis derived from COVID-19).

Data protection

The main initiatives performed in this area are related to the adoption of measures to ensure that all BBVA's information assets are properly protected, limiting their use to the related processes and controlling access to them, considering the security guidelines established by the Group. All the initiatives are performed guaranteeing compliance of the security and privacy regulatory requirements applicable, especially those related to personal data protection.

All activities related to the data protection program are reviewed by the Data Protection Committee, where all relevant stakeholders of the organization are represented.

For more information about personal data protection, see the section "Personal data protection" in the "Compliance" chapter of this report.

Information security governance

BBVA has implemented an information security governance model to achieve the established security objectives.

The Corporate Security unit is organized through a scheme of committees and working groups for the management of the different aspects related to information security: security in operations, security associated with technology, physical security, security in business processes, security related to personnel, etc. These working groups are responsible for supervising the execution of the information security strategy and the effective implementation of the programs designed for each of the four pillars that constitute it.

The main body of this governance model is the Technology and Cybersecurity Commission, whose functions include monitoring the technology and cybersecurity strategy and cybersecurity risk management. This Committee assists the Board of Directors in monitoring the technological risks to which BBVA is exposed, the main trends in technology and cybersecurity and any technological security event that may affect the Group.

Conduct with customers

BBVA has a Code of Conduct that establishes guidelines for conduct with customers in line with the values of the Group. Moreover, the Bank has established governance policies and procedures that establish the principles to be followed when evaluating the characteristics and risks of products and services, and when defining their distribution conditions and follow-up in such a way that, based on knowledge of the customer, his/her interests must be taken into account at all times and the Bank must offer products and services in accordance with the customer's financial needs. Moreover, any customer protection regulations must always be complied with.

BBVA has also implemented processes geared toward the prevention, or, when this has not been possible, the management of potential conflicts of interest that may arise in the marketing of its products.

During 2022, BBVA has evolved and strengthened internal regulation, as well as the frameworks of mitigation, control and monitoring within the scope of protection of the customers, also considering the priorities of regulators and supervisors. In this respect, the following main lines of action have to be highlighted:

- Updating the standards at the Group level in terms of customer protection, especially highlighting the approval of the General Policy for Customer Conduct and Product Governance by the Board of Directors. The policy encompasses and updates several internal policies on this matter, reinforcing and harmonizing in a single general policy the principles and provisions that BBVA will take into account to adequately attend to the interests of customers during the offer, provision and, where appropriate, recommendation, of products and services, thus providing the Group with a single frame of reference in the area of conduct with customers. This update of standards also covers aspects related to the processes of granting loans and credits in a responsible manner.
- The evolution of the indicators of conduct with the customer to identify early possible indications of inappropriate sales practices, applying advanced data analytics techniques for these purposes.

Furthermore, the Bank has continued working to embed the customer-protection vision in the development of marketing protocols, digital and advertising content and the design of digital contract formation processes, as well as in the development of new products and businesses, both retail and wholesale, from the outset of their design or creation, including modifications arising from regulatory developments in the field of sustainability.

Customer care

Complaints and claims

BBVA has a claims management model based on two key aspects: fast resolution of the same and, most importantly, the analysis and eradication of the origin of the events that cause them. This model is of great value when it comes to improving the customer experience.

In 2022, the different claims units worked to maintain the excellent response times achieved in 2021, as well as in the proactive identification of potential new problems and the eradication of the causes of the most common types of claims. All this with the aim of appeasing and strengthening the trust of customers, providing them with a quick resolution to their problems through a simple and agile experience as well as with a clear and personalized response.

In 2022, 3,241 claims were filed with the financial authority in Spain, 105% higher compared to the 2021 figure, due largely to the increase in fraud cases derived from the boom in online purchases and card payments and the increasingly sophisticated techniques to defraud. There have not been any substantiated claims regarding violations of privacy and loss of customer data filed with supra-banking authorities, thanks to the policies and measures to prevent and control risks that may lead to leaks of customer data.

Customer Care Service and Customer Ombudsman in Spain

The activities of the Customer Care Service and Customer Ombudsman in 2022 were carried out in accordance with the stipulations of Article 17 of the Ministerial Order (OM) ECO/734/2004, dated March 11, of the Ministry of the Economy, in compliance with the competences and procedures established in the Customer Protection Charter in Spain of BBVA Group, approved on July 23, 2004 by the Board of Directors of the Bank, with subsequent amendments (the latest on February 25, 2021).

Based on the above regulations, the Customer Care Service is in charge of handling and resolving customers complaints and claims regarding products and services marketed and contracted in Spanish territory by BBVA Group entities.

In addition, in accordance with the aforementioned regulation, the Customer Ombudsman is made aware of and resolves, in the first instance, all complaints and claims submitted by the participants and beneficiaries of the pension plans. It also resolves those related to insurance and other financial products that BBVA Group Customer Care Service considers appropriate to transfer it, based on the amount or particular complexity, as established under article 4 of the Customer Protection Charter. At the next level, the Customer Ombudsman is made aware of and resolves the complaints and claims that the customers decide to submit for their consideration after their claim or complaint has been dismissed by the Customer Care Service.

Activity report on the Customer Care Service in Spain

In the performance of its role, the Customer Care Service (hereinafter CCS) evaluates commercial and operational practices in its relationship with the customer base when a complaint is made. The body continuously reviews complaint management data to identify and address recurring or systemic problems, and potential legal, operational and conduct-related risks.

The CCS is an early warning mechanism for problems arising from the marketing of products or services and/or the relationship between the Bank and its customers.

In 2022, to ensure that CCS managers remain abreast of the key legislative and case-law developments affecting their role, the CCS team received training on the Draft Bill on customer protection services and on developments in the prevention of money laundering and terrorist financing.

In addition, in 2022, the CCS team started a training course on Law 5/2019, of March 15, 2009, regulating real estate loans. Team members are required to accredit their expertise by obtaining a certificate issued by the European Financial Planning Association (EFPA). This action achieved compliance with the recommendation contained in the Guide on the criteria for the organization and operation of customer service departments of banks supervised by the Bank of Spain.

Customer claims received by the BBVA Customer Service in Spain in 2022 amounted to 147,476 (199,847 in 2021), of which 135,377 were admitted. In the same period, 133,074 were resolved by the Customer Service itself (including claims pending at the end of 2021). A total of 5,925 were pending analysis as of December 31, 2022. On the other hand, 11,924 files were not admitted for processing because they did not meet the requirements set forth in OM ECO/734 (including claims pending at the end of 2021).

The average resolution time for claims in 2022 was 11 days², well below the legal term required.

The main types of complaints received in 2022 were those related to accounts and cards.

Additional complaints data points as of December 31, 2022 and 2021 are provided below:

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE BY COMPLAINT TYPE (BBVA, S.A. PERCENTAGE)		
Type	2022	2021
Resources	32	52
Credit cards	23	14
Fraud	16	5
Assets products	12	18
Financial counselling and quality service	7	3
Collection and other services	4	3
Securities and equity portfolios	1	1
Other	5	4
Total	100	100

COMPLAINTS HANDLED BY THE CUSTOMER CARE SERVICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)		
	2022	2021
In favor of the person submitting the complaint	44,672	94,395
Partially in favor of the person submitting the complaint	6,376	17,123
In favor of the BBVA Group	82,026	71,313
Total	133,074	182,831

Activity report of the Customer Ombudsman in Spain

One more year, the Customer Ombudsman, along with the BBVA Group, achieved the objective of unifying criteria and favoring customer protection and security, making progress in compliance with transparency and customer protection regulations. In order to efficiently translate their observations and criteria on the matters submitted for their consideration, the Ombudsman promoted several meetings with the Group's areas and units (Insurance, Pension Plan Management, Business, Legal Services, etc.)

In 2022, 1,017 customer complaints were filed at the Customer Ombudsman Office (compared to 2,314 in 2021). Of these, 31 were not admitted to processing due to a failure to comply with the requirements of OM ECO/734/2004 and 95 were pending as of December 31, 2022.

A total of 57.7% of customers who submitted a complaint to the Customer Ombudsman in 2022 reported some level of satisfaction, whether total or partial, because of the decision of the Officer of the Customer Ombudsman. Customers not satisfied by the response of the Customer Ombudsman may have recourse to the official supervisory bodies (Bank of Spain, CNMV and Directorate-General for Insurance and Pension Funds). 94 complaints were filed by customers to supervisory bodies in 2022.

The Group continues making progress in the implementation of the different recommendations and suggestions of the Customer Ombudsman with regard to adapting products to the customer profiles and the need for transparent, clear and responsible information. Throughout 2022, due to the types of complaints received, the Ombudsman's suggestions focused on the need for steps to be taken to improve customer service protocols and enhance the measures the Bank is taking to prevent cyber fraud and raise customer awareness of the risks.

The data on complaints handled by the Customer Ombudsman by type, at the close of 2022 and 2021, are set out below:

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE BY COMPLAINT TYPE (BBVA, S.A. NUMBER)		
Type	2022	2021
Insurance and welfare products	—	2
Assets operations	85	401
Investment services	36	110
Liabilities operations	38	257
Other banking products (credit card, ATMs, etc.)	582	817
Collection and payment services	174	344
Other	102	383
Total	1,017	2,314

² The claims considered for the calculation of the average resolution time include the claims resolved during the 2022 financial year, including claims pending resolution at the end of 2021.

The categorization of the complaints handled in the above table follows the criteria established by the Complaints Department of the Bank of Spain, in its requests for information.

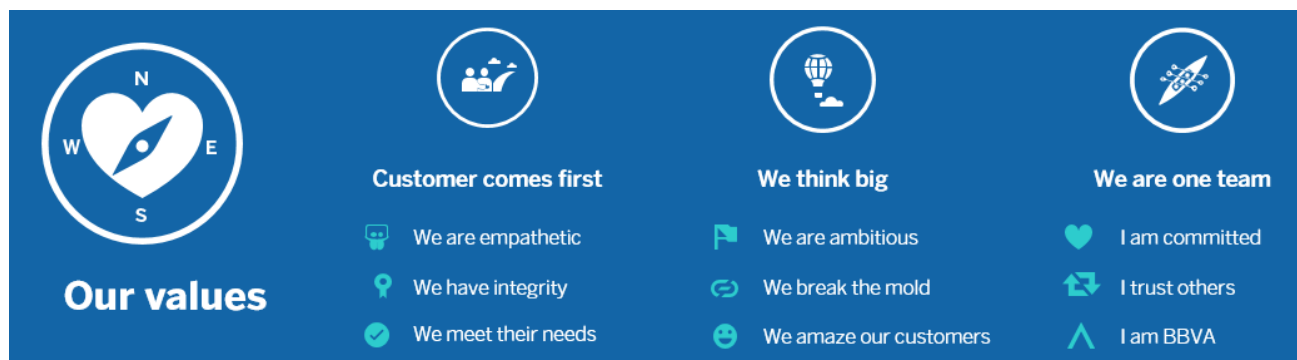
The data on complaints handled by the Customer Ombudsman by outcome, at the close of 2022 and 2021, are as follows:

COMPLAINTS HANDLED BY THE CUSTOMER OMBUDSMAN OFFICE ACCORDING TO RESOLUTION (BBVA, S.A. NUMBER)		
	2022	2021
Formal resolution	—	—
Estimate (in whole or in part)	419	1,456
Dismissed	572	1,050
Processing suspended	—	—
Total	991	2,506

2.3 Information on employees

Culture & Values

BBVA's values and behaviors are the action guidelines for the Bank's employees in their day-to-day decision-making and help them accomplish the Bank's Purpose "To bring the age of opportunity to everyone". The values and behaviors are the hallmark of everyone working in the Bank and define the DNA of BBVA.



BBVA's values are integrated into the core models and levers that promote the Bank's transformation. They are also included in the global people management processes: from the selection of new employees to the procedures for allocating roles, people development, training, and even incentives for achieving annual goals.

BBVA annually carries out the Employee Commitment Survey, managed externally by the Gallup company. In 2022, the sixth listening process was carried out, in which 94% of the employees participated. BBVA shows an outstanding evolution in the commitment of its employees with a global index that stands at 4.39 (on a scale of 5), up 12 basis points compared to the previous year.

On the other hand, BBVA continues to make progress in the implementation of a global leadership model in which all employees are leaders, a model that focuses on entrepreneurship, empowerment and responsibility (commitment to results), for which in 2022, the Group has launched different initiatives:

- The "The Good Manager" project was launched, with the aim of providing team managers with the necessary skills to have more committed teams.
- It has opted for the development of a feedback culture (hot feedback) to improve the professional growth and leadership of employees.

As a further step in the process of cultural transformation and, specifically, in the ways of working based on flexibility, responsibility and trust in people, in 2022 the Bank implemented the flexible work model permanently for those functions where it is feasible. A general model through which employees can telework up to 40% of their time, with great autonomy, being able to distribute that percentage on a quarterly basis.

Lastly, BBVA continues to promote a corporate culture of social and environmental commitment to help customers in the transition towards a sustainable future, with a focus on climate change and inclusive and sustainable social development. Within this program, among other actions, employee access to volunteer actions is facilitated. For more information on volunteer actions, see "Volunteering" in the "2.4 Information on social matters" chapter, "Contribution to society" section.

Professional development

During 2022, BBVA has improved the professional growth processes, making them more transparent and homogeneous. Something that allows the annual performance review process of employees to evolve to promote meritocracy and enhance the culture of high performance. All the employees participating in the annual evaluation process received a report with the results of the performance evaluation, evaluation of the competencies (as well as the deviation from the required level of the position), the potential, the location on the map of talent and qualitative feedback from the different participants in the process.

Likewise, BBVA has continued to work on the Professional Development Model by consolidating an ecosystem that makes the different development tools available to employees. This ecosystem is structured into three modules that allow the employee to: 1) get to know themselves better, 2) improve to grow, and 3) explore new paths.

Talent attraction

Innovation and technology are the fundamental levers of BBVA's transformation. To this end, the Group has reinforced the recruitment of talent in strategic profiles with high demand through segmented measures and initiatives (differentiated and specific attraction measures depending on the profiles). BBVA seeks to offer a unique value proposition through a common brand, in keeping with a global and digital entity.

BBVA has a global reference model for attracting talent, with clear policies that strengthen transparency, trust and flexibility for all stakeholders in the process.

As shown in the following table, in 2022, 1,211 professionals joined the Bank (234 in 2021).

SIGNED CONTRACTS BY GENDER (BBVA, S.A. NUMBER)						
	2022			2021		
	Total	Male	Female	Total	Male	Female
Total	1,607	852	755	729	299	430
Of which new hires are ⁽¹⁾ :	1,211	693	518	234	132	102

⁽¹⁾ Including hires through consolidations.

Development

BBVA has worked on the definition of a transversal model of organizational roles with a global job architecture and a definition of homogeneous competency requirements for comparable functions in the Group. Based on this model, BBVA has launched different important initiatives, including the following:

- The "Opportunity" tool, which allows employees to explore new opportunities for growth in the Group, providing a personalized experience.
- "Open Mentoring", which helps employees develop their skills, acquire new knowledge and ideas, as well as expand their network of contacts within BBVA, and where the figure of the mentor is very important by sharing their knowledge and experience. The initiative has more than 1,000 relationships in 2022.
- "Coaching", with more than 300 internal coaches who have supported the growth of more than 480 BBVA Group employees.

Training³

BBVA's training model gives employees a leading role in their own development and provides them with the autonomy to decide their learning pathways providing them the means to decide their learning itinerary for themselves and how to grow professionally.

The solidity and level of implementation of BBVA's training model facilitates anticipating and the possibility of responding in an agile manner to the ever-changing training needs of the BBVA Group, its areas, countries and employees.

In order to ensure that employees have the necessary knowledge to be able to face the transformation challenges in which the Bank is immersed, not only content generated internally by BBVA professionals has been integrated into the training catalogue, but also current content from external specialists of international prestige. In addition, it has been necessary to establish innovative digital learning methodologies that adapt to the needs of each employee and enable continuous learning through the Bank's training platform.

This platform provides employees with access to more than 20,000 training resources: MOOCs (Massive Open Online Courses), podcasts, videos, blogs, communities of practice, portals structured according to areas of knowledge, simulators, etc.; specific experiences aimed at specialized technical profiles and links to external training platforms of recognized prestige worldwide; or courses offered by leading educational institutions.

As a result, BBVA continues to stand out and is a benchmark for its ability to innovate and generate training solutions that reinforce a learning culture in which online training is part of the employee's day-to-day life and their professional growth and development. In the last 3 years, more than 75% of training was done online and in 2022 it was 73%.

BBVA has a strategic knowledge framework that is structured into 4 large groups: 1) Business, 2) Technology and Data, 3) Operations, Processes and Internal Control, 4) Agile and Leadership; which in turn contain up to 14 types of specific knowledge that are made available to the employee through the "The Camp" platform. In 2022, the drive for "The Camp" has intensified as the accelerator that allows the incorporation of the strategic skills that employees need to advance with the "up/reskilling" that they require depending on the position they occupy or the projection they want to have in his career.

In addition, internal/external certifications have continued to play a leading role in training initiatives and have accompanied the business transformation process, allowing the incorporation of the knowledge and skills that drive the BBVA

³ The quantitative data in the "Training" section correspond to BBVA, S.A. employees. in Spain.

Below are the basic training data for 2022 and 2021:

BASIC TRAINING DATA (BBVA, S.A.)

	2022	2021
Total investment in training (millions of euros)	20.7	21.6
Investment in training per employee (euros) ⁽¹⁾	944	1,019
Employees who received training (%)	98.5	99.0
Satisfaction with the training (rating out of 10)	9.7	9.2
Amounts received from FORCEM for training in Spain (millions of euros)	1.3	1.5

⁽¹⁾ Ratio calculated considering the BBVA's workforce at the end of each year (21,883 in 2022 y 21,194 in 2021).

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2022)

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Management team ⁽¹⁾	1,843	1,309	534	61	42	19
Managers	9,652	5,214	4,438	629	333	296
Rest of employees	10,067	4,009	6,058	655	256	400
Total	21,562	10,532	11,030	1,345	631	714

⁽¹⁾ The management team includes the highest range of the Bank's management.

TRAINING DATA BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. 2021) ⁽¹⁾

	Number of employees with training			Training hours (thousands)		
	Total	Male	Female	Total	Male	Female
Management team ⁽²⁾	1,680	1,193	487	58	39	19
Managers	9,309	5,028	4,281	440	230	210
Rest of employees	9,880	3,950	5,930	465	178	287
Total	20,869	10,171	10,698	963	447	515

General note: The structure of the 2021 data differs from that published in the 2021 BBVA, S.A. Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

⁽¹⁾ The 2021 data differs from that published in the 2021 Non-Financial Information Report due to additional verifications.

⁽²⁾ The management team includes the highest range of the Bank's management.

Diversity, inclusion and different capacities

At BBVA, diversity and inclusion are firmly aligned with its purpose and consistent with its values. BBVA is committed to diversity in its workforce as one of the key elements in attracting and retaining the best talent and offering the best possible service to its customers. Diversity is addressed in a comprehensive manner with a special focus on gender diversity⁴, LGTBI+ diversity, generational diversity and the integration of people with different abilities.

BBVA takes a further step toward gender equality and sets a target of 35% women in management positions by 2024, after having already achieved the goal set for this year of reaching 40% of women on the Board of Directors by the end of the year. This measure is a step forward in the commitment to promote equal opportunities and contributes to increasing the number of women in positions of responsibility. In order to meet these objectives, the following actions have been implemented:

- Talent management: The Talent Map allows to identify female talent with the capacity to take on new responsibilities in the short and medium term, prioritizing them in the different T&C processes.
- Changes to processes: facilitate the professional growth of women through programs such as the implementation of the Rooney Rule, which ensures that an appropriate percentage of women reach the final stages of the selection process.
- Internal and external visibility of BBVA's female role models: through programs such as Women@BBVA or BBVA Tech Women, which promote the exposure of BBVA employees in the media and at events.
- Promotion of family co-responsibility and labor flexibility through awareness campaigns and increased parental leave in some geographical areas.

BBVA works jointly with the Employee Resource Groups (hereinafter ERGs), which are internal work groups launched and managed on their own initiative by the employees, which promote diversity and encourage professional relationships between people with common interests. Various ERGs have been created in various geographical areas with which they cooperate when identifying the needs of collaborators and launching impact initiatives.

⁴ BBVA, S.A. in Spain has an equality plan in force since 2010. This plan specifies aspects that will guarantee real and effective equality between women and men.

The Group has protocols for prevention and action against sexual harassment in the main geographical areas in which it is present, expressly stating BBVA's rejection of any behavior of a sexual nature or connotation that has the purpose or has the effect of attacking against the dignity of a person and undertake to apply this agreement as a solution to prevent, detect, correct and penalize this type of conduct within the company. Likewise, the BBVA Code of Conduct, applicable to the entire Group, expressly mentions the Group's null acceptance of this type of conduct and its efforts to eradicate it.

With regard to LGTBI+ diversity, BBVA has implemented various measures to ensure open and prejudice-free work environments. In Spain, BBVA holds the presidency of the Business Network for LGTBI Diversity and Inclusion (REDI for its acronym in Spanish), the first business association in Spain created to promote an inclusive and respectful environment in organizations. Similarly, in 2022, BBVA has published and shared internally an awareness and accompaniment guide for trans employees, a manual to facilitate and raise awareness of gender transition and a guide on family diversity.

BBVA has expressed its commitment to the social integration of individuals with different abilities. It has an ERG related to different abilities which organizes talks to raise awareness of this issue. In Spain, a pilot program in collaboration with the Adecco Foundation for the incorporation of people with intellectual disabilities into the workforce has been launched, and the collaboration with the Specialisterne Foundation has continued, through which people with Asperger's syndrome are incorporated into different roles in the organization.

As of December 31, 2022, BBVA,S.A. in Spain had 139 people with disabilities on the workforce in Spain (130 in 2021).

Finally, initiatives have also been carried out to promote ethnic-cultural diversity and generational diversity. In relation to generational diversity, in Spain, BBVA promoted the creation of the Added Value Awards, in collaboration with the Transforma Foundation, whose objective is to recognize those individuals who have contributed with their work and merits in the educational, scientific, technical, cultural, social and business areas to highlight the value of senior talent in Spain, especially if their greatest achievement has been reached in their senior years. Various awareness campaigns have also been carried out through volunteering and there is an ERG for generational inclusion.

Regarding ethnic-cultural diversity, various awareness campaigns have been carried out through volunteering. In Spain, collaboration with Acnur, Rescate Foundation and Entreculturas Foundation is noteworthy and internally, a project has been launched to promote the professional development of BBVA employees belonging to any ethnic group.

Main employee metrics

In order to continue advancing in the transformation, during 2022 BBVA has implemented important organizational and technological initiatives -including the use of a new technological platform for employee management that has come into operation in the second half of 2022- that give rise to changes in the internal structure, impacting the axes of grouping of the reported information.

To facilitate the comparison of the 2022 data with that reported in the 2021 Management Report, the 2021 information is presented based on the new criteria⁵.

The concepts impacted by the new criteria are described below:

- Professional Categories. In order to align the information structure with the employee data generated by the new technological platform implemented in the Group, to align it with what is observed in the information on employees presented by other competitors and because a new model of transversal roles that allow us to have a global and comparable vision of the positions in the Group, BBVA establishes 3 professional categories that replace those presented in 2021, as follows: Management Team, Managers and Rest of Employees.
- Age ranges. With the aim of aligning the information structure with the best practices observed in the market, BBVA establishes 4 age tranches that also represent, to a greater extent, the idiosyncrasy of all the Group's employees, as follows: <30 years; 30-39 years ; 40-49 years ; ≥50 years.

⁵ Tables affected by changes to these criteria have a general note in the footer.

EMPLOYEES BY COUNTRIES AND GENDER (BBVA, S.A. NUMBER)

	2022			2021		
	Number of employees	Male	Female	Number of employees	Male	Female
Spain	20,796	10,053	10,743	20,186	9,756	10,430
The United States	266	175	91	197	121	76
France	68	45	23	66	42	24
United Kingdom	128	86	42	118	80	38
Italy	52	29	23	51	29	22
Germany	43	28	15	41	27	14
Belgium	21	13	8	22	13	9
Portugal	349	177	172	360	181	179
Hong Kong	93	56	37	90	54	36
China	27	6	21	28	6	22
Japan	4	3	1	4	3	1
Singapore	15	5	10	12	4	8
United Arab Emirates	2	1	1	2	1	1
India	2	1	1	2	1	1
Indonesia	2	1	1	2	1	1
South Korea	2	1	1	2	1	1
Taiwan	12	4	8	11	4	7
Cuba	1	1	—	1	1	—
Total	21,883	10,685	11,198	21,195	10,325	10,870

EMPLOYEES AVERAGE AGE AND DISTRIBUTION BY AGE STAGES (BBVA, S.A. YEARS AND PERCENTAGE)

	2022					2021				
	Average age	<30	30-39	40-49	≥50	Average age	<30	30-39	40-49	≥50
Total	45.3	4.8	14.1	52.3	28.8	45.2	2.6	16.4	55.0	26.0

General note: The structure of the 2021 data differs from that published in the 2021 BBVA, S.A. Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

EMPLOYEES DISTRIBUTION BY PROFESSIONAL CATEGORY AND GENDER (BBVA, S.A. PERCENTAGE)

	2022			2021		
	Total	Male	Female	Total	Male	Female
Management team ⁽¹⁾	8.6	71.1	28.9	8.1	71.2	28.8
Managers	44.4	54.0	46.0	44.3	54.0	46.0
Rest of employees	47.1	39.9	60.1	47.6	40.0	60.0
Total	100.0	48.8	51.2	100.0	48.7	51.3

General note: The structure of the 2021 data differs from that published in the 2021 BBVA, S.A. Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

⁽¹⁾ The management team includes the highest range of the Bank's management.

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND GENDER (BBVA, S.A. PERCENTAGE)

	2022			2021		
	Total	Male	Female	Total	Male	Female
Permanent employee full-time	97.7	49.9	50.1	97.8	49.7	50.3
Permanent employee part-time	2.3	4.4	95.6	2.2	5.4	94.6
Temporary employee	—	57.1	42.9	—	—	100.0
Total	100.0	48.8	51.2	100.0	48.7	51.3

EMPLOYEE DISTRIBUTION BY TYPE OF CONTRACT AND AGE STAGES (BBVA, S.A. PERCENTAGE)

	2022					2021				
	Total	<30	30-39	40-49	≥50	Total	<30	30-39	40-49	≥50
Permanent employee full-time	97.7	4.9	13.9	51.8	29.4	99.8	2.6	16.5	55.0	26.0
Permanent employee part-time	2.3	—	19.1	76.1	4.8	0.2	—	8.8	79.4	11.8
Temporary employee	—	71.4	28.6	—	—	—	100.0	—	—	—
Total	100.0	4.8	14.1	52.3	28.8	100.0	2.6	16.4	55.0	26.0

General note: The structure of the 2021 data differs from that published in the 2021 BBVA, S.A. Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

EMPLOYEE DISTRIBUTION BY PROFESSIONAL CATEGORY AND TYPE OF CONTRACT (BBVA, S.A. PERCENTAGE)

	2022			2021		
	Permanent employee full-time	Permanent employee part-time	Temporary employee	Permanent employee full-time	Permanent employee part-time	Temporary employee
Management team ⁽¹⁾	99.5	0.5	—	99.7	0.3	—
Managers	98.7	1.3	—	98.8	1.2	—
Rest of employees	96.3	3.6	—	96.6	3.4	0.1
Media BBVA	97.7	2.3	—	97.8	2.2	—

General note: The structure of the 2021 data differs from that published in the 2021 BBVA, S.A. Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

⁽¹⁾ The management team includes the highest range of the Bank's management.

In 2021, the annual average of full-time permanent contract, part-time permanent contract and temporary contract was 97.6%, 2.2% and 0.0%, respectively (in 2020, 97.6%, 2.0% and 0.4%, respectively).

DISCHARGE OF EMPLOYEES BY DISCHARGE TYPE AND GENDER (BBVA S.A. NUMBER)

	2022			2021		
	Total	Male	Female	Total	Male	Female
Retirement and early retirement	213	131	82	628	381	247
Voluntary redundancies	11	7	4	35	14	21
Resignations	277	177	100	230	145	85
Dismissals	33	24	9	22	15	7
Others ⁽¹⁾	433	189	244	3,566	1,686	1,880
Total	967	528	439	4,481	2,241	2,240

⁽¹⁾ Others include permanent termination and death.

DISMISSALS BY PROFESSIONAL CATEGORY AND AGE STAGES (BBVA, S.A. PERCENTAGE)

	2022					2021				
	Total	<30	30-39	40-49	≥50	Total	<30	30-39	40-49	≥50
Management team ⁽¹⁾	33.3	—	—	18.2	81.8	31.8	—	—	—	100.0
Managers	18.2	—	16.7	33.3	50.0	18.2	—	25.0	25.0	50.0
Rest of employees	48.5	6.3	25.0	18.8	50.0	50.0	—	9.1	54.6	36.4
Total	100.0	3.0	15.2	21.2	60.6	100.0	—	9.1	31.8	59.1

General note: The structure of the 2021 data differs from that published in the 2021 BBVA, S.A. Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

⁽¹⁾ The management team includes the highest range of the Bank's management.

Working environment

BBVA continues to make progress in its transformation process, anticipating and redefining the aspects which are key for motivating and protecting its teams, and making it easier for them to work together. Below are the actions and/or policies implemented by the Group around work conditions and employee rights, the work/life balance as well as occupational health and safety.

Work organization

As a further step in the process of cultural transformation and, specifically, in the ways of working based on flexibility, responsibility and trust in people, in 2022 the Group has implemented the flexible work model for those functions in which is feasible.

As one of the strategic priorities is to have the best and most committed team, BBVA has decided to definitively implement the flexible work mode that began as a result of the pandemic, with a general model that consists of working a minimum of 60% of the working day in person and a maximum of 40% remotely, although there are adaptations to this model motivated, among other issues, by the local legislation of each country or by the type of function carried out.

This work model is voluntary and, in general, reversible both for BBVA and for the employee, requiring a minimum notice to exercise the reversibility that can range, depending on the country, between 10 and 30 days.

To maintain closer communication that facilitates closeness between people and the integration of teams, although there is flexibility to specify the days of remote work, the teams coordinate to meet in person.

Digital disconnection

The right to digital disconnection is included in the internal regulations and policies of each country unit and recognized as a fundamental element for achieving better organization of working time to respect private and family life, to improve the balance between personal, family and working life and to contribute to the optimization of workers' occupational health.

During 2022, different initiatives have been launched and communicated at a global level related to digital disconnection, such as promoting that no emails are sent or meetings are set up after certain hours in the afternoon, or during weekends and holidays. Additionally, setting up meetings should be avoided one afternoon a week in order to spend that time planning tasks.

Extension of maternity and paternity leave

In Spain, during maternity or paternity leave, BBVA supplements benefits up to 100% of normal salary and extends from half an hour to one hour the reduction in working hours provided for by law for the care of the lactating infant up to the age of 9 months.

Freedom of association and representation

In accordance with the different regulations in force in the countries in which BBVA is present, the working conditions and the rights of the employees, such as freedom of association and union representation, are included in the rules, collective conventions and agreements signed, in their case, with the corresponding union representatives. Dialogue and negotiation are part of how to address any dispute or conflict within the Bank, for which there are specific procedures for consultation with trade union representatives across different countries, including the issues concerning labor health and safety.

In Spain, employee representatives are elected every four years by personal, free, direct and secret suffrage and are informed of any relevant changes that may occur in the organization of work in the Bank under the terms of the legislation in force. The banking industry collective agreement is applied to 100% of the workforce (except for members of senior management), supplemented by employer-specific collective agreements which build upon and improve the provisions of the sector-wide agreement, and which are entered into with union representatives.

Occupational safety and health

BBVA considers the promotion of occupational health and safety to be one of its core principles and key goals, which is addressed through the continuous improvement of working conditions.

Prevention of occupational hazards

The occupational risk prevention model in Spain is regulated by standards, conventions and agreements, such as the Occupational Risk Prevention Law or the collective agreement on occupational health for the consultation and participation of BBVA workers in risk prevention matters.

BBVA has preventive policies in Spain that affect 100% of the workforce of all companies and are carried out by the Occupational Risk Prevention Service, as well as a collective agreement in which the instruments for worker participation are articulated in this matter. Likewise, there are corresponding government bodies for its proper management: a State Health and Safety Committee, Health and Safety Committees of Large Centers and Territorial Prevention Delegates, who meet quarterly.

The Group develops this policy through an Occupational Risk Prevention Management System that allows risks to be identified and evaluated; establish the criteria, methods and resources that ensure the effectiveness of the management system; obtain and analyze the information on the results in this area; as well as the implementation of actions that ensure the results and improve the processes and the system. This Occupational Risk Prevention Management System complies with the requirements of the OSHAS 18001:2007 standard and is in the process of being adapted to ISO 45.001, which adopts a proactive approach in risk assessment.

As a cornerstone of this system, BBVA has an Occupational Risk Prevention Plan, which integrates the company's preventive activity into its general management system and establishes its occupational risk prevention policy implemented in annual planning with specific objectives of action in this matter. Among these actions, BBVA includes: occupational risk assessments; specific evaluation of psychosocial risks; evaluations of especially sensitive personnel and pregnant personnel; specific technical reports; training and information to workers; preparation and implementation of self-protection plans and emergency manuals; safety inspections, accident investigation and communication; actions for the coordination of business activities of works and services; health surveillance through medical examinations; preventive health campaigns; health examination satisfaction surveys.

To this end, the prevention service is divided into two lines of action:

- Technical-preventive, in which the Group carries out systematic evaluations of occupational risks and psychosocial evaluations from which the corresponding action plans are derived, detailing those responsible and deadlines, and ensuring their implementation. Likewise, it is responsible for carrying out and implementing emergency and evacuation plans, for training in safety matters. Additionally, BBVA carries out a continuous coordination of business activities (CAE) with the companies and their external personnel who attend the Group's work centers with the support of a documentary exchange platform, establishing an activity coordination procedure for works and another for services.
- Occupational medicine through which the Group has the following objectives: monitor the health of workers by carrying out medical examinations; protect especially sensitive employees; assess medical records; adapt workstations with specific ergonomic material; carry out preventive activities and campaigns with the aim of maintaining and improving the health of workers and contributing to the control of risk factors and the promotion of healthy habits, as well as the development of a preventive culture.

The BBVA Prevention Service monitors the measures implemented. At the same time, and with the aim that prevention is integrated into the set of activities and at all hierarchical levels, the Bank in Spain has a periodic verification of the system, carried out by an independent auditor, where a systematic, documented and objective assessment of the effectiveness of the occupational risk prevention system. For said certification, the independent audit performs selective tests of the supporting evidence of the risk assessment carried out, the organization, the procedures and preventive practices established and the results obtained, being the results favorable and highly qualified.

Employee training in occupational safety and health

In coordination with the Training area, BBVA plans a range of training actions on Occupational Risk Prevention to raise awareness and provide employees with the knowledge they need to carry out their work safely. Online courses are available for all the workforce through the E-Campus platform and attendance-based courses are given by highly specialized trainers from external entities, with specialists from the Prevention Service also taking part in the training of some groups.

BBVA Occupational Risk Prevention Training Plan includes courses such as: training in occupational safety, health and welfare; advanced ORP training; first aid courses; defibrillator handling courses (in workplaces equipped with them); psychosocial courses (Personal Risk Situations for new arrivals, initial support and hold-up protocol); specific emergency training courses for emergency teams; contingency exercises for emergency management; practical fire courses for Personal Protective Equipment (PPE) and emergency management; road safety courses; intercompany training for supervisors of external personnel; sleep hygiene training and workshops; training in emotional wellbeing (anxiety management, emotional self-control, balance, wellbeing and happiness, etc.); training in musculoskeletal prevention (preventive training); training in healthy dietary habits.

Courses are online or face-to-face. The modality varies depending on the subject to be covered, and the duration of each course is different depending on the content to be taught on the topic. Training is free of charge and provided during working hours.

Health at work

Health check-ups

BBVA has carried out the medical examinations in accordance with internal protocols, complying with the requirements of the Occupational Risk Prevention Law in Spain. In 2022, for BBVA, S.A., the Group has summoned more than ten thousand people to carry out the medical examination. It has also carried out the ergonomic procedures to adapt the workplace to the worker's pathology. With regard to pregnant employees, BBVA has medically and ergonomically assessed more than 140 requests made by employees who have communicated their status according to the established protocol.

In addition, the Group has implemented a new application that makes it possible to manage medical and nursing care appointments online. With this new functionality of the Medical Service, BBVA adapts to the new flexible ways of working while allowing more efficient management of its services.

Health and well-being program

BBVA continues to work to improve the well-being of its employees, so in 2022, and as part of the "Wellbeing" "Work Better / Enjoy Life" concept, it has implemented a Health and Well-being program throughout the Bank with two large pillars: Mind and Body, giving conferences with prestigious specialists, and holding workshops and courses on sleep hygiene and emotional management.

Occupational health website

The Occupational Health Portal is a tool of great importance in communication with workers and the provision of all relevant information on occupational health and occupational risk prevention. This initiative is part of BBVA's commitment to promote health and safety at work and aims to be the reference communication and information platform in this area.

The information on this portal is structured into eight large blocks to which the connection to the "coronavirus" Portal is linked, which are: healthy work environment (with the new inclusion on teleworking); healthy lifestyle; prevention of pathologies; procedures to follow in work accidents, medical examinations, pregnancy, etc.; road safety; "Woman, your health is your best gift", with specific preventive information for women at all stages; health conferences; risk assessment and emergency measures. Likewise, the portal contains additional information on first aid, defibrillators, actions in case of emergency, etc.

During this year, BBVA has also developed and linked to the portal two new web pages on the following preventive activities:

- Eye prevention, which includes preventive recommendations and visual training exercises.
- Information on teleworking implemented in the entity, on specific risks and their prevention, evaluation forms, recommended exercises in teleworking, etc. (protected with the entry into force of Law 10/21 of July 9 in Spain).

Cardioprotected spaces

BBVA has proceeded to renew the defibrillators installed at BBVA in Spain, where there are currently a total of 25, located in the main work centers, in order to adapt to the new Regulations on defibrillators and cardioprotected spaces. The handling of the defibrillator and knowledge of basic life support are part of the first aid training integrated into the course on emergency measures aimed at PPE's.

Below are the basic data on occupational health and safety of BBVA, S.A.:

OCCUPATIONAL HEALTH MAIN DATA (BBVA, S.A. NUMBER)		
	2022	2021
Number of technical preventive actions	56,159	22,149
Number of preventive actions to improve working conditions	56,668	22,352
Employees represented in health and safety committees (%)	100	100
Number of withdrawn	8,369	6,719
Total number of absenteeism hours ⁽¹⁾	1,461,015	2,042,934
Number of accidents with medical withdrawn ⁽²⁾	27	34
Absenteeism rate (%)	4.1	3.4

⁽¹⁾ Total withdrawn hours by medical leave or accident during the year.

⁽²⁾ In itinere accidents are not included.

In Spain, technical preventive procedures and preventive actions have been increased in 2022 to improve working conditions, once the restriction on activity caused by the COVID-19 pandemic has been overcome in 2021.

COVID-19 pandemic

During 2022, BBVA has continued to manage the COVID-19 pandemic at a global level. Together with the Communication area, the specific platform on the coronavirus has been updated to provide information to BBVA employees globally.

Within the action plan for managing the pandemic in Spain, BBVA maintains the following action protocols:

- Monitoring of the CDC (Center for Disease Control and Prevention), ECDC (European Center for Disease Prevention and Control), World Health Organization (WHO) and Ministry of Health.
- Action protocol for BBVA workers / New coronavirus (COVID-19) Guidelines for BBVA Employees and following updates: action protocol in the event of a confirmed case: protocol on what to do if you are considered a close contact and quick guide to action against COVID-19.

Likewise, the Area of Occupational Medicine has continued with the integration of all the Occupational Health information of the workers in the OHS application, with the aim of unifying all the information of the employees in the same tool for better coordination and efficiency of the activities that are the responsibility of both Areas.

Work-related injuries

At BBVA S.A. In Spain, a total of 89 work accidents were registered in 2022 (114 in 2021), of which 27 were with medical leave (41 in 2021) and 62 without medical leave (73 in 2021), data that represents a low occupational accident rate, with indices below the sector. The main types of injuries in accidents with sick leave are sprains and strains, superficial injuries and foreign bodies in the eyes, and closed fractures. Most internal personnel accidents are in itinere (that is, going to or coming back from work), the rest being due to falls.

The severity index for labor accidents of BBVA, S.A. stood at 0.04 in 2022 (same data as in 2021), while the frequency rate stands at 0,76 (compared to 0.89 in 2021).

At BBVA S.A. no case of occupational disease was recorded among internal staff.

Remuneration

BBVA has a General Remuneration Policy, which applies to all Group employees, including BBVA Senior Management - with the exception of BBVA executive directors - (the "BBVA Group General Remuneration Policy") and with a General Remuneration Policy of Remuneration of BBVA Directors, both designed within the framework of the specific regulations applicable to credit institutions, considering the best practices and recommendations in remuneration matters both locally and internationally.

These Policies are based on the same principles and are oriented towards the recurring generation of value for the Group, the alignment of the interests of its employees and shareholders with prudent risk management and the development of the strategy defined by the Group. The Remuneration Policies are part of the elements designed by the Board of Directors as part of the BBVA Corporate Governance System to promote proper management and supervision of the Group, and are based on the following principles: long-term value creation; the achievement of results based on a prudent and responsible assumption of risks; the attraction and retention of the best professionals; reward level of responsibility and career path; ensure internal equity and external competitiveness; ensure pay equality between men and women; and ensure the transparency of the remuneration model.

These principles are specified in that the Policies:

- They contribute to the business strategy of the BBVA Group, and to the achievement of objectives, values, interests, value creation and long-term sustainability.
- They are compatible and promote prudent and effective risk management, not offering incentives to assume risks that exceed the level tolerated by the Group, in a manner consistent with the BBVA Group's risk strategy and culture.
- They are clear, understandable and transparent, contemplating a simple wording that allows knowing the different elements that make up the remuneration and the conditions for its concession, consolidation and payment. To this end, they clearly distinguish between the criteria for establishing fixed remuneration and variable remuneration.
- They are impartial in terms of gender, reflecting equal compensation for the same functions or functions of equal value, and do not establish any difference or discrimination based on gender.
- They include measures to avoid conflicts of interest, fostering the independence of criteria of the people who participate in decision-making, in the supervision and control of management, and the establishment of remuneration systems.
- They pursue that the remuneration is not based exclusively on quantitative criteria, also taking into account adequate qualitative criteria, which reflect compliance with the applicable regulations.

The remuneration model generally applicable to the entire BBVA Group workforce consists of:

- A fixed remuneration, constituting a relevant part of the total compensation, which takes into account the level of responsibility, the functions performed and the professional career of each employee, the principles of internal equity and the value of the function in the market.
- A variable remuneration made up of those payments or benefits additional to the fixed remuneration, monetary or not, that revolve around variable parameters. This remuneration must be linked, in general, to the achievement of previously established objectives. All employees have a corporate variable remuneration model, which is complemented by sales incentive models, specific to certain groups of business areas. For all of them, Group financial and non-financial indicators are defined, which are aligned with the strategic priorities and serve as management parameters to determine the payment of variable remuneration based on the degree of compliance with BBVA's strategy.

In 2022, the level of achievement of the Group indicators has resulted in 129%, based on the result obtained from each of the financial and non-financial indicators. The level of achievement of the Group's financial indicators for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (AVR) (MEASUREMENT PERIOD 2022) (BBVA GROUP. 2022) - FINANCIAL INDICATORS

Annual Evaluation Financial Indicators	Weight (%) ⁽¹⁾	Results 2021 ⁽²⁾	Results 2022 ⁽³⁾	Target 2022 ⁽⁴⁾	Level of achievement (%)
Net Attributable Profit without corporate transactions (millions of euros)	10	5,028	6,381	4,661	150
Tangible Book Value per share (TBV per share) (euros) ⁽⁵⁾	10	6.55	7.64	7	115
RORC (%)	10	14.03	15.26	13	150
Efficiency Ratio (%)	10	45.51	43.23	45	131
Gross margin (million euros)	10	—	24,890	20,182	150

⁽¹⁾ Fixed weight for the 2022 Annual Variable Remuneration of the BBVA Group staff, with the exception of executive directors.

⁽²⁾ Results approved for incentive purposes (not including the results generated until June 2021 by BBVA USA and the rest of the companies sold to PNC, nor the impact of BBVA's restructuring plan in Spain).

⁽³⁾ Results approved for incentive purposes (does not include the impact generated by the takeover bid in Turkey or by the office repurchase operation in Spain).

⁽⁴⁾ The targets for the 2022 annual evaluation indicators were set above the consensus of analysts at that time and were in line with the existing economic outlook: (i) negative interest rates in the Eurozone and slightly rising in most emerging countries in which the Group is present; (ii) low levels of activity, as a consequence of supply problems in the production and distribution chains; and (iii) depreciation of emerging currencies against the Euro, impacting both the Attributable Result in current euros and profitability.

⁽⁵⁾ For TBV per share there are two targets: one linked to growth (budget target) and the other linked to value creation, which is the one used for incentive purposes (shown in the table). In 2022, the budget target is 6.80 euros per share.

For non-financial indicators, the Group's level of achievement for incentive purposes is detailed below:

ANNUAL VARIABLE REMUNERATION (AVR) (MEASUREMENT PERIOD 2022) (BBVA GROUP. 2022) - NON-FINANCIAL INDICATORS

Annual Evaluation Non-financial Indicators	Weight (%) ⁽¹⁾	Results 2021	Results 2022	Target 2022 ⁽²⁾	Level of achievement (%)
Customer satisfaction (IReNe)	10	101	108	—	108
Mobilization of sustainable financing (million euros)	10	30,615	40,643	32,146	150
Digital sales	10	99	110	—	110
Target customers	10	115	111	—	111
Transactional linking of company clients	10	129	112	—	112

⁽¹⁾ Fixed weight for the 2022 Annual Variable Remuneration of the BBVA Group staff, with the exception of executive directors.

⁽²⁾ The IReNe financial indicators, digital sales, target customers and transactional linkage of business customers, do not have a target at Group level, the targets are established at country level. The achievement of the Group for said indicators will be calculated as the average weighted by the operating income of the achievements obtained by the countries.

In 2022, as in 2021, among the non-financial indicators used to calculate the Annual Variable Remuneration of all employees, BBVA includes the Mobilization of sustainable financing indicator, directly associated with the activity carried out by the Group to comply with the commitments assumed with the market in terms of climate change and that reinforces the commitment so that BBVA achieves its sustainable development objectives.

As of 2023 and bound to the approval of the corresponding corporate bodies, the BBVA Directors Remuneration Policy and the BBVA Group General Remuneration Policy are expected to include, as part of the Annual Variable Remuneration of the members of the identified group, including executive directors and members of the Senior Management of BBVA, a long-term incentive linked, among other things, to the degree of compliance with the decarbonisation objectives of a series of sectors for which the Bank publishes specific objectives.

Average remunerations

Below is the table with the average remuneration of BBVA employees:

AVERAGE REMUNERATION ⁽¹⁾ BY PROFESSIONAL CATEGORY, AGE STAGES AND GENDER (BBVA, S.A. EUROS)						
	2022			2021		
	Management team⁽²⁾	Managers	Rest of employees	Management team⁽²⁾	Managers	Rest of employees
< 30 years						
Male ⁽³⁾	—	52,071	32,753	—	44,882	36,092
Female	—	50,567	29,230	—	45,124	34,151
30-39 years						
Male	125,091	55,494	39,104	113,155	50,168	38,088
Female	116,950	48,463	35,284	102,918	45,019	35,465
40-49 years						
Male	118,220	53,540	41,200	107,944	52,647	41,143
Female	102,712	49,412	39,532	94,171	48,051	39,045
≥ 50 years						
Male	136,419	62,431	48,264	131,237	61,159	47,774
Female	124,578	58,181	45,724	117,437	56,813	45,269

General note: The structure of the 2021 data differs from that published in the 2021 Consolidated Non-Financial Information Report due to changes in the criteria described in the introduction to the chapter "Main employee metrics".

⁽¹⁾ Considering fixed remuneration.

⁽²⁾ This Group does not include the BBVA Top Management.

⁽³⁾ The value of the remuneration of the only person in the professional category of management team was not included because of confidentiality reasons.

The differences observed in the average remuneration of some professional categories derive from factors such as seniority, and the varied composition of the same, and are not representative of the wage gap. The average remuneration of each category is influenced by aspects such as the different distribution of men and women in the most valued positions, or the greater proportion of women in countries with lower average remunerations.

In the case of executive directors and other members of BBVA Senior Management who had such status as of December 31, 2022, the information on their remuneration is included in Note 49 of the attached Annual Accounts. For executive directors, remuneration is presented on an individual basis and by remuneration concept, while for the rest of the members of Senior Management, remuneration is presented on an aggregate basis. The average total remuneration of Senior Management (excluding executive directors) in 2022 was €2,034 thousand in the case of men and €1,841 thousand in the case of women.

Wage gap

The BBVA Group General Remuneration Policy is impartial in terms of gender, as it reflects equal compensation for the same functions or functions of equal value, and does not establish any difference or discrimination based on gender. The remuneration model rewards the level of responsibility, the functions performed and the professional career of each employee, ensuring internal equity and external competitiveness, as well as equal remuneration between men and women.

From the above average remuneration tables, BBVA obtains the equal pay ratio or gross pay gap by professional category. BBVA calculates this ratio, which is expressed as a percentage, as the difference in the average total remuneration between women and men in the same professional category, over the average total remuneration of men. However, this ratio does not reflect equal compensation for the same functions or functions of equal value and, therefore, the adjusted pay gap is shown below.

The BBVA compensation model defines some positions on which remuneration pivots. Each of these positions has a single theoretical value determined based on different factors, such as the level of responsibility, the complexity of the function, the impact on results, among others. In the same way, each position has a defined unique value linked to the achievement of previously established objectives.

The adjusted salary gap compares the total remuneration received by men and women who occupy equal positions in the Bank.

For each of the above positions, BBVA calculates the median of the total remuneration received by all the men and women who hold said positions. BBVA calculates the adjusted salary gap for the position as the percentage resulting from dividing the difference of the median remuneration of men minus the median remuneration of women by the median remuneration of men. The Bank's adjusted salary gap is calculated as the weighted average of the gaps obtained in each position.

The total remuneration considered includes fixed remuneration and target annual variable remuneration (target bonus) linked to objectives. Elements such as allowances, social benefits, etc. are not included in its calculation, the amount of which is not very representative of the total remuneration of employees, and whose award criteria and amounts are clearly defined, not discriminating between men and women.

Based on 2022 and 2021 data, the adjusted wage gap⁶ is 3.6% and 3.5% respectively.

⁶ For this calculation, the median is used, since this statistical indicator is less affected by the presence of biases in the distribution of extreme values and better represents the real situation of the Bank.

Additional information about remuneration

Annual total compensation ratio

BBVA calculates the annual total compensation ratio for BBVA, S.A. employees located in Spain as the ratio between the total annual compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of the highest paid person and the median total annual compensation (fixed remuneration plus accrued variable remuneration and pension contributions) of all employees taking full-time annualized compensation, excluding the highest paid person.

The annual total compensation ratios for the 2022 and 2021 financial years are 130.9 and 125.9, respectively.

Ratio of standard entry-level wage by gender compared to local minimum wage

The standard entry-level wage is the lowest full-time job category. At BBVA, this category is established by the level and nature of the function to be performed, and makes no distinction by gender. The local minimum wage is the legal minimum amount established in Spain that every worker is entitled to receive for services rendered. BBVA calculates the salary ratio for the standard entry-level category as the ratio of the entry-level salary to the minimum wage.

In 2022 the entry wage of BBVA, S.A. in Spain it was 1.3 times higher than the legal minimum wage for both men and women.

Pensions and other benefits

BBVA has social welfare systems, differentiated according to the geographical areas and coverage it offers to different groups of employees, not establishing differences due to gender or personal aspects of any other kind. In general, the social welfare system is a defined contribution system for retirement. The Group's Pension Policy is compatible with the Company's business strategy, objectives and long-term interests.

Contributions to the social welfare systems of the employees of the Bank will be carried out within the framework of the labor regulations, and of the individual or collective agreements of application in each entity, sector or geographical area. Calculation criteria on which benefits are based (commitments for retirement, death and disability) reflect fixed annual amounts, with no temporary fluctuations derived from variable components or individual results being present.

With regard to other benefits, the Bank has a package of employee benefits within its specific remuneration scheme, not establishing differences due to gender or personal aspects of any other kind.

In 2022, the Bank in Spain made a payment of €21.17m (€26m in 2021) in savings contributions to pension plans and life and accident insurance premiums, of which €11.34m corresponded to contributions for men and €9.83m for women (in 2021, €14.3m and €11.7m, respectively). This payment accounts for more than 95% of Spain's pension expenditure, excluding special systems. On average, the contribution received by each employee was €1,032 in the year (€1,143 for men and €927 for women), compared with €1,049 in 2021 (€1,186 for men and €918 for women).

2.4 Information on social matters

Contribution to society

Community Commitment

In the field of contribution to the development of societies, at a global level, BBVA has the Commitment to the Community 2025, through which it will allocate €550m between 2021 and 2025 to social initiatives to support the inclusive growth of these companies. The objective of this plan is that these initiatives reach 100 million people in 2025. Specifically, it will support five million entrepreneurs, it will contribute to the financial education training of two million people and it will help more than three million people to have access to a quality education. This plan is structured around three main areas of action and seeks to contribute to the fulfillment of certain Sustainable Development Goals (SDGs):

- Reduce inequalities and promote entrepreneurship (SDG 8 and 10): includes initiatives that provide access to basic goods and services necessary to improve people's social well-being; training in financial education and digital training to empower the population, improve their financial resilience and promote financial inclusion, employability and digital security. It also includes support for vulnerable entrepreneurs through the activity of the BBVA Microfinance Foundation and other support programs for SMEs and entrepreneurs.
- Create opportunities for all through education (SDG 4): includes programs to reduce the digital education gap, scholarships to support access to quality education, programs to develop values and skills, support programs for higher education and vocational training. It also includes collaboration initiatives with public education systems and the creation of free, quality content that is disseminated through various Group channels, and
- Support research and culture (SDG 9 and 11): includes initiatives to support researchers and creators in the field of science, culture or economy, support for leading cultural institutions and scientific dissemination.

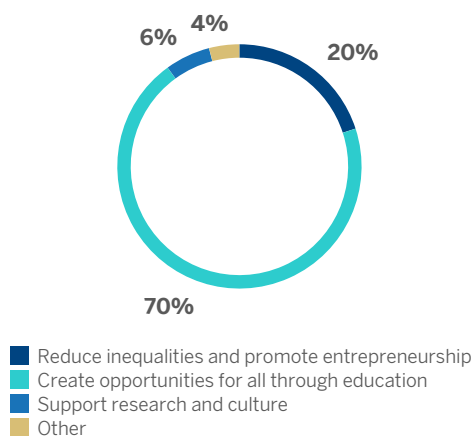
In addition to this commitment, in 2022 BBVA launched a social response plan to Russia's invasion of Ukraine to help alleviate the effects of the humanitarian emergency caused by the war. A donation of €1m was made to support the social organizations UNICEF and UNHCR alongside the launch of a donation campaign in favour of UNICEF, UNHCR, Red Cross and Doctors of the World. This initiative channelled donations from employees, customers and non-customers amounting to €2.37m through the Bizum mobile payments app and bank transfers. In addition, BBVA maintained a line of collaboration with the authorities for the reception and accommodation of refugees in Spain.

In 2022, BBVA S.A. allocated €29.3m euros to investment in the community (€19.97m in 2021). Through this contribution, 38.2 million people have been reached. In particular, among the direct beneficiaries, 1,760 entrepreneurs have been supported, 3,769 people have been trained in financial education and 92,419 people have participated in educational programs.

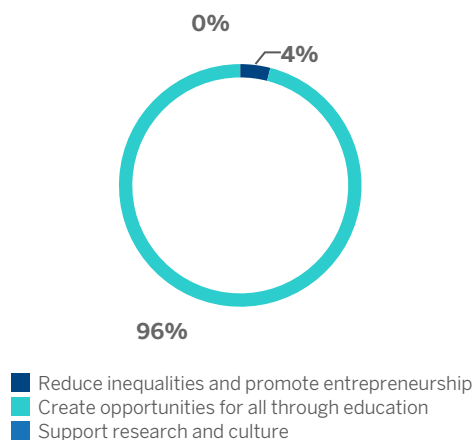
Additionally, in the field of commitment to the community, BBVA develops other relevant initiatives such as volunteer activities, alliances with environmental organizations, support for non-profit entities, the promotion of corporate responsibility through its participation in different working groups. and participation in initiatives (SDG 17).

Below is a breakdown of the investment and beneficiaries (in percentage) of the Commitment to the Community in 2022 by focus of action, which have been described at the beginning of this section:

COMMUNITY INVESTMENT BY FOCUS OF ACTIONS. 2022



BENEFICIARIES OF COMMUNITY INVESTMENT BY FOCUS OF ACTIONS. 2022



Below is a breakdown of the type of beneficiary of the Commitment to the Community in 2022 by focus of action:

BENEFICIARIES BREAKDOWN BY TYPE AND FOCUS AREAS (MILLIONS OF PEOPLE)						
Focus area/Type of beneficiary	Direct beneficiaries ⁽¹⁾		Indirect beneficiaries ⁽²⁾		Unique users ⁽³⁾	
	2022	2021	2022	2021	2022	2021
Reduce inequalities and promote entrepreneurship	1.37	0.03	0.001	—	—	0.02
Create opportunities for all through education	0.09	0.08	—	—	36.70	13.66
Support research and culture	0.02	0.002	—	0.001	0.008	0.03

⁽¹⁾ People who directly participate in the programs and initiatives developed or promoted by BBVA and who therefore receive a direct benefit.

⁽²⁾ People who are related to the participate in the initiatives and programs promoted and developed by BBVA and who receive an indirect benefit.

⁽³⁾ People who access free and quality content on various BBVA platforms.

Other contributions to society

In relation to contributions to foundations and non-profit entities, the number of these contributions in 2022 stood at €8.6m, which represents a reduction of 23% compared to €11.22m in 2021. In 2022, BBVA S.A. made:

- 19 donations to foundations and other non-profit social entities for an amount of €1.7m that include both one-off contributions and those that contribute to social programs.
- 53 contributions (not donations) to foundations and other non-profit social entities for an amount of €2m.
- 207 non-social contributions to foundations, business associations, lobbies, think-tanks and other non-profit entities for an amount of €4.9m.

Volunteer work

In the General Sustainability Policy, BBVA expresses its determination to reinforce its corporate culture of social and environmental engagement, facilitating the conditions for its employees to carry out volunteer work. This policy is applied in all countries in which the Group is present.

The BBVA's corporate volunteer work initiatives promote employee collaboration to generate a relevant social impact, enhance a sense of pride in belonging, its satisfaction and productivity, as well as positioning BBVA as a model company for corporate voluntary work, thus increasing its attractiveness for both existing and potential employees.

To this respect, volunteering is a key element to develop the approaches and lines of work of the Commitment to the Community 2025 (explained in the chapter "Contribution to society" of this report). In fact, the 2030 Agenda for Sustainable Development has explicitly recognized volunteering as a vehicle for sustainable development and volunteer groups as actors to achieve the seventeen SDGs.

In addition, carrying out volunteer activities is aligned with the purpose and values of BBVA. Overall, 892 Bank employees participated in volunteer initiatives during 2022, having dedicated 3,265 hours (30% during working hours and 70% outside working hours). The time dedicated by employees in 2022 is equivalent to a contribution of €53,122.

Compliance

The BBVA Group's commitment to carrying out all its activities and businesses in strict compliance with current legislation at all times and in accordance with strict standards of ethical behavior, with a detailed description of the key elements of its compliance system (such as Mission and scope of action, Organization, internal governance and management model as well as the established policies and procedures, among other things) as well as the procedures, processes and policies applicable in matters of conduct in the securities markets, the protection of personal data, other standards of conduct and the criminal prevention model are described in the "Compliance" section within the Chapter "Our stakeholders" of BBVA Group's Consolidated Management Report and are developed in the Bank through local functions in Spain.

Prevention of money laundering and terrorist financing

Anti-money laundering and prevention of terrorist financing (AML&FT) is an indispensable requirement for preserving corporate integrity, and one of its main assets: the trust of the people and institutions with which the Group works on a daily basis (mainly customers, employees, shareholders and suppliers) in the different jurisdictions where it operates.

The Bank also pays particular attention to compliance with the AML&FT regulation and the restrictions imposed by national or international organizations on operations with certain jurisdictions and individuals or legal entities, to avoid sanctions and significant economic fines imposed by the competent authorities of the various geographical locations in which the Group operates.

As a result of the above, as a global financial group with branches and subsidiaries operating in numerous countries, BBVA applies the compliance model described above for ML&FT risk management. This model takes into account the regulations of the jurisdictions in which BBVA is present, the best practices of the international financial industry regarding this matter, and recommendations issued by international bodies such as the Financial Action Task Force (FATF).

This management model is constantly evolving. Thus, the risk analyses carried out annually tighten controls and establish, where appropriate, additional mitigating measures to enhance the model. In 2022, the Bank's reporting entities have carried out this BC&FT risk assessment exercise, under the supervision of the corporate AML&FT function.

The BBVA Code of Conduct determines the basic guidelines for action in this area. Within the framework of the Function's Strategic Plan, during 2022 the internal regulatory body on this matter has been completed and updated (with the approval, among others, of a new AML&FT General Policy). Governance has also been strengthened in corporate decision-making with a global scope for the group, strengthening the role of the Corporate Internal Control Body for AML&FT and the importance of adequately managing this risk has been highlighted (with its explicit inclusion in the General Statement of Risk Appetite of the BBVA Group).

In the conviction that technology and data are essential to implement an effective AML&FT program, the improvement of the technological infrastructure and the use of advanced analytics techniques represent two essential lines of work in the aforementioned Strategic Plan.

During 2022, the design of the new strategic approach of global AML&FT tools has begun throughout the BBVA Group. Similarly, BBVA continues to develop different applications of new data-based technologies (machine learning, artificial intelligence, etc.) to AML&FT processes in order to: (I) enhance risk element detection capabilities; (II) increase the efficiency of these processes; and (III) strengthen analysis and research capacities. Additionally, and leveraged on the creation of a global Compliance data model, a specific line of work has been launched for the creation of a global supervision model, which allows centralized control over AML&FT processes.

In 2022, BBVA resolved 5,839 investigation files that gave rise to 2,620 suspicious transaction reports sent to the corresponding authorities.

In terms of training in the field of AML&FT, BBVA has an annual training plan for employees. In this plan, defined according to the identified needs, training actions are established such as face-to-face courses or via e-learning, videos, brochures, etc., both for new hires and for regular employees. Likewise, the content of each training action is adapted to the group for which it is intended, including general concepts derived from the applicable internal and external AML&FT regulation, as well as specific issues that affect the functions carried out by the group subject to training. In 2022, 20,783 attendees participated in AML&FT training actions. This figure includes 14,026 employees who belong to the most sensitive groups from the perspective of AML&FT, who receive reinforced training.

The AML&FT risk management model is subject to continuous independent review. This review is complemented by internal and external audits and those carried out by local supervisory bodies, both in Spain and in other jurisdictions. In accordance with Spanish regulation, an external expert annually conducts a review of the AML&FT program implemented in Spain. In 2022, said external expert concluded that "BBVA has continued the different lines of action established in previous years and has undertaken new initiatives in order to strengthen the AML&FT control framework established to mitigate the risk of being used as a vehicle for the money laundering and terrorist financing" For its part, the Internal Control Body, which BBVA has at holding level, meets periodically and supervises the implementation and effectiveness of the AML&FT risk management model in the Group. This supervision scheme is also replicated at the local level through the corresponding committees in each geographical area.

It is important to mention BBVA's collaboration with the different government agencies and international organizations in this field: Attendance at different committees of the European Banking Federation (Executive Committee Financial Crime Strategy Group of the AML & Financial Crime Committee and the Financial Sanctions Expert Group), member of the task forces on KYC/RBA (Know Your Customer/Risk-based Approach) and Information Sharing of the European Banking Federation, member of the AML Working Group of the Institute of International Finance (IIF), participation in initiatives and forums aimed at increasing and improving the exchange of information for AML purposes, such as the Europol Financial Intelligence Public Private Partnership (EFIPPP), participation in the "UNODC (United Nations Office on Drugs and Crime) private sector dialogue on disrupting financial crimes related to forestry crimes" as well as contributions to public consultations issued by national and international bodies (European Commission, European Banking Authority and FATF-GAFI (Financial Action Task Force), among others).

Anti-corruption information

A key element in Conduct risk management at BBVA is the Group's General Anti-Corruption Policy (approved by the Bank's Board of Directors in September 2018), which develops the principles and guidelines set out, mainly, in section 5.3 of the Code of Conduct and conforms to the spirit of national and international standards on the matter, taking into consideration the recommendations of international organizations for the prevention of corruption and those established by the International Organization for Standardization (ISO). In May 2020, this Policy was reviewed and its update approved by the Board of BBVA, S.A. and communicated again to 100% of the employees and to all the members of the governing bodies of the main subsidiaries of the Group. Regarding the communication of the Anti-Corruption Policy to third parties, BBVA has disseminated through the shareholders and investors website a public statement that summarizes its content.

The Group's General Anti-Corruption Policy is developed through various specific internal regulations that establish guidelines for action and precautions in cases in which the risk of corruption could eventually materialize (i.e Standard for the Acquisition of Goods and Contracting of Services, regulation regarding gifts and events, regulation of donations and commercial sponsorships, etc.)

In line with the foregoing, in general, BBVA has a clause included in the contracts in which the suppliers undertake to comply with the applicable anti-corruption legislation.

BBVA's anti-corruption framework is not only made up of the aforementioned regulatory body, but also, in accordance with the crime prevention model, it has a program that includes the following elements: (I) a risk map; (II) a specific government model; (III) a set of mitigation measures aimed at reducing these risks; (IV) action procedures in the event of risk situations; (V) training and communication programs and plans; (VI) indicators aimed at understanding the risk situation and its mitigation and control framework; (VII) a complaint channel; and (VIII), a disciplinary regime.

In relation to the evaluation of the risk of corruption in the Bank, different types of operations have been evaluated: (I) 5,839 operations out of a total of 6,372 (91.64%) in relation to AML&FT risk (to see the number of communications made to the corresponding authorities, consult the previous section on "Prevention of money laundering and terrorism financing"); (II) regarding the risk of internal fraud, a total of 2,054 operations (100%) have been analyzed; and (III) from the AML&FT and Corruption risk dimension, 1,444 of a total of 1,446 third parties evaluated in the Bank's supply processes (99.86%) have been evaluated.

Additionally, in recent years risk assessments have been carried out on anti-corruption matters. Based on the overall result of this analysis, it has been concluded that the framework for controlling corruption risk in the BBVA Group is adequate.

In relation to the training program on the prevention of corruption, during the year 2020, the training of BBVA managers and employees in the Anti-Corruption Policy was promoted globally through different initiatives based mainly on practical cases. In this regard, the launch of a corporate online course stands out. As of December 31, this course had been completed by a total of 20,350 (95.7%) employees in Spain.

Data protection

BBVA has privacy policies or notices in accordance with its own local legislation. They disclose the way in which the Bank collects and processes the personal data of its customers, suppliers, and employees, as well as the rest of the natural persons whose personal data is processed. These privacy policies or notices are subject to review and update, based on the applicable regulations, as well as the General Privacy and Data Protection Policy of the BBVA Group.

During 2022, the Personal Data Protection unit, integrated into the Compliance area and led by the Data Protection Officer (DPO), has continued to promote supervision and control processes to find out the degree of application of the data protection regulations in each geographical area and, where appropriate, promote the necessary actions for its proper application.

The implementation has been carried out through (I) the reinforcement of the global regulatory framework, protocols and verification actions of processes and activities with an impact on the protection of personal data, (II) the development and adaptation of tools to help implement control and compliance processes in Spain, (III) the review of relevant processes, as well as (IV) the follow-up and resolution of the recommendations resulting from the audit activities carried out in this area.

Tax contribution

BBVA operates in compliance with its tax obligations and avoids any practice which represents illicit avoidance of its obligations to pay tax or prejudice to the public treasury.

The principles that guide BBVA's fiscal action are not detached from its responsible and sustainable way of understanding finance and banking. In the tax area, in addition to providing legitimate added value to investors, BBVA's actions must also address other stakeholders and must align with the values and commitments that it has undertaken with society in order to bring the age of opportunities to everyone.

As such, the principles that guide its actions are as follows:

- Integrity: in the fiscal sphere, integrity is defined as the observance of the letter and spirit of the law and the maintenance of a cooperative and good faith relationship with the various tax administrations.
- Prudence: in the fiscal context, BBVA always assesses the implications of its decisions beforehand, including, among other assessments, the impact that its activity may have in the geographical areas in which it operates.
- Transparency: in the tax area, BBVA provides information on its activity and its approach to taxation to customers and other stakeholders in a clear and accurate manner.

BBVA is committed to transparency in paying taxes and this is the reason why, for yet another year, the Group voluntarily breaks down the total tax contribution in countries in which it has a significant presence.

Total Tax Contribution of BBVA, S.A. in Spain (TTC), which includes both own and third-party payments, made by BBVA, S.A. and its branches abroad for corporate tax, VAT, local taxes and fees, income tax withholdings, Social Security payments as well as payments made during the year due to tax litigation in relation to the aforementioned taxes.

GLOBAL TAX CONTRIBUTION (BBVA ESPAÑA. MILLIONS OF EUROS)		
	2022	2021
Own taxes	1,395	996
Third-party taxes	1,312	1,067
Total tax contribution	2,707	2,063

Offshore financial centers

As a result of the express policy on activities in permanent establishments domiciled in offshore financial centers, the Bank closed in 2018 the branch it had in the Cayman Islands and, therefore, does not have activities in offshore financial centers.

Other tax information by countries

TAX INFORMATION BY COUNTRIES (BBVA, S.A. MILLIONS OF EUROS)								
	2022				2021			
	CIT payments cash basis	CIT expense consol	Profit (loss) before CIT	Subsidies	CIT payments cash basis	CIT expense consol	Profit (loss) before CIT	Subsidies
Germany	19	10	30	—	26	5	26	—
Belgium	—	—	2	—	—	—	4	—
Chile	2	—	—	—	2	—	—	—
China	—	—	—	—	—	—	1	—
Colombia	2	—	—	—	2	—	—	—
Spain ⁽¹⁾⁽²⁾	534	255	4,694	—	86	560	1,286	—
Of which:								
Tax Group	—	6	393	—	—	16	1,041	—
Subsidiaries	—	55	2,930	—	—	21	658	—
Impairment of Garanti	—	—	647	—	—	—	(877)	—
The United States	22	21	122	—	10	22	135	—
France	25	13	51	—	7	9	42	—
Hong-Kong	—	5	34	—	8	9	57	—
Italy	11	33	110	—	28	16	52	—
Japan	—	—	(1)	—	—	—	(1)	—
Netherlands	3	—	—	—	—	—	—	—
Paraguay	—	—	—	—	10	—	—	—
Peru	4	—	—	—	3	—	—	—
Portugal	4	(1)	45	—	4	15	47	—
The United Kingdom	15	7	55	—	8	8	61	—
Switzerland	4	—	—	—	4	—	—	—
Singapur	3	3	20	—	2	3	18	—
Taiwan	—	1	1	—	—	(1)	(2)	—
Turkey	3	—	—	—	2	—	—	—
Total	651	347	5,163	—	202	646	1,726	—

⁽¹⁾ Including dividends from foreign subsidiaries which are taxed in their home country. See Note 4 of Dividends of the Financial Statements.

⁽²⁾ The PBT includes the capital gain generated in 2021 as a result of the sale of the US business, which is classified in the income statement under the heading "Profits (losses) after taxes from discontinued operations". Likewise, the balance of "Corporate tax expense" in Spain is highly conditioned because it includes the tax effects associated with the sale of the US, which is classified in the income statement under the heading "Profits (losses) after tax from discontinued operations".

The amounts of "Cash payments of corporate income tax" are highly conditioned and derive fundamentally from the methodology for calculating the instalment payments provided for in the regulations governing corporate income tax in the different geographical areas, producing differences between the instalment payments made in the current year and the refund of instalments from previous years that may result once the final tax returns have been filed. In this respect, it should also be noted that it is normal for there to be, differences between the amounts of "Corporate tax cash payments" and "Corporate tax expense", as the tax paid in the year is not necessarily directly related to the pre-tax profit existing in a jurisdiction, but takes into account the tax payments (and refunds) in respect of profits made in previous years, as well as the instalment payments made in the current year and the withholding of input tax. However, the "Corporate Income Tax Expense" for the current year is more directly related to the existing Profit before tax for a given year.

The total gross margin of the Bank in 2021 that appears in this table does not match that existing in the consolidated profit and loss account since the total gross margin in this table also includes the gross margin generated, up to the time of its sale, by the US companies sold, whose "Profit before taxes" and "Corporate income tax expense" are classified under "Profits (losses) after taxes from discontinued operations".

In 2022, BBVA, S.A. as well as BBVA Group, has not received any significant public aid allocated to the financial sector intended for the promotion of banking activity, as mentioned in Appendix XIII -Annual Banking Report of the Consolidated Financial Statements of BBVA Group.

Commitment to human rights

BBVA is committed to respecting internationally recognized human rights. This commitment applies to the relationships that BBVA establishes with its customers, suppliers, employees and with the communities in which it carries out its business and activities.

BBVA has had a commitment to human rights since 2007, which has been updated in 2022, framed in the Group's General Sustainability Policy and which is aligned with its Code of Conduct. This commitment takes the United Nations Guiding Principles on Business and Human Rights as a point of reference.

In 2022, BBVA has adopted an active role in the field of future community legislative initiatives. Within the framework of its participation in the Working Groups on Sustainable Finance of the European Banking Federation (EBF), in the Association of European Financial Markets and in the European Financial Services Roundtable, BBVA contributes to the preparation of sectoral positions on various community initiatives. In this context, it is worth noting the work of dialog and support with the European regulator in relation to the proposal for a directive on due diligence of companies in terms of sustainability. In addition, BBVA is also part of the EBF's advisory group on diversity and inclusion.

BBVA identifies the social and labor risks that derive from its activity in the different areas and countries in which it operates in order to manage its possible impacts through processes specifically designed for this purpose or through existing processes that integrate the human rights perspective. For additional information regarding the Equator Principles, see the chapter "Management of indirect environmental and social impacts" of this report.

On the other hand, the methodology for evaluating BBVA's reputational risk, which is mentioned in the "Reputational risk" section of the "Risk management" chapter of the BBVA Group's Consolidated Management Report, is an essential complement to this management.

2.5 Information on suppliers

BBVA provides complete and transparent information to its suppliers in the procurement processes, to ensure compliance with the legal requirements on labor and the environment, respect for human rights and stimulation of demand for socially responsible products and services.

As a part of the procurement process, BBVA suitably manages the impacts, both real and potential, that may be generated by its activity through a series of mechanisms and rules: the General Procurement Principles, a supplier evaluation process and the Corporate Rules for the Acquisition of Goods and the Contracting of Services. These impacts may be: environmental; caused by labor practices carried out in supplier companies; a result of the absence of freedom of association; or related to human rights.

The General Procurement Principles and the BBVA Code of Ethics for Suppliers establish the fundamental guidelines that must be followed by all suppliers with which any company or entity of the Group has dealings.

- The General Procurement Principles establish, among other aspects, that it is necessary to ensure compliance with all applicable legal requirements throughout the provisioning process regarding human, labor, association and environmental rights by all parties involved in this process, as well becoming involved in the Group's efforts aimed at preventing corruption. In the same way, it ensures that the selection of suppliers remains in compliance with existing internal regulations at all times and, in particular, with the values of the Group's Code of Conduct, based on respect for legality, commitment to integrity, competition, objectivity, transparency, value creation, confidentiality, continuous improvement and segregation of duties.
- Through the implementation of the Supplier Code of Ethics in the purchasing units of all countries in which the Group is present, minimum standards of conduct in terms of ethical, social and environmental matters were established which suppliers are expected to follow when providing products and services.

BBVA understands that integrating ethical, social and environmental factors into its supply chain is part of its responsibility. The purchasing function is based on three core pillars of the procurement model:

- Service, maximizing the quality and experience of the internal customer, who is accompanied throughout the process.
- Risk, limiting the Group's operational risk in supplier contracts, thus ensuring compliance with regulations and processes.
- Efficiency, contributing to the Group's efficiency by the proactive managing costs and suppliers.

The following is the basic data on suppliers at the end of 2022 and 2021:

ESSENTIAL DATA ABOUT SUPPLIERS (BBVA SPAIN)		
	2022	2021
Number of third parties ⁽¹⁾	1,033	1,040
Volume provided by suppliers (millions of euros) ⁽¹⁾	2,408	2,191
Average payment period to suppliers (days) ⁽²⁾	36	35
Suppliers satisfaction index ⁽³⁾	n.a	82
Number of approved suppliers ⁽⁴⁾	1,425	1,350

General note: Third party is that natural or legal person with whom there is a payment obligation. Supplier is the third party with whom the BBVA Group maintains a contractual relationship for the supply of goods and services.

n.a.: not applicable.

⁽¹⁾ Payments to third parties. Suppliers lower than €100,000 are not included.

⁽²⁾ The ratio is calculated as the arithmetic mean of the days of payment of the invoices paid to suppliers.

⁽³⁾ Suppliers Net Promoter Score. Obtained based on the results of a satisfaction survey that is carried out every 2 years among Group suppliers that have more than €10,000 in awards and €100,000 in billing. It is calculated as the difference between the average number of promoters, who have answered 9 and 10 out of a maximum of 10, to the question whether they would recommend working with the Purchasing area, and the average number of detractors whose answers have gone from 1 to 6 on the question. same question.

⁽⁴⁾ In 2022 and 2021, the figure includes suppliers with materiality of more than 10,000 euros (in 2020, suppliers of 100,000 euros) evaluated in GPS from Spain. Of a total of 1,446 suppliers evaluated: 1,425, 99%, were suitable and 21, 1%, were not suitable, with whom work is stopped immediately or an exit plan is established, whenever possible, with a period migration to stop working with the provider.

The average payment period to suppliers in Spain during the financial year 2022 is 36 days, below the legal maximum term of 60 days established in Law 15/2010 of July 5, which establishes measures to combat late payment in commercial operations, slightly over 35 days for the year 2021. The calculation of the average payment has been made in accordance with the provisions of said law.

BBVA has technological platforms that support all phases of the Group's procurement process, from budgeting to recording and accounting for invoices. Moreover, BBVA has a supplier portal that facilitates the Group's online relationship with its suppliers. It is a collaborative environment targeted at companies and self-employed workers who work or are interested in working with the Group, allowing them to interact electronically with BBVA throughout the supply cycle.

The supplier evaluation process carried out by BBVA was completed in 2021. It considerably extended the number of aspects to be reviewed with respect to each supplier: financial, legal, labor, reputational, anti-corruption and money-laundering, technological risks, concentration and country risks and customer protection. Examination of these topics aims to mitigate potential risks in entering into contract with third parties and to verify that each supplier complies with its legal responsibilities. This in turn enables us to promote their civic responsibilities and validate that they share the same values as the Bank in terms of social responsibility.

In this evaluation process, the supplier must declare that it has its own code of conduct and complies with the highest standards in its industry. If it does not have its own code of conduct, the supplier must declare that it is aware of and accepts the BBVA Group's Code of Conduct, which includes the following requirements: legal compliance; human rights commitment; environmental commitment; supply chain (outsourcing); anti-corruption; prevention of money laundering and financing of terrorist activities; political contributions; conflict of interest; antitrust/fair competition; and confidentiality.

BBVA launched a supplier evaluation pilot in Spain under ESG criteria to reinforce a responsible supply chain. The model covers a broad spectrum of sustainability aspects evaluated, such as (I) compliance with environmental and social regulations, (II) management and measurement of environmental impacts, (III) human rights, (IV) control structures, (V) sustainability reporting, and (VI) ESG assessment of the supplier's own supply chain. In 2022, the technological developments tied to the evaluation process were completed. The new model will be implemented gradually in the main geographical areas where the Group has a footprint during 2023.

Supplier evaluation is reviewed periodically and is subject to continuous monitoring. As of December 31, 2022, the percentage of contract awards made to evaluated suppliers reached 99.6%.

As of December 31, 2022, 99% of the total number of BBVA third parties (representing 91% of total billing) corresponds to local third parties, which makes it possible to contribute to economic and social development. The Bank defines a local third party as one whose tax identification coincides with the country of the company receiving the good or service.

BBVA in Spain also favors inclusion and diversity by engaging services through "special employment centers" (Spanish 'CEEs'). These are sheltered employment companies where the labor integration of people with disabilities is promoted. During the 2022 financial year, billing to the Bank by sheltered employment centers amounted to €1.9m (as of December 31, 2021, billing amounted to €1.7 m).

Finally, in financial year 2022 the Internal Audit area conducted evaluations of suppliers regarding the procurement processes for goods and services in different areas and the service provided by certain suppliers, generally outsourcing suppliers. These are risk-based assessments, and reviews are carried out according to a defined internal methodology. The supplier evaluation process has been audited with a favorable result and with recommendations fully implemented before December 31, 2022.

2.6 Report on climate change and other environmental and social issues

Decarbonization is one of the greatest challenges facing humanity. Climate change and the transition to a low-carbon economy have significant implications for the value chains of most productive sectors, since they require significant investments in many industries. As a financial institution, BBVA has an indirect impact on the environment and society through its lending activity and the projects it finances.

The investment needed to make the world go zero emissions has to be attractive, economically viable and profitable. In this sense, investment in renewables, energy efficiency or electric cars already has a profitable alternative for families and companies, compared to fossil fuels. However, most activities do not have an emission-free version that is economically viable.

Under Law 7/2021, of May 20, on climate change and energy transition, BBVA has submitted the Climate Change Report, which includes the following matters: the organization's governance structure, the strategic focus, both in terms of adaptation and mitigation of the entity to manage the financial risks associated with climate change, the real and potential impacts of the risks and opportunities associated with climate change, the processes of identification, evaluation, control and management of the risks related to the climate and the metrics, scenarios and objectives used to evaluate and manage the relevant risks and opportunities associated with climate change.

This Report on climate change and other environmental and social issues of Banco Bilbao Vizcaya Argentaria, S.A., which forms part of its Individual Management Report, includes by reference the sections of the Consolidated Climate Change Report that appears in the Consolidated Management Report of BBVA Group, since these sections contain additional and complementary information to obtain a better understanding of the Bank, the BBVA Group and their respective actions in the matters required by article 32 of Law 7/2021, as shown in the table:

Non-financial Information Report. Contents index of the Law 7/2021, of May 20, about climate change and energetic transition

Topic	Reporting criteria	Response included in BBVA Group's consolidated management report
Govern	Governance structure of organization, including the role that its various bodies perform, in relation to the identification, evaluation and management of risks and opportunities related to climate change.	Other information/Organizational Chart NFIS/Report on climate change and other environmental and social issues
Strategy	Strategic approach, in terms of adaptation and mitigation of the entities to manage the financial risks associated with climate change, taking into account the current risks at the time of writing the report, and those that may arise in the future, identifying the actions necessary at that time to mitigate such risks.	NFIS/Purpose, values and strategic priorities NFIS/Report on climate change and other environmental and social issues
Impacts	The real and potential impacts of risks and opportunities associated with climate change on the organization's activities and its strategy, as well as on its financial planning.	NFIS/Report on climate change and other environmental and social issues
Risk management	The processes for identifying, evaluating, controlling and managing climate-related risks and how these are integrated into its global business risk analysis and its integration into the organization's global risk management.	NFIS/Purpose, values and strategic priorities NFIS/Report on climate change and other environmental and social issues
Metrics and goals	Metrics, scenarios and objectives used to assess and manage important risks and opportunities related to climate change and, if calculated, the scope 1, 2 and 3 of its carbon footprint and how its reduction is addressed .	NFIS/Report on climate change and other environmental and social issues

The calculation of scope 1, 2 and 3 of the carbon footprint and how BBVA Spain deals with its reduction, as well as other aspects related to direct and indirect impacts, are broken down in the section "Management of direct and indirect impacts" below.

Management of direct and indirect impacts

As a financial institution, BBVA has an impact on the environment and society directly through the consumption of natural resources and its relationship with stakeholders; and indirectly, and most importantly, through its lending activity and the projects it finances.

Management of direct environmental impacts

BBVA has a clear commitment to society and the environment. Thus, the global strategy for reducing direct impacts is articulated around four main axes: (I) reduction of consumption through energy efficiency initiatives; (II) use of energy from renewable sources; (III) awareness and involvement of employees and other stakeholders in the path towards a low carbon economy; and (IV) compensation of its environmental footprint in scope 1, 2 and part of scope 3 (category 5 waste, category 6 emissions from business trips and category 7 displacements of employees of central services that represent 36% of the total reported)⁷ through the purchase of project credits from the Voluntary Carbon Market to meet the goal defined in 2021 of being a carbon neutral company by 2050.

Global Ecoefficiency Plan 2021-2025

In its objective of reducing environmental impacts, BBVA, within the framework of the 2025 Goal, proposed, on the one hand, a 68% reduction in scope 1 and 2 CO₂ emissions compared to 2015 and, on the other hand, a consumption of 70% of electricity from renewable sources in 2025, reaching 100% in 2030. In line with this last objective, BBVA has adhered since 2018 to the RE100 initiative, through which the most influential companies in the world commit to 100% renewable energy before 2050, although BBVA continues to make progress to reach 100% by 2030.

In 2021, BBVA established a new Global Eco-efficiency Plan for the 2021-2025 period, defining more ambitious objectives, aligned with its climate strategy, focused on reducing direct impacts and achieving the Goal 2025:

GLOBAL ECOEFFICIENCY PLAN GOALS 2021-2025 (BBVA Spain)		
Vector	Indicators	Global target ⁽¹⁾
Consumptions	Renewable electricity (%)	100 %
	Electricity consumption per employee (MWh/Employee)	(15)%
	Energy consumption per employee (MWh/Employee)	(6)%
	Water consumption per employee (m ³ /Employee)	(21)%
	Paper consumption per employee (kg/Employee)	(4)%
Circular economy	Net waste per employee (t/Employee)	(14)%
Carbon footprint	Scope 1&2 carbon emissions (tCO ₂ e)	(6)%
Sustainable building	Environmentally certified area (%)	43 %

⁽¹⁾ Base year 2019. For the 2021-2025 Eco-efficiency Plan, 2019 is taken as the base, since the consumption values for 2020 are distorted due to the effect of the COVID-19 pandemic.

This plan is based on four lines of action:

1. Consumption

With the aim of reducing BBVA's environmental footprint⁸, the following lines of actions will be implemented:

- Electricity consumption: BBVA's strategy is focused on the use of renewable energy since it is the most important lever to contribute to the decarbonisation of energy markets where the Group is present. To this end, the strategy consists of signing of Power Purchase Agreements such as the one already formalized in Spain for the period 2020-2024, as well as the acquisition of renewable energy certificates (Guarantees of Origin) for the rest of the electricity consumed at BBVA facilities in Spain. The Bank is also committed to the self-generation of renewable energy through photovoltaic, thermosolar and geothermal installations in seven corporate buildings of the Bank and will continue to bet on the photovoltaic installation in buildings that do not yet have these installations.
- Implementation of energy saving measures (ESMs) for the operation of buildings, to control and reduce consumption.
- Initiatives for the reduction of water consumption, such as gray water recycling systems and reuse of rainwater for irrigation in the headquarters of the Group in Spain, and the installation of waterless urinals in some of the buildings in Spain.
- Finally, there are measures for the digitalization and centralization of printing to reduce the consumption of paper in Spain, which is to 100% recycled or environmentally certified.

⁷ Reported scope 3 emissions do not include the following categories defined in the GHG Protocol: Category 1 purchase of goods and services; Category 2 capital goods; Category 3 fuel and energy related activities (not included in scopes 1 or 2); Category 4 upstream transportation and distribution; Category 7 transportation of network workers (which account for 64% of the total reported); Category 8 upstream leased assets; Category 9 transportation and distribution; Category 10 processing of products sold; Category 11 use of the products sold; Category 12 end-of-life treatment of products sold; Category 13 downstream leased assets; Category 14 franchises; Category 15 investments. The scopes excluded to date could be material.

⁸ Certain companies of the BBVA Group in Spain and the branches of BBVA, S.A. outside of Spain are not included in the perimeter, representing 8.9% of the total number of employees.

2. The circular economy

Waste generation is becoming a serious problem at global level, so part of BBVA's contribution to sustainable development must consist of transitioning linear consumption practices towards circular consumption. Thus, BBVA has been working for many years to reduce this impact through sustainable construction standards or with the implementation of Environmental Management Systems certified with ISO 14001 and additionally with the implementation of Aenor's Zero Waste certification in Ciudad BBVA, headquarters of BBVA in Spain. The objective is to minimize the waste that is sent to landfills, which is why its facilities have clearly differentiated and signposted areas that allow to carry out a correct segregation and subsequent recycling of waste.

Throughout 2022, initiatives to reduce disposable "single-use plastics" have been established. As a result, the value is disclosed down as it is insignificant. In the same way, the computer equipment donated is reported as there have been no donations in BBVA Spain in 2022.

WASTE (CIRCULAR ECONOMY)

	2022	2021
Hazardous waste (tons)	74	81
Recycled hazardous waste (tons)	55	43
Disposed hazardous waste (tons)	19	38
Non-hazardous waste (tons)	1,204	2,119
Recycled non-hazardous waste (tons)	1,030	2,017
Disposed non-hazardous waste (tons)	174	102

3. Carbon footprint

The reduction of the carbon footprint is one of the goals established within the Goal 2025. BBVA's total emissions are composed of:

- Scope 1 greenhouse gas emissions, comprising direct emissions from own-use property combustion facilities, vehicle fleet fuels and refrigerant gases.
- Scope 2 greenhouse gas emissions, including indirect emissions related to the production of electricity purchased for and consumed by buildings and branches.
- Scope 3 greenhouse gas emissions, which include other indirect emissions. At BBVA, this scope includes emissions from business travel (by air and rail), emissions from waste management and emissions from the employees' travel from headquarters to other sites.

Both Scope 1 and 2 emissions and Scope 3 emissions are calculated taking into account the GHG Protocol standard established by the World Resources Institute (WRI) and the World Business Council for Sustainable Development (WBCSD).

BBVA is a neutral company in terms of CO₂ emissions related to the aforementioned categories and offsets its carbon emissions through the purchase of credits in the Voluntary Carbon Market. Moreover, in line with the recommendations of the Taskforce on Scaling Voluntary Carbon Markets, BBVA has established requirements for the selection of projects with which to offset its residual emissions. Among these requirements are the obligation for projects to be certified under the maximum quality standards such as the Verra Verified Carbon Standard (VCS) and the Gold Standard, American Carbon Registry (ARC), Climate Action Reserve (CAR) and Plan Vivo; and that preferably are CO₂ absorption or capture projects. In 2022, 2 reforestation/afforestation projects (Cumare, Guarané) have been selected.

4. Sustainable construction

Another of the objectives is to guarantee the implementation of the best environmental and energy standards in BBVA buildings to achieve a large percentage of environmentally certified area. In fact, the BBVA facilities hold a number of construction and management certification.

Among the construction certifications, there are 5 buildings with the prestigious LEED (Leadership in Energy and Environmental Design) for sustainable construction.

With respect to management certifications, BBVA has implemented an Environmental Management System in many of its buildings, based on the ISO 14.001:2015 Standard, which is certified every year by an independent entity. This certification is used to control and evaluate environmental performance in the operations of some of its buildings. This system is implemented in 17 buildings and 17 branches in Spain. Finally, 3 of the buildings in Spain also have an Energy Management System certified by an independent third party and which complies with the ISO 50.001:2018 standard.

MAIN INDICATORS OF THE GLOBAL ECO-EFFICIENCY PLAN⁽¹⁾ (BBVA SPAIN)

	Values 2022	Achievement 22 ⁽²⁾ (Δ 22-19)	Target 22	Target 25
Renewable electricity (%)	100%	100 %	100 %	100 %
Electricity consumption per employee (MWh/Employee) ⁽³⁾	6.43	(7)%	(9)%	(15.0)%
Energy consumption per employee (MWh/Employee) ⁽⁴⁾	6.90	(7)%	(3)%	(6)%
Water consumption per employee (m ³ /Employee)	8.21	(22)%	(13)%	(21)%
Paper consumption per employee (kg/Employee)	58.60	(24)%	(4)%	(4)%
Net waste per employee (t/Employee) ⁽⁵⁾	0.01	2 %	(12)%	(14)%
Scope 1&2 carbon emissions (tCO ₂ e) ⁽⁶⁾	3,289.44	(25)%	(6)%	(6)%
Environmentally certified area (%) ⁽⁷⁾	40%	40 %	38 %	43 %

⁽¹⁾ The data corresponding to the last months of 2022 have been estimated due to not having received the supports.

⁽²⁾ Achievement in the year 2022 with respect to the base year 2019. The achievement of the renewable electricity and environmentally certified area indicators is the % resulting in 2022.

⁽³⁾ Includes the sum of renewable and non-renewable electricity (per employee).

⁽⁴⁾ Includes the consumption of electricity and fossil fuels (natural gas, LPG, diesel, coal).

⁽⁵⁾ Net waste is the total waste that is generated minus the waste that is recycled. To obtain the achievement of 2022, the reference data for 2019 of net waste has been restated, including the estimate of recycled waste, since its measurement was not incorporated until 2020.

⁽⁶⁾ Includes scope 1 (fuels in facilities and vehicle fleet and refrigerant gases), scope 2 market-based.

⁽⁷⁾ Includes ISO 14001, ISO 50001 and LEED certifications.

The Bank's environmental footprint presents very positive data compared to the base year 2019 with reductions of 25% in Scope 1 and 2 emissions (according to the market-based method), of 7% in electricity and energy consumption, 22% in water consumption and 24% in paper (all of them per employee). The percentage of renewable energy consumption remains at 100%, and the environmentally certified area reached 40%.

ENVIRONMENTAL FOOTPRINT (BBVA Spain) ⁽¹⁾

	2022	2021 ⁽⁸⁾	Δ 22-21
Consumption			
Total water consumption (cubic meters)	208,256	221,043	(6) %
Public water supply (cubic meters)	174,226	207,373	(16) %
Recycled water (cubic meters)	34,029	13,671	149 %
Paper (tons)	1,486	1,596	(7) %
Energy (Megawatt hour) ⁽²⁾	175,084	186,809	(6) %
Energy from renewable sources (%)	93.1 %	92.6 %	0.5 %
Energy from non renewable sources (%)	6.9 %	7.4 %	(0.5) %
CO₂ emissions			
Scope 1 emissions (tons CO ₂ e) ⁽³⁾	3,289	3,871	(15) %
Emissions from fuels in facilities (t CO ₂ e)	2,304	2,719	(15) %
Emissions from vehicle fleet fuels (t CO ₂ e)	612	571	7 %
Emissions from refrigerant gases (t CO ₂ e)	373	581	(36) %
Scope 2 emissions (tons CO ₂ e) market-based method ⁽⁴⁾	—	—	— %
Scope 2 emissions (tons CO ₂ e) location-based method ⁽⁵⁾	25,107	34,452	(27) %
Scope 1&2 emissions (tons CO₂e) market-based method	3,289	3,871	(15) %
Scope 1&2 emissions (tons CO₂e) location-based method	28,396	38,322	(26) %
Scope 3 emissions (t CO ₂ e) ⁽⁶⁾	14,103	4,599	207 %
Emissions from waste management (t CO ₂ e)	106	84	26 %
Recycled hazardous waste (%)	74.9 %	52.9 %	22.0 %
Recycled non-hazardous waste (%)	85.6 %	95.2 %	(9.6) %
Emissions from business travel (t CO ₂ e) ⁽⁵⁾	6,659	1,238	438 %
Emissions from employees commuting (t CO ₂ e) ⁽⁶⁾	7,338	3,277	124 %
Total CO₂e emissions (t CO₂e) market-based method	17,393	8,470	105 %
Total CO₂e emissions (t CO₂e) location-based method	42,499	42,922	(1) %
Impact of emissions (Scope 1&2) (€) ⁽⁷⁾	151,206	170,149	n/a

n/a: not applicable

⁽¹⁾The data shown corresponds to BBVA in Spain. Certain BBVA Group companies in Spain and branches of BBVA S.A. are not included in the perimeter outside of Spain, representing 8.9% of the total number of employees. Some of the data for 2022 is estimated since at the end of the report the complete information for the year was not yet available.

⁽²⁾ Includes the consumption of electricity and fossil fuels (diesel, natural gas and LP gas), except fuels consumed in fleets.

⁽³⁾ Emissions derived from direct energy consumption (fossil fuels) and calculated based on the emission factors of 2006 IPCC Guidelines for National Greenhouse Gas Inventories. For its conversion to CO₂e, the IPCC Fifth Assessment Report and the IEA have been used as sources. As of 2021, emissions derived from the use of the vehicle fleet and refrigerant gas leaks at our facilities have been included in this scope, applying the DEFRA emission factors to calculate CO₂e emissions.

⁽⁴⁾ Emissions derived from electricity consumption and calculated based on the contractual data and, failing that, the latest emission factors available from the IEA for each country.

⁽⁵⁾ Emissions derived from electricity consumption and calculated based on the energy mix of each geographical area. The emission factors are the latest available according to IEA for each country.

⁽⁶⁾ Indirect emissions derived from business trips (plane and train), waste management and employee travel, using the emission factors published by DEFRA in 2022. Substantial increase in 2022 compared to 2021 due to the elimination of travel restrictions of business after the pandemic and the return of employees to the workplace in a hybrid model. For the emissions due to commuting by our employees, only commutes by Central Services employees have been taken into account.

⁽⁷⁾ The impact of greenhouse gas emissions for 2022 is calculated using only Scope 1 and 2 emissions and using the CO₂ social cost factor based on a proportional estimate of the 2020 EPA social cost of carbon (\$51/tCO₂) and for 2025 (\$56/tCO₂), (3% discount rate, with an exchange rate of €1,153/\$).

⁽⁸⁾ The data for 2021 differs from those published in the previous Non-Financial Information Report because the estimates included at the end of the 2021 financial year have been replaced by the actual consumption available after the publication of said report and it has proceeded to modify certain values according to the new data.

Given the business activities in which the BBVA engages, the Bank has no environmental liabilities, expenses, assets, provisions or contingencies that are significant in relation to its equity, financial position and earnings. As such, as of December 31, 2022, the accompanying Financial Statements do not include any item that warrants inclusion in the environmental information document provided for in Order JUS/318/2018, of March 21, approving a new template for filing the consolidated annual accounts at the Companies Register for those entities obligated to disclose such information.

Management of indirect environmental and social impacts

BBVA addresses environmental, natural capital and social risks from the perspective of impact prevention and mitigation. To do this, it uses tools such as its Environmental and Social Framework or the Equator Principles, which have an environmental and social focus.

Environmental and social framework

In 2020, the Environmental and Social Framework for the mining, agribusiness, energy, infrastructure and defense sectors (hereinafter the Framework) was approved.

The Framework, which is reviewed annually, provides a series of rules and exclusions in relation to transactions and clients operating in these five sectors, as they are considered to have a greater social and environmental impact. The Framework is public and available on the BBVA shareholders and investors website.

To carry out its effective implementation, BBVA receives advice from an independent external expert who performs due diligence on the clients covered by the Framework in order to mitigate the risks associated with these sectors.

For the annual Framework review, new market trends, the expectations of stakeholders and the strengthening of the implementation procedures are considered.

In the last review, dated October 2022, the main new features were as follows:

- Elimination of exceptions to coal bans for countries with high energy dependence and no viable alternatives.
- New restriction in the energy sector, with a prohibition to finance "new projects or expansion of existing oil and gas exploration, drilling and extraction projects (conventional and non-conventional)."
- New restriction in the agribusiness sector, with the prohibition to finance "projects in key biodiversity areas of the International Union for Conservation of Nature (IUCN), the Brazilian Amazon and the Cerrado."
- Inclusion of new biodiversity and anti-deforestation best practices for clients, such as benchmark standards.

Principles of Ecuador

Energy, transport and social service infrastructures, which drive economic development and create jobs, can have an impact on the environment and society. BBVA, evaluates the financing of projects to reduce and avoid negative impacts and, in this way, enhance their economic, social and environmental value.

All decisions to finance projects are based on the criterion of principle-aligned returns. This implies meeting stakeholder expectations, considering the social demand for the fight against climate change and respect for human rights.

Since 2004 BBVA has adhered to the Equator Principles (EP), which include a range of standards for managing environmental and social risk in project finance, which were developed on the basis of the International Finance Corporation's (IFC) Policy and Performance Standards on Social and Environmental Sustainability and the World Bank's General Guidelines on Environment, Health and Safety.

The EPs apply globally to all industrial sectors and to five financial products under the terms set forth in the principles: (I) project finance advisory; (II) project finance; (III) project-related corporate loans; (IV) project-related bridge loans; and (V) project-related refinancing and project-related acquisition.

Project assessment consists of subjecting each transaction to an environmental and social due diligence process, including potential human rights impacts. The first step is the allocation of a category (A, B or C), which reflects the project's level of risk.

- Category A: projects with potentially significant adverse social or environmental impacts that are irreversible or unprecedented.
- Category B: projects with potentially limited adverse social and environmental impacts that are few in number, site-specific, reversible and readily addressed through mitigation measures.
- Category C: projects with minimal or no social or environmental impacts.

Reviewing the documentation provided by the customer and independent advisers is a way to assess compliance with the requirements established in the EPs, according to the project category. Finance agreements include the client's environmental and social obligations. The application of the EPs at BBVA is integrated into the internal processes for structuring, acceptance and monitoring of transactions.

BBVA has due diligence procedures associated with the financing of projects whose execution affects indigenous peoples. When this circumstance occurs, the prior free and informed consent is required from these communities, irrespective of the geographic location of the project, including for projects in countries where a robust legislative system is presupposed, which ensures the protection of the environment and the social rights of its inhabitants. When identifying potential risks, the operation must include an effective form of management of these risks, as well as operational mechanisms to support claims management.

Integration of natural capital

The General Sustainability Policy posits the protection of natural capital as one of its main focuses of action. Specifically, BBVA recognizes the need to protect ecosystem services and natural assets, native species and natural ecological processes. It considers biodiversity and natural capital in its relationship with its clients.

The Environmental and Social Framework includes a range of general bans and prohibited activities related to biodiversity loss and the fight against deforestation:

- Projects that threaten UNESCO World Heritage sites, Ramsar-listed wetlands, Alliance for Zero Extinction sites and International Union for Conservation of Nature category I-IV sites.
- Projects involving resettlement or infringement of the rights of indigenous or vulnerable groups without their free, prior and informed consent.
- Projects related to deforestation:: burning of natural ecosystems for the purpose of clearing land for the implementation of agricultural or livestock projects, elimination of high conservation value and high carbon forests, palm oil farms not certified or not in the process of certification by the Roundtable for Sustainable Palm Oil (RSPO), palm oil farms in swamps and peat-rich areas, and from 2022, projects in IUCN key biodiversity areas of the Brazilian Amazon and Cerrado.

If BBVA concludes that any of the circumstances described in the prohibited activities or general bans apply to a project, it will decline to participate in that project.

In 2022, BBVA has identified the levels of environmental impact and dependencies for sectors following the methodology of the ENCORE tool, which enables us to know how each of the financed sectors has an adverse impact on natural resources. The tool was developed by the Natural Capital Finance Alliance in collaboration with UNEP-WCMC. BBVA conducted an analysis using UNEP-FI's Impact Tool which assesses the impacts related to natural capital in most of the countries in which BBVA is present..

As a member of the TNFD Forum (Task Force on Nature-Related Financial Disclosures), BBVA is following the publication of the different versions of the framework for the management and disclosure of nature-related risks and opportunities and the guidelines published for market participants to begin pilot testing for reporting under the TNFD framework which is scheduled to be published in 2023.

2.7 Additional information

Contents index of the Law 11/2018⁹

Non-financial information report. Contents Index to the Law 11/2018

Page / Section Management report BBVA 2021			GRI reporting criteria	Page(s)
General information				
Business model	Brief description of the group's business model	BBVA in brief	GRI 2-6 GRI 2-7	2
	Geographical presence	BBVA in brief NFIS/Additional information/Organizational Chart	GRI 2-1 GRI 2-6	2 52
	Objectives and strategies of the organization	NFIS/Information on strategy and objectives	GRI 2-22	3-5
	Main factors and trends that may affect your future evolution	NFIS/Information on strategy and objectives	GRI 2-16	3-5
General	Reporting framework	Non-financial information report	GRI 1	3
	Principle of materiality	Non-financial information report NFIS/Additional information/Materiality analysis	GRI 3-1 GRI 3-2	3 48-49
Management approach	Description of the applicable policies	NFIS/Information on strategy and objectives, Information on customers, Information on employees, Information on suppliers, Information on social matters, Report on climate change and other environmental and social issues	GRI 3-3 GRI 2-25	3-41
	The results of these policies	NFIS/Information on strategy and objectives, Information on customers, Information on employees, Information on suppliers, Information on social matters, Report on climate change and other environmental and social issues	GRI 3-3 GRI 2-25	3-41
	The main risks related to these issues involving the activities of the group	NFIS/Information on strategy and objectives, Information on customers, Information on employees, Information on suppliers, Information on social matters, Report on climate change and other environmental and social issues	GRI 2-16	3-41
Environmental questions				
Environmental management	Detailed information on the current and foreseeable effects of the company's activities on the environment and, where appropriate, health and safety	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 2-16	36-41
	Environmental assessment or certification procedures	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25	36-41
	Resources dedicated to the prevention of environmental risks	NFIS/Report on climate change and other environmental and social issues	GRI 3-3 GRI 2-25	35-41
	Application of the precautionary principle	NFIS/Report on climate change and other environmental and social issues	GRI 2-23 GRI 3-3 GRI 2-25	35-41
	Amount of provisions and guarantees for environmental risks	NFIS/Report on climate change and other environmental and social issues	GRI 3-3 GRI 2-25	35-41

⁹ Law 5/2021 once again modifies article 49 of the Commercial Code on social and personnel issues. Those modifications are included in this content index.

Contamination	Measures to prevent, reduce or repair emissions that seriously affect the environment; taking into account any form of activity-specific air pollution, including noise and light pollution	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25	35-41
	Prevention, recycling, reuse, other forms of recovery and types of waste disposal	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25 GRI 306-2 with respect to recycling and reusing	35-41
Circular economy and waste prevention and management	Actions to combat food waste	BBVA Group considers this indicator not to be material	GRI 3-3 GRI 2-25	
	Water consumption and water supply according to local constraints	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 303-5 (2018) with respect total water consumption	35-41
Sustainable use of resources	Use of raw materials and measures taken to improve the efficiency of their utilization	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 301-1 with respect to renewable materials used	35-41
	Energy use, direct and indirect	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 302-1 GRI 302-3	35-41
	Measures taken to improve energy efficiency	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 3-3 GRI 2-25 GRI 302-4	35-41
	Use of renewable energies	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 302-1 with respect to renewable energies consumption	35-41
	Greenhouse gas emissions generated as a result of the company's activities, including the use of the goods and services it produces	NFIS/Report on climate change and other environmental and social issues/Management of direct and indirect impacts	GRI 305-1 GRI 305-2 GRI 305-3 GRI 305-4	35-41
Climate change	Measures taken to adapt to the consequences of climate change	NFIS/Report on climate change and other environmental and social issues	GRI 3-3 GRI 2-25 GRI 201-2	35-41
	Reduction goals established voluntarily in the medium and long term to reduce greenhouse gas emissions and measures implemented for that purpose	NFIS/Report on climate change and other environmental and social issues	GRI 305-5	35-41
Protection of biodiversity	Measures taken to protect or restore biodiversity	The metric describes the size of the protected or restored areas of habitats and BBVA's financial activity, as well as the activity of its offices, has no impact in this regard. This metric and its various breakdowns are currently considered non-material.	GRI 304-3	35-41
	Impacts caused by activities or operations in protected areas	The operations centers and / or offices owned, leased or managed by BBVA are located in urban areas, so the impacts of the entity's activities on biodiversity are considered not significant. Although the products and services commercialised can potentially have an impact on it, they are managed according to the regulations and criteria applicable to the nature of the financed activities, and nowadays there are no defined and comparable metrics for their monitoring and reporting in relation with BBVA's value chain. However, the entity undertakes to follow up on regulatory developments regarding biodiversity for future reporting if necessary.	GRI 304-1 GRI 304-2	
Social and personnel questions				

Employees	Total number and distribution of employees according to country, gender, age, country and professional classification	NFIS/Information on employees/Professional development/Main employee metrics	GRI 2-7 GRI 2-8 GRI 405-1	16-18
	Total number and distribution of work contract modalities	NFIS/Information on employees/Professional development/Main employee metrics	GRI 2-7 GRI 2-8	16-18
	Annual average of work contract modalities (permanent, temporary and part-time) by sex, age, and professional classification	NFIS/Information on employees/Professional development/Main employee metrics	GRI 2-7 GRI 2-8	16-18
	Number of dismissals by sex, age, and professional classification	NFIS/Information on employees/Professional development/Main employee metrics	GRI 3-3 GRI 2-25 GRI 401-1 with respect to staff turn-over by sex, age and country	16-18
	The average remunerations and their evolution disaggregated by sex, age, and professional classification or equal value	NFIS/Information on employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	22-25
	The average remuneration of directors and executives, including variable remuneration, allowances, compensation, payment to long-term forecast savings and any other perception broken down by gender	NFIS/Information on employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	22-25
	Salary gap	NFIS/Information on employees/Remuneration	GRI 3-3 GRI 2-25 GRI 405-2 with respect to women remuneration compared to men's by professional category	24
	Implementation of employment termination policies	NFIS/Information on employees/ Work environment /Work organization	GRI 3-3 GRI 2-25	19
Work organization	Employees with disabilities	NFIS/Information on employees/Professional development/Diversity, inclusion and different capacities	GRI 405-1	15-16
	Work schedule organization	NFIS/Information on employees/ Work environment /Work organization	GRI 3-3 GRI 2-25	19
	Number of hours of absenteeism	NFIS/Information on employees/ Work environment/Occupational safety and health	GRI 403-9	19-22
	Measures designed to facilitate access to mediation resources and encourage the responsible use of these by both parents	NFIS/Information on employees/ Work environment /Work organization	GRI 3-3 GRI 2-25	19

Health and safety	Work health and safety conditions	NFIS/Information on employees/ Work environment/Occupational safety and health	GRI 3-3 GRI 2-25 GRI 403-1 GRI 403-2 GRI 403-3 GRI 403-7 (2018)	19-22
	Work accidents, in particular their frequency and severity, disaggregated by gender	NFIS/Information on employees/ Work environment/Occupational safety and health For more information on the distribution of these indicators by gender, see: NFIS/Our stakeholders/Employees/Work environment/Occupational safety and health	GRI 403-9 (2018) with respect to labor accident injuries	19-22
	Occupational diseases, disaggregated by gender	NFIS/Information on employees/ Work environment/Occupational safety and health	GRI 403-10 (2018)with respect to recordable labor injuries	19-22
Social relationships	Organization of social dialog, including procedures to inform and consult staff and negotiate with them	NFIS/Information on employees/ Work environment/Freedom of association and representation	GRI 3-3 GRI 2-25	19
	Mechanisms and procedures that the company has to promote the involvement of workers in the management of the company, in terms of information, consultation and participation	NFIS/Information on employees/ Culture & Values NFIS/Information on employees/ Work environment/Freedom of association and representation	GRI 3 -3 GRI 2-25	13 19
	Percentage of employees covered by collective agreement by country	NFIS/Information on employees/ Work environment/Freedom of association and representation	GRI 2-30	19
	The balance of collective agreements, particularly in the field of health and safety at work	NFIS/Information on employees/ Work environment/Occupational safety and health	GRI 403-4 (2018)	19-22
Training	Policies implemented for training activities	NFIS/Information on employees/ Professional development/Training	GRI 3-3 GRI 2-25 GRI 404-2	14-15
	The total amount of training hours by professional category	NFIS/Information on employees/ Professional development/Training	GRI 404-1	14-15
Universal accessibility for people with disabilities	Integration and universal accessibility of people with disabilities	NFIS/Information on employees/Professional development/Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	15-16
Equality	Measures taken to promote equal treatment and opportunities between women and men	NFIS/Information on employees/Professional development/Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	15-16
	Equality plans (Section III of Organic Law 3/2007, of March 22, for effective equality of women and men)	NFIS/Information on employees/Professional development/Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	15-16
	Measures adopted to promote employment, protocols against sexual and sex-based harassment.	NFIS/Information on employees/Professional development/Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	15-16
	Policy against any type of discrimination and, where appropriate, diversity management	NFIS/Information on employees/Professional development/Diversity, inclusion and different capacities	GRI 3-3 GRI 2-25	15-16
Information about the respect for human rights				

Human rights	Application of due diligence procedures in the field of human rights; prevention of the risks of violation of human rights and, where appropriate, measures to mitigate, manage, and repair possible abuses committed	NFIS/Information on social matters/Commitment to human rights	GRI 2-23 GRI 2-26	32
	Claims regarding cases of human rights violations	BBVA has a whistleblowing channel that allows any interest group to report confidentially and anonymously if they wish, any behavior that is directly or indirectly linked to human rights. In the complaints received through this channel in 2022, there are no human rights violations attributable to Banco Bilbao Vizcaya Argentaria, S.A as of December 31, 2022.	GRI 3-3 GRI 2-25 GRI 406-1	32
	Promotion and compliance with the provisions contained in the related fundamental Conventions of the International Labor Organization with respect for freedom of association and the right to collective bargaining; the elimination of discrimination in employment and occupation; the elimination of forced or compulsory labor; and the effective abolition of child labor	NFIS/Information on employees/ Work environment/Freedom of association and representation	GRI 3-3 GRI 2-25 GRI 407-1	19, 32
		NFIS/Information on social matters/Commitment to human rights	GRI 408-1 GRI 409-1	
		BBVA has not identified work centers or suppliers likely to have significant risks in relation to forced labor or child exploitation.		
Information about anti-bribery and anti-corruption measures				
Corruption and bribery	Measures adopted to prevent corruption and bribery	NFIS/Information on social matters/Compliance	GRI 3-3 GRI 2-25 GRI 2-23 GRI 2-26 GRI 205-2 GRI 205-3	28-29
	Measures adopted to fight against antimoney laundering	NFIS/Information on social matters/Compliance	GRI 3-3 GRI 2-25 GRI 2-23 GRI 2-26 GRI 205-2 GRI 205-3	28-29
	Contributions to foundations and non-profit-making bodies	NFIS/Information on social matters/Contribution to society	GRI 2-28 GRI 201-1 with respect to community investment	26-27
Information about the society				

Commitment by the company to sustainable development	Impact of the company's activities on employment and local development	NFIS/Information on social matters/Contribution to society	GRI 3-3 GRI 2-25 GRI 203-2 with respect to significant indirect economic impacts GRI 204-1	26-27
	The impact of company activity on local populations and on the territory	NFIS/Information on social matters/Contribution to society	GRI 413-1 GRI 413-2	26-27
	The relationships maintained with representatives of the local communities and the modalities of dialog with these	NFIS/Information on social matters/Contribution to society	GRI 2-29 GRI 413-1	26-27
	Actions of association or sponsorship	NFIS/Information on social matters/Contribution to society	GRI 3-3 GRI 2-25 GRI 201-1 with respect to investments in the community	26-27
Subcontractors and suppliers	The inclusion of social, gender equality and environmental issues in the purchasing policy	NFIS/Information on suppliers	GRI 3-3 GRI 2-25	33-34
	Consideration of social and environmental responsibility in relations with suppliers and subcontractors	NFIS/Information on suppliers	GRI 2-6 GRI 308-1 GRI 414-1	33-34
	Supervision systems and audits, and their results	NFIS/Information on suppliers	GRI 2-6 GRI 308-1 GRI 308-2 GRI 414-2	33-34
Consumers	Customer health and safety measures	NFIS/Information on social matters/Customer security and protection	GRI 3-3 GRI 2-25 GRI 416-1	7-9
	Claims systems, complaints received and their resolution	NFIS/Information on social matters/Customer care	GRI 3-3 GRI 2-25 GRI 418-1	10-12
Tax information	Benefits obtained by country	NFIS/Information on social matters/Tax contribution	GRI 201-1 GRI 207-4 (2019) with respect to tax on corporate profit payed and tax on corporate profit	30-31
	Taxes on paid benefits	NFIS/Information on social matters/Tax contribution	GRI 201-1 GRI 207-4 (2019) with respect to corporate income tax paid and corporate income tax accrued on profit/loss.	30-31
	Public subsidies received	NFIS/Information on social matters/Tax contribution	GRI 201-4	31
Requirements of the Taxonomy regulation		NFIS/Additional information/Information related to article 8 of the European Taxonomy		49-50

Materiality analysis

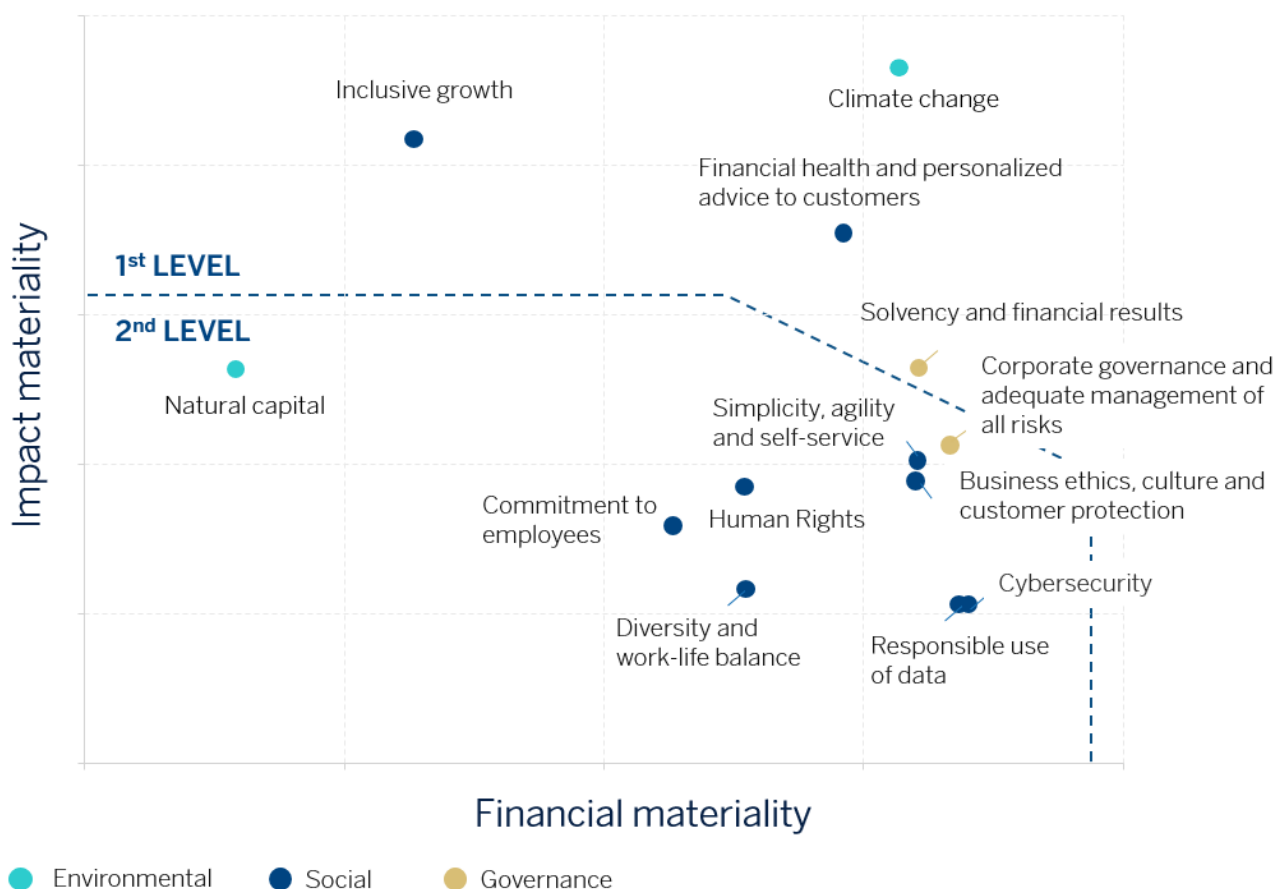
The materiality analysis has been carried out at the BBVA Group level, and therefore also applies to the Bank:

Materiality analysis: Identification of relevant aspects

BBVA periodically prepares a materiality analysis to identify those environmental, social and governance issues that are most relevant to the Group and its stakeholders. In 2022, this analysis has been carried out following the new GRI requirements (December 2021 version) and the proposal of the new European Corporate Sustainability Reporting Directive (CSRD), which has implied the incorporation of the double materiality approach, which analyzes, both, the impact that BBVA's activity has on the environment and its stakeholders (impact materiality) and the impact that the environment and its stakeholders have on BBVA's activity (financial materiality).

As a result of this analysis, the material issues for BBVA's stakeholders are the ones shown in the following matrix:

Materiality Analysis BBVA 2022



As a result of the double materiality analysis for the year 2022, the most outstanding material issues are:

- Climate change: Stakeholders have climate change among their main concerns and expect BBVA to contribute to an orderly transition towards a low-emissions economy. This requires proper risk and opportunity management.
- Inclusive growth: Stakeholders expect the bank's business model to support the financial inclusion of people in the countries in which it operates, entrepreneurs, and the development of inclusive infrastructures.
- Financial health and personalized advice to customers: Stakeholders expect the bank to get to know its customers and propose personalized solutions and recommendations to better manage their finances and achieve their life goals. All this in a proactive and increasingly automated way.
- Solvency and financial results: Stakeholders expect BBVA to be a bank with ample capital and liquidity, thus contributing to the stability of the system. In addition, they expect BBVA to generate good results over time. That is, they demand a sustainable business model in the current ecosystem.

It should be noted that, with respect to the materiality analysis published in 2021, a total of thirteen material issues remain, although the "COVID-19" issue has been disregarded and "Natural Capital" has been included.

These issues materialize in three of the six strategic priorities: "Helping customers in the transition towards a sustainable future", "Improving the financial health of customers" and "searching operational excellence", as well as in ambitious objectives in terms of efficiency, profitability, value creation for the shareholder, customer growth and sustainable business channelling for the coming years.

The scope of this analysis includes the main geographical areas in which BBVA operates (Spain, Mexico, Turkey, Argentina, Colombia and Peru) and short, medium and long-term time horizons have been taken into account. For more details on the sources and methodology used, as well as the objectives and degree of progress of these material issues for the BBVA Group and its stakeholders, see the section "Additional information on the materiality analysis" in the chapter "Additional information" of the BBVA Group Consolidated Management Report.

Information related to article 8 of the European Taxonomy

Article 8 of the Regulation (EU) 2020/852 of the European Parliament and of the Council, of June 18, 2020 (hereinafter, the Taxonomy Regulation), regarding the establishment of a framework to facilitate sustainable investments, establishes certain obligations of disclosure of non-financial information to companies subject to the Non-Financial Information Directive (hereinafter NFRD). Based on this, financial institutions must include in their Non-Financial Information Report certain information on their exposure to the economic activities included in the EU taxonomy by virtue of the aforementioned article 8.

At present, Delegated Act 2021/2139, which completes the Taxonomy Regulations, covers the objectives of climate change mitigation (known by the acronym CCM or Climate Change Mitigation) and adaptation to it (known by the acronym CCA or Climate Change Adaptation).

The rest of the environmental objectives foreseen by the Taxonomy, such as the protection of water and marine reserves, the transition to a circular economy, the prevention of pollution and the protection of the ecosystem, as well as other social objectives have not yet been developed. As the regulation develops, BBVA will publish the sustainability information as appropriate at all times. The main novelty during the year 2022 is that on July 15, the delegated act Regulation (EU) 2022/1214 was published in the Official Journal of the European Union, which modifies the taxonomy, including nuclear and gas energy as sustainable as long as they are complied with certain characteristics¹⁰. BBVA will include the specific breakdowns indicated in said delegated act at the end of the next financial year, as well as all the information on alignment on the Taxonomy that is required to be broken down in accordance with article 8.

Based on the above, the ratios as of December 31, 2022 and 2021 for the Bank in accordance with the provisions of Delegated Regulation 2121/2178 of July 6, 2021 and the clarifications of the European Commission are as follows¹¹:

RATIOS (BBVA, S.A., PERCENTAGE)		
	2022	2021
% exposure to economic activities included in the Taxonomy (Taxonomy eligible) ⁽¹⁾⁽²⁾	41.2	42.3
% exposure to economic activities not included in the Taxonomy (Taxonomy non eligible) ⁽¹⁾⁽²⁾	19.4	20.5
% exposure to central governments and central banks	25.2	23.9
% exposure of non accredited to NFRD. ⁽¹⁾⁽³⁾	24.0	22.7
% trading portfolio exposure	19.9	23.2
% sight inter-bank portfolio exposure	0.8	0.6
% derivatives exposure	7.9	6.5

⁽¹⁾ The financial assets analyzed correspond to the categories of financial instruments valued "At amortized cost", "Fair Value with Changes in Other Comprehensive Income (FVOCI)", "Fair Value with Changes in P&L" and "Non-negotiable at Fair Value with changes in results". These ratios represent the best estimates available to date.

⁽²⁾ Regarding the eligibility of an asset, the economic activities of the clients are classified as eligible according to the Delegated Regulations that complement Regulation (EU) 2020/852 of the European Parliament and of the Council. Economic activities covered by the Delegated Acts of Climate Change Mitigation and Climate Change Adaptation are considered eligible. EU regulation has not been developed for the other environmental goals, therefore eligibility does not cover a wide range of potentially sustainable economic activities and exposures. The modifications implemented by Commission Delegated Regulation (EU) 2022/1214 of March 9, 2022, by which nuclear energy and gas are included in the Taxonomy, were taken into account for the ratios as of December 31, 2022.

⁽³⁾ BBVA considers Not Subject to the NFRD those counterparties within the category of "Non-Financial Corporations" that are considered SMEs located in the EU for regulatory reporting purposes, as well as counterparties with registered offices outside the EU. Exposure to individuals includes self-employed workers, in which case the activity code (NACE) is reviewed to determine their eligibility. The rest of the exposure corresponding to the retail segment is considered eligible, for example, in the case of housing loans, regardless of their energy rating or efficiency.

The eligibility of economic activities according to the EU Sustainability Taxonomy is a broader concept than environmental sustainability. It should be noted that it is not an environmental performance indicator, but rather an indicator that shows economic activities that have the potential to be aligned with the Technical Selection Criteria of Delegated Act 2021/2139. That is, these activities are included in the Taxonomy, but it does not mean that they can be considered sustainable in all cases, since it has not been analyzed whether they strictly meet the technical criteria to be considered aligned.

In this way, those activities that are included in the aforementioned regulatory framework will be eligible, although they do not necessarily meet the technical criteria for their classification as sustainable, while the ineligible activities will be those that have been discarded or have not yet been included in the Taxonomy. The cement sector serves as an example, where it can be said that this economic activity is considered eligible because it can be sustainable, but not all cement companies produce efficiently as required by the Taxonomy.

¹⁰ These updated eligibility criteria have been taken into account to determine the ratios as of December 31, 2022. After having considered them for the 2021 financial year, no significant variations have been observed in the ratios for said financial year.

¹¹ Sustainable-finance-taxonomy-article-8-report-eligible-activities-assets-faq_en published on December 20, 2021 (update for the last time on October 2022)

The following have been considered when preparing the ratios: ratios number 3, percentage exposure to central governments and central banks, number 5, percentage exposure to the trading portfolio, and number 7, derivative exposure percentage, are calculated on the Group's total assets. The other ratios are calculated using the same methodology as in the definition provided by the European Commission for the Green Asset Ratio (hereinafter, the GAR), which enters into force on January 1, 2024. Thus the percentages are calculated on the total assets covered in the GAR, which are all the exposures on the balance sheet, except for the exposures to central governments, central banks and the trading portfolio.

Since 2022, to determine eligibility, BBVA Spain is using information from the adjusted Statistical Classification of Economic Activities in the European Community (adjusted NACE). This is information generated internally by GRM and used for internal risk management and represents the best internally available information. For the rest of the geographical areas, information has continued to be used on the economic activities of customers applying equivalent local standards in the geographies where the Group operates. These local classifications by activity have an equivalence to NACE. This information is also available in the computer systems and is used to assess the specific economic activities of customers, both in internal management (origination, risk assessment) and in the regulatory area (FINREP).

As of 2023, companies subject to the Non-Financial Information Directive (NFRD) will make public the information corresponding to the economic activities they carry out in relation to the Taxonomy. The BBVA Group will incorporate this information into its analysis of the economic activities that comply with the regulation (alignment), thereby allowing greater precision in the measurement of the economic activities that it finances based on the Taxonomy.

The information related to the alignment of the objectives, financed economic activities, description of the strategy, the products developed and marketed as well as the integration of ESG aspects in the relationship with customers are included in the chapters "Report on climate change and other issues environmental and social aspects" and "Integration of ESG aspects in customer relationships" within "Additional information" of this report. The information regarding the weight of the financing of economic activities aligned with the Taxonomy in the global activity of the BBVA Group is broken down in the chapter "Metrics and goals: Sustainable business channeling" of this report. The application of the European Taxonomy in the framework of the sustainable mobilization of the Group is described in the chapter "Additional information on the Group's sustainability standards and frameworks" of BBVA Group's Consolidated Management report.

Clarifications with respect to the Sustainable Finance Taxonomy ratios

The eligibility ratios mentioned above have been prepared following the regulatory definitions of the European Commission's Green Asset Ratio (GAR). However, the European Commission allows the option of supplementing the mandatory information with voluntary information and, along these lines, the EU's Platform for Sustainable Finance recommends that banks include the voluntary information they deem appropriate.

Currently the methodology of the EU Taxonomy does not allow financial institutions to include in the sustainability ratios any exposures to companies not subject to the NFRD. Therefore, companies domiciled in a third country outside the EU to which the Directive does not apply, and companies in the EU which are not subject to this obligation, such as the vast majority of SMEs, are excluded from the above ratios.

However, the European Commission has published on December 19, 2022 the Execution Regulation 2022/2453 on information to be disclosed in the framework of the "Report with Prudential Relevance-Pillar III" in ESG matters, where it is requested that, in addition to the information from GAR, entities may report another additional ratio known as BTAR (Banking Book Taxonomy Alignment Ratio) that includes exposure to non-NFRD counterparties. This ratio, although not mandatory, will enter into force in December 2024.

In this sense, taking into account that the BTAR ratio would cover the eligible exposures (according to the concept of eligibility described above) of countries outside the EU, and the recommendation of the European Commission on voluntary disclosures, the degree of eligibility of global exposures, as of December 31, 2022 and 2021 following the BTAR ratio calculation methodology is presented below.

ELIGIBILITY RATIOS ACCORDING TO BTAR METHODOLOGY				
	2022		2021	
	% exposure of eligible economic activities	% exposure of non-eligible economic activities	% exposure of eligible economic activities	% exposure of non-eligible economic activities
TOTAL ⁽¹⁾⁽²⁾⁽³⁾	50.1	34.5	50.5	35.1

⁽¹⁾ Public administrations, central governments and trading portfolio are excluded as they are not part of the Green Asset Ratio (GAR)

⁽²⁾ The main difference to the ratios calculated according to the Taxonomy methodology is that all exposures are included, both NFRD and Non-NFRD, in order to have a holistic view of the Group.

⁽³⁾ Those items excluded in the denominator or numerator of the GAR, such as interbank loans, derivatives, cash or other assets such as Goodwill, are not included in the components of the ratio.

Other non-financial risks

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

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

Organizational Chart

In 2022, the Group's organizational structure remains in line with the one approved by the BBVA Board of Directors at the end of 2018, a structure that meets the objective of continuing to promote the transformation and businesses of the Group, while advancing in the delimitation of executive functions.

The main aspects of the organizational structure are:

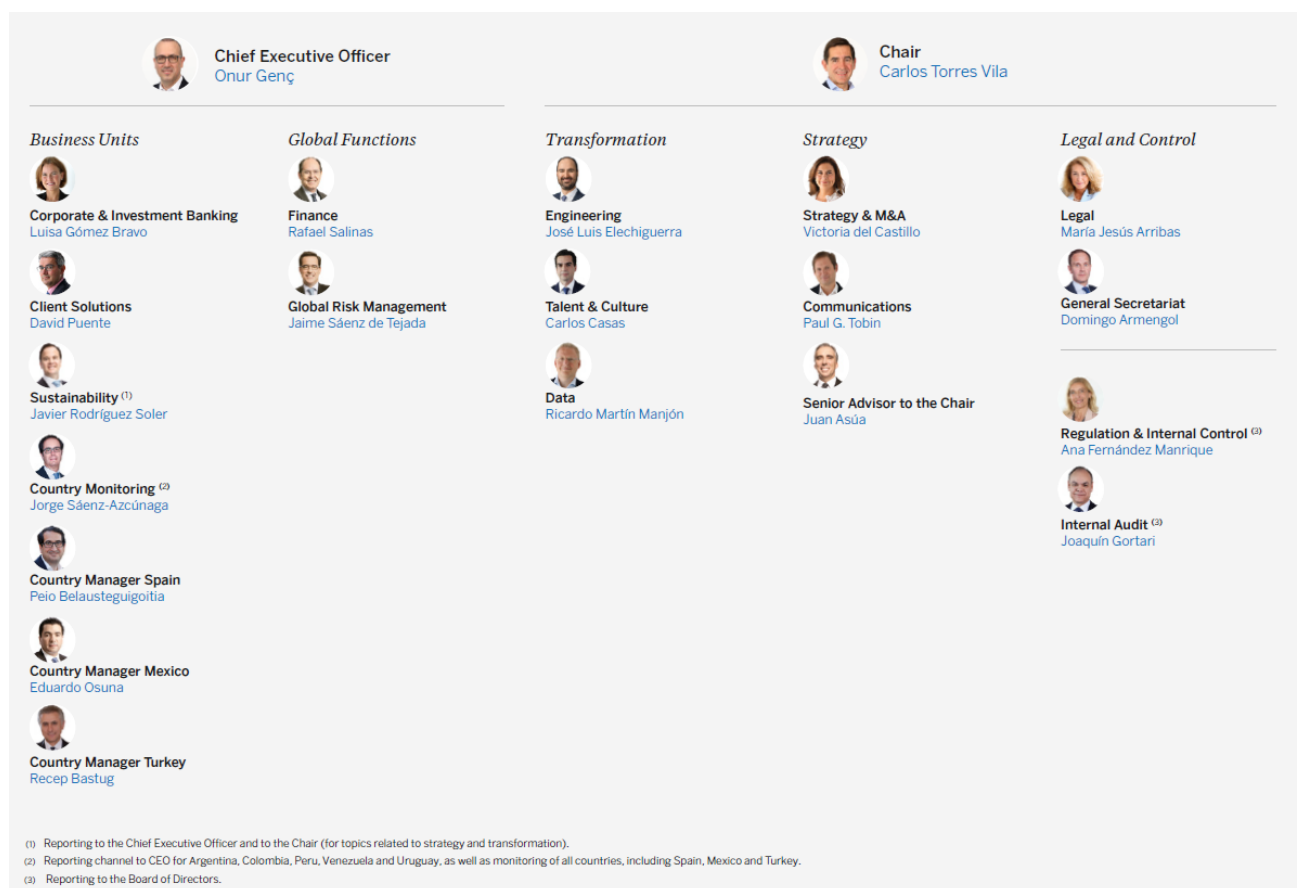
- The chief executive is responsible for the management and proper functioning of the Board of Directors, for the functions of management supervision, for the institutional representation of the entity, as well as for the leadership and promotion of the group's strategy and its transformation process.

The areas that report to the chief executive are those related to the key levers of transformation: Engineering, Talent & Culture and Data; those related to strategy: Strategy & M&A, Communications and the figure of the Senior Advisor to the Chair; and those related to the legal field and the Council: Legal and General Secretary.

- The Chief Executive Officer is responsible for the day-to-day management of the Group's businesses, reporting directly to the Board of Directors on his duties.

The areas that report to the Chief Executive Officer are the business units in the different countries, Corporate & Investment Banking, Client Solutions and Sustainability, as well as the following global functions: Finance, which integrates accounting and tax functions, and Global Risk Management.

- Lastly, certain areas of control have a direct report of those responsible to the Board of Directors through the corresponding committees. These control areas are Internal Audit and Regulation & Internal Control, the area in charge of the relationship with supervisors and regulators, the monitoring and analysis of regulatory trends and the development of the Group's regulatory agenda, and the management of derived risks of regulatory compliance issues.



3. Financial information

3.1 Balance sheet, business activity and earnings

The financial information included in this Management report has been prepared from the individual accounting and management records of Banco Bilbao Vizcaya Argentaria, S.A. and with the criteria established by the Bank of Spain Circular 4/2017, on Public and Confidential Financial Reporting Rules and Formats for Financial Statements, and its subsequent amendments.

The key figures in the Bank's balance sheet and income statement related to its main activity are as follows:

On the one hand, as of December 31, 2022, the Bank's total assets increased compared to December 2021 to €458,888m from €442,279m, mainly due to an increase "Cash, cash balances at central banks and other demand deposits" (€52,973m as of December 31, 2022 vs. €38,821m as of the same date of the prior year) and "Financial assets at amortized cost" which showed an increase from €231,276m as of December 31, 2021 to €246,950m as of December 31, 2022. The increases in these headings were partially offset by the lower balances of "Financial assets held for trading" (€91,391m at the end of 2022 compared to €105,391m as of the same date of the prior year) and "Financial assets at fair value through other comprehensive income" (€24,854m at the end of 2022 compared to €28,205m at December 31, 2021).

On the other hand, as of December 31, 2022, Total Liabilities recorded increases, especially in the headings "Financial liabilities held for trading" (€80,853m as of December 31, 2022 against €77,859m as of December 31, 2021) and "Financial liabilities at amortized cost", amounting to €335,941m at the end of 2022 against €321,848m at the same date last year.

In 2022, the Bank obtained a profit for the year of €4,816m, well above the €1,080m of the previous year and the result of the following factors:

- Net interest income rose during the year, from €3,428m at December 31, 2021 to €3,821m at December 31, 2022, mainly due to an improvement in the customer spread in an environment of increasing interest rates and activity growth.
- Gross margin in 2022 stood at €9,503m, compared to €7,470m obtained in 2021, thanks mainly to an increase in dividends received from subsidiaries and a favorable evolution of net commissions.
- Compared to the previous year, and despite an environment marked by inflationary pressure, administrative expenses remained stable (€-3,755m in fiscal year 2022 against €-3,693m in fiscal year 2021), mainly due to lower personnel expenses, as a result of the restructuring process carried out in 2021.
- The impairment of financial assets remained in line with the previous year while the heading "Impairment or reversal of impairment of investments in subsidiaries, joint ventures or associates" compares very positively with the year 2021, due to a reversal in the deterioration of Garanti BBVA.

3.2 Capital and solvency

Capital and treasury stock

Information about common stock and transactions with treasury stock is detailed in Notes 23 and 26 of the accompanying Financial Statements.

Share buyback program

On October 26, 2021, BBVA obtained the pertinent authorization from the ECB to buy back up to 10% of its share capital for a maximum of €3,500m, in one or several tranches and over the course of a 12-month period (the "Authorization").

Upon receiving the Authorization and making use of the delegation conferred by the BBVA Annual General Meeting held on March 16, 2018, at its meeting of October 28, 2021, BBVA Board of Directors resolved to carry out a share buyback program scheme in compliance with Regulation (EU) no. 596/2014 of the European Parliament and the Council of April 16, 2014 on market abuse and Delegate Regulation (EU) no. 2016/1052 of the Commission, of March 8, 2016, executed in various tranches up to a maximum of €3,500m, with the aim of reducing BBVA's share capital (the "Program Scheme"), notwithstanding the possibility of terminating or cancelling the Program Scheme at an earlier date where advisable due to the concurrence of a series of specific circumstances, as well as to carry out a first share buyback program within the scope of the Program Scheme (the "First Tranche") for the purpose of reducing BBVA's share capital, which was notified by means of Inside Information on October 29, 2021.

On November 19, 2021, BBVA notified by means of Inside Information that the First Tranche would be executed externally, starting on November 22, 2021, through J.P. Morgan AG as lead manager, for a maximum amount of €1,500m, for the purchase of a maximum of 637,770,016 shares representing, approximately, 9.6% of BBVA's share capital. By means of Other Relevant Information filing dated March 3, 2022, BBVA announced the completion of the execution of the First Tranche upon reaching the maximum monetary amount of €1,500m, having acquired 281,218,710 own shares representing, approximately, 4.22% of BBVA's share capital as of that date. On June 15, 2022, BBVA notified the partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Tranche and which were held in treasury shares (see Note 3 of these financial statements).

On February 3, 2022, BBVA notified by means of Inside Information that its Board of Directors had agreed, within the scope of the Program Scheme, to carry out a second buyback program for the repurchase of own shares (the "Second Tranche") aimed at reducing BBVA's share capital, for a maximum amount of €2,000m and a maximum number of shares to be acquired equal to the result of subtracting from 637,770,016 own shares (9.6% of BBVA's share capital at that date) the number of own shares finally acquired in execution of the First Tranche.

As a continuation of the previous communication, on March 16, 2022 BBVA informed by means of Inside Information that it had agreed to execute the Second Tranche: i) through the execution of a first segment for an amount of up to €1,000m, and with a maximum number of shares to be acquired of 356,551,306 shares (the "First Segment"), externally through Goldman Sachs International as lead manager, who would execute the purchase transactions through the broker Kepler Cheuvreux, S.A.; and (ii) once execution of the First Segment had been completed, through the execution of a second segment that would complete the Framework Program (the "Second Segment").

By means of Other Relevant Information dated May 16, 2022, BBVA announced the completion of the execution of the First Segment upon reaching the maximum monetary amount of €1,000m, having acquired 206,554,498 shares representing, approximately, 3.1% of BBVA's share capital as of said date.

On June 28, 2022, BBVA communicated through Inside Information the agreement to complete the Program Scheme by executing the Second Segment, for a maximum amount of €1,000m and a maximum number of own shares to be acquired of 149,996,808. The execution of the Second Segment took place through Citigroup Global Markets Europe AG as lead manager, as BBVA informed through Inside Information on June 29, 2022. By means of Other Relevant Information dated August 19, 2022, BBVA announced the completion of the execution of the Second Segment upon reaching the maximum number of shares (149,996,808) representing, approximately, 2.3% of BBVA's share capital as of said date (which amounted to approximately €660m). On September 30, 2022, BBVA notified through Other Relevant Information an additional partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the share buyback program scheme and which were held in treasury shares (see Note 3 of these financial statements).

Amendment of Shareholder Remuneration Policy

BBVA's Board of Directors announced, on November 18, 2021, the amendment of the Group's shareholder remuneration policy (announced on February 1, 2017 by means of Relevant Information number 247679), establishing as a policy to distribute annually between 40% and 50% of the consolidated ordinary profit for each year (excluding amounts and items of an extraordinary nature included in the consolidated income statement), compared to the previous policy that established a distribution between 35% and 40%.

This policy is implemented through the distribution of an interim dividend for the year (which is expected to be paid in October of each year) and a final dividend or final distribution (which is expected to be paid at the end of the year and once the application of the result is approved, foreseeably in April of each year), with the possibility of combining cash distributions with share buybacks (the execution of the share buyback program scheme described below is considered as extraordinary shareholder remuneration and is therefore not included in the scope of the policy), all subject to the corresponding authorizations and approvals applicable at any given time.

Capital ratios

BBVA's solvency and capital ratios required by the regulation in force in 2022 are outlined in Note 28 of the accompanying Financial Statements.

4. Risk management

The Bank's general risk management and control model is integrated into the BBVA Group's general model.

4.1 General risk management and control model

The BBVA Group has a general risk management and control model (hereinafter, the "Model") that is appropriate for its business model, its organization, the countries where it operates and its corporate governance system. This model allows the Group to carry out its activity within the management and risk control strategy and policy defined by the corporate bodies of BBVA (considering sustainability specifically) and to adapt itself to a changing economic and regulatory environment, facing this management at a global level and aligned to the circumstances at all times.

The Model, for which the Group's Chief Risk Officer (CRO) is responsible and that must be updated or reviewed at least annually, is fully applied in the Group and it comprises the following basic elements:

- Governance and organization
- Risk Appetite Framework
- Assessment, monitoring and reporting
- Infrastructure.

The Group promotes the development of a risk culture that ensures a consistent application of the Model in the Group, and that guarantees that the risks function is understood and internalized at all levels of the organization.

Governance & Organization

The risk governance model in the BBVA Group is characterized by a special involvement of its corporate bodies, both in setting the risk strategy and in monitoring and supervising its implementation on an ongoing basis.

Thus, and as explained below, the corporate bodies are responsible for approving the risk strategy and the general policies for the different types of risks. Global Risk Management (hereinafter, GRM) and Regulation & Internal Control (including, among other areas, Non-Financial Risks) are the functions responsible for its implementation and development, with the appropriate reporting to corporate bodies.

Responsibility for day-to-day management of risks falls on business and corporate areas, the activities of which adhere to the general policies, regulation, infrastructures and controls that, based on the framework set by corporate bodies, are defined by GRM and Regulation & Internal Control in their corresponding areas of responsibility.

To carry out this work adequately, the financial risks function in the BBVA Group has been set up as a single, global function and independent from commercial areas.

The head of the financial risks function at an executive level, is the Group's Chief Risk Officer, who is appointed by the Board of Directors as a member of its senior management, and reports directly on the development of the corresponding functions to the corporate bodies. The Chief Risk Officer, for the best fulfilment of the functions, is supported by a structure consisting of cross-cutting risk units in the corporate area and specific risk units in the Group's geographical and/or business areas.

In addition, and with regard to non-financial risks and internal control, the Group has a Regulation & Internal Control area independent from the rest of units and whose head (Head of Regulation & Internal Control) is also appointed by the Board of Directors of BBVA and reports directly to corporate bodies on the performance of its functions. This area is responsible for proposing and implementing non-financial risks policies and the Internal Control Model of the Group, and it is composed by, among other, the Non-Financial Risks, Regulatory Compliance and Risk Internal Control units.

The Risk Internal Control unit, within the Regulation & Internal Control area and, therefore, independent from the financial risks function (GRM), acts as a control unit for the activities carried out by GRM. In this regard, and without prejudice to the functions performed in this regard by the Internal Audit area, Risk Internal Control checks that the regulatory framework, the models and processes and established measures are sufficient and appropriate for each type of financial risk. It also monitors its implementation and operation, and confirms that those decisions taken by GRM are taken independently from the business lines and, in particular, that there's an adequate segregation of functions between units.

Governance and organizational structure are basic pillars for ensuring an effective risk management and control. This section summarizes the roles and responsibilities of the corporate bodies in the risks area, of the Group's Chief Risk Officer and, in general, of the risks function, its interrelation and the parent-subsidiary relationship model in this area and the group of committees, in addition to the Risk Internal Control unit.

Corporate Bodies of BBVA

According to the corporate governance system of BBVA, the Board of Directors of the Bank has certain reserved competencies, concerning management, through the implementation of the corresponding most relevant decisions, and concerning supervision and control, through the monitoring and supervision of implemented decisions and management of the Bank.

In addition, to ensure adequate performance of the management and supervision functions of the Board of Directors, the corporate governance system contemplates the support activity carried out by the Risk and Compliance Committee (CRC), as well as by other committees that assist the Board. for reasons of speciality of the matter, in accordance with the functions established in its own regulations.

With regard to risks, the Board of Directors' competencies are those relating to establishing the policy for controlling and managing risk and the oversight and control of its implementation.

In carrying out these functions, the Board relies on the Risk and Compliance Committee, which monitors the evolution of all the Group's financial and non-financial risks, with a global and transversal vision, and their degree of adequacy with the defined strategies and policies and the Group's Risk Appetite Framework. Added to this are the functions regarding specific non-financial risks that, due to their speciality, the Board has assigned to other committees, such as: (i) non-financial risks of an accounting, tax and reporting nature, by the Audit Commission; (ii) technological and cybersecurity risks, by the Technology and Cybersecurity Commission; and (iii) reputational and business risks, by the Permanent Delegate Committee, which thus complement the overall supervision of the Group's set of financial and non-financial risks carried out by the Risk and Compliance Committee, for which purpose It coordinates between the different Board committees through different reports, in addition to the cross composition of the Board committees.

The involvement of the corporate bodies of BBVA in the control and management of the risks of the Group is detailed below:

Board of Directors

The Board of Directors is responsible for establishing the risk strategy of the Group and, in this role, it determines the control and risk management policy, through the following documents:

- The Risk Appetite Framework of the Group, which includes in the one hand the risk appetite statement of the Group, that is, the general principles governing the risk strategy of the Group and its target profile; and, on the other hand, and based on the above mentioned risk appetite statement, a set of quantitative metrics (core metrics, and their corresponding statements, and by type of risk metrics), reflecting the risk profile of the Group;
- the framework of management policies of the different types of risk to which the Bank is or could be exposed, which contain the basic lines for managing and controlling risks in a uniform way across the Group and consistently with the Model and Risk Appetite Framework;
- and the General risk management and control model described above.

All of the above in coordination with the rest of prospective-strategic decisions of the Bank, which includes the Strategic Plan, the Annual Budget, the Capital Plan and the Liquidity & Funding Plan, in addition to the rest of management objectives, whose approval is a responsibility of the Board of Directors.

In addition to defining the risk strategy, the Board of Directors (in the performance of its risks monitoring, management and control tasks) also monitors the evolution of the risks of the Group and of each main geographical and/or business area, ensuring compliance with the Risk Appetite Framework of the Group; and also supervising the internal information and control systems.

For the development of all these functions, the Board of Directors is supported by the CRC and the CDP, which are responsible for the functions detailed below.

Risk and Compliance Committee

The CRC is, according to its own charter, composed of non-executive directors and its main purpose is to assist the Board of Directors on the establishment and monitoring of the risk control and management policy of the Group.

For this purpose, it assists the Board of Directors in a variety of risk control and monitoring areas, in addition to its analysis functions, based on the strategic pillars established at all times by both the Board of Directors and the CDP, the proposals on the strategy, control and risk management of the Group, which are particularly specified in the Risk Appetite Framework and in the "Model". After the analysis, the Risk Appetite Framework and Model proposal is submitted to the Board of Directors for consideration and, where appropriate, approval purposes.

In addition, the CRC proposes, in a manner consistent with the Risk Appetite Framework of the Group approved by the Board of Directors, the control and management policies of the different risks of the Group, and supervises the information and internal control systems.

With regard to the monitoring of the evolution of the risks of the Group and their degree of compliance with the Risk Appetite Framework and defined general policies, and without prejudice to the monitoring task carried out by the Board of Directors and the CDP, the CRC carries out monitoring and control tasks with greater frequency and receives information with a sufficient granularity to achieve an adequate performance of its duties.

The CRC also analyzes all measures planned to mitigate the impact of all identified risks, should they materialize, which must be implemented by the CDP or the Board of Directors, as the case may be. The CRC also monitors the procedures, tools and measurement indicators of those risks established at a Group level in order to have a comprehensive view of the risks of BBVA and its Group, and monitors compliance with the regulation and supervisory requirements in terms of risks.

The CRC is also responsible for analyzing those project-related risks that are considered strategic for the Group or corporate transactions that are going to be submitted to the Board of Directors of the CDP, within its scope of competence.

In addition, it contributes to the setting of the remuneration policy, checking that it is compatible with an appropriate and effective management of risks and that it does not provide incentives to take risks breaching the level tolerated by the Bank.

Lastly, the CRC ensures the promotion of the risk culture in the Group.

In 2022, the CRC has held 22 meetings.

Executive Committee

In order to have a comprehensive and complete vision of the progress of the Group's business and its business units, the CDP monitors the evolution of the risk profile and the core metrics defined by the Board of Directors, being aware of any potential deviation or breach of the metrics of the Risk Appetite Framework and implementing, when applicable, the appropriate measures, as explained in the Model.

In addition, the CDP is responsible for proposing the basis for developing the Risk Appetite Framework, which will be established in coordination with the rest of prospective/strategic decisions of the Bank and the rest of management objectives.

Lastly, the CDP is the committee supporting the Board of Directors in decisions related to business risk and reputational risk, according to the dispositions set out in its own charter.

In addition, to ensure adequate performance of the management and supervision functions of the Board of Directors, the corporate governance system contemplates the existence of different committees, which assist the Board of Directors in matters that are within its competence, in accordance with the specific regulations of each committee, having established a coordinated work scheme between these corporate bodies.

In terms of risks, the Board of Directors has reserved the powers related to the determination of the risk management and control policy and the supervision and control of its implementation.

BBVA has an internal control model that is structured into three differentiated levels ("lines of defense"), which constitute the organizational structure of the Group's internal control model, whose objective is the integral management of the risk life cycle; all this, in accordance with the best practices developed both in the "Enterprise Risk Management - Integrated Framework" of COSO (Committee of Sponsoring Organizations of the Treadway Commission) and in the "Framework for Internal Control Systems in Banking Organizations" prepared by the Bank Basel International Settlements (BIS):

- First line of defence: made up of the business, transformation and support areas that report to the Chairman and the CEO, who are in charge of managing operational risks (including process efficiency) in the daily operations of the Bank.
- Second line of defence: made up of the different units that make up the Regulation and Internal Control Area (with the exception of the Relations with Supervisors and Regulation units), whose functions include (i) designing and maintaining the the Group's Operational Risk management model, and to assess the degree of application in the scope of the different Areas; and (ii) define the General Framework for Mitigation, Control and Monitoring in its area of expertise and compare it with that implemented by the first line. Additionally, the Responsible Business Unit is in charge of reputational risk management, in coordination with the Group's internal control model in those cases in which it derives from operational events.
- Third line of defence: performed by the Internal Audit Area, which: (i) carries out an independent review of the control model, verifying compliance and the effectiveness of the established general policies; and (ii) provides independent information on the control environment to the Corporate Assurance Committees.

The Board, with the support of its Committees, supervises the effectiveness of the internal control model through periodic reports from those responsible for the different lines of defence. In particular, the heads of the Internal Regulation and Control and Internal Audit areas report at least quarterly to the Board of Directors on the most relevant issues of their control activity; and, in addition, they report monthly to the Risk and Compliance Committee and the Audit Committee, respectively, and with a greater level of detail, on the operation of the internal control model and on the independent reviews carried out of the different Bank processes. All of this is based on the annual plans for each of these functions, which are approved by the respective Board Committees and where the review of processes related to climate change risk and other sustainability issues is expressly incorporated.

Parent-subsidiary risk relationship model

In accordance with the provisions of the BBVA Group's General Corporate Governance Policy, for integrated management and supervision in the Group, the Group has a common management and control framework, consisting of basic guidelines (including strategic-prospective decisions) and General Policies, established by BBVA's corporate bodies for the Group.

For the purpose of transferring the risk strategy and its management and control model to the different subsidiaries of the BBVA Group and their corresponding specific risk units, a parent-subsidiary relationship model has been designed within the scope of risk management and control in the BBVA Group.

This relationship model implies a minimum catalog of decisions that must be adopted by the corporate bodies of the subsidiaries in terms of risks in order to provide them with an adequate governance model coordinated with the parent company. It will be the responsibility of the head of the Risk function (GRM) of each subsidiary to formulate the proposals that proceed to the corresponding corporate body for its consideration and, where appropriate, approval, according to the scope of functions that apply.

The approval of these decisions by the corporate bodies of the subsidiaries obliges the risk units of the geographical areas to carry out a risk monitoring and control plan before their corporate bodies.

Notwithstanding the foregoing, it is considered necessary that certain decisions regarding risks reserved for the consideration of the corresponding corporate bodies of the subsidiary for their approval, are also subject to the approval of the corporate bodies of BBVA, in accordance with what is established regulations at all times.

In the specific case of BBVA, S.A., what is described in this document regarding the coordination of the local risk management function with the risk function of the parent company BBVA, S.A. is applicable (as in any subsidiary of the Group). And with regard to the decisions that the corporate bodies of the subsidiaries must adopt, in this case it is the responsibility of the head of the Risk function of BBVA, S.A. (GRM) formulate the proposals that proceed to the corresponding corporate body for its consideration and, where appropriate, approval, according to the scope of functions that apply.

Chief Risk Officer of the Group

The Group's Chief Risk Officer (CRO) is responsible for the management of all the financial risks of the Group with the necessary independence, authority, rank, experience, knowledge and resources. The CRO is appointed by the Board of Directors of BBVA and has direct access to its corporate bodies (Board of Directors, CDP and CRC), with the corresponding regular reporting on the risk situation in the Group.

The GRM area has a responsibility as the unit transversal to all the businesses of the BBVA Group. This responsibility is part of the structure of the BBVA Group, which is formed by subsidiaries based in different jurisdictions, which have autonomy and must comply with their local regulations, but always according to the risk management and control scheme designed by BBVA as the parent company of the BBVA Group.

The Chief Risk Officer of the BBVA Group is responsible for ensuring that the risks of BBVA Group, within the scope of its functions, are managed according to the established model, assuming, among other, the following responsibilities:

- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the risk strategy of the BBVA Group, which includes the Risk Appetite statement of the BBVA Group, core (and their respective statements) and by type of risk metrics, and the Model.
- Ensure the necessary coordination to define and prepare the proposals for the Appetite Framework of the Group companies, and make sure they are applied correctly.
- Define, in coordination with the rest of areas responsible for risks monitoring and control, and propose to corporate bodies the general policies for each type of risk within its scope of responsibility and, as part these, to establish the required specific regulation.
- Prepare, in coordination with the rest of areas responsible for risks monitoring and control, and propose for approval, or approving if within its competence, the risk limits for the geographical areas, business areas and/or legal entities, which shall be consistent with the defined Risk Appetite Framework; it is also responsible for the monitoring, supervision and control of risk limits within its scope of responsibility.
- Submit to the Risk and Compliance Committee the information required to carry out its supervisory and control functions.
- Regular reporting to the corresponding corporate bodies on the situation of those risks of the BBVA Group within its scope of responsibility.
- Identify and assess the material risks faced by the BBVA Group within its scope of responsibility, with an effective management of those risks and, where necessary, with the implementation of the required mitigation measures.
- Early warning to the relevant corporate bodies and the Chief Executive Officer of any material risk within its scope of responsibility that could compromise the solvency of the BBVA Group.
- Ensure, within its scope of responsibility, the integrity of measurement techniques and management information systems and, in general, the provision of models, tools, systems, structures and resources to implement the risk strategy defined by the corporate bodies.
- Promote the risk culture of the BBVA Group to ensure the consistency of the Model in the different countries where it operates, strengthening the cross-cutting model of the risks function.

For decision-making, the Group's Chief Risk Officer has a governance structure for the role that culminates in a support forum, the Global Risk Management Committee (GRMC), which is established as the main executive-level committee on the risks within its remit. Its purpose is to develop the strategies, policies, regulations and infrastructures needed to identify, assess, measure and manage the material risks within its remit that the Group faces in its business activity. This committee is composed by the Chief Risk Officer, who chairs the meetings, and the heads of the Corporate Area of the disciplines of GRM, the "Risk Strategy, Development & BEX", "Strategy and Development", "South America and Turkey", and "Risk Internal Control"; and by the heads of GRM in the three most important geographical units and in CIB. The purpose of the GRMC is to propose and challenge, among other issues, the internal regulatory framework of GRM and the infrastructures required to identify, assess, measure and manage the risks faced by the Group in carrying out its businesses and to approve risk limits.

The GRMC carries out its functions assisted by various support committees which include:

- Global Credit Risk Management Committee: It is responsible for analyzing and decision-making related to wholesale credit risk admission.
- Wholesale Credit Risk Management Committee: It is responsible for analyzing and making decisions related to wholesale credit risk admission in specific customer segments of BBVA Group, as well as being informed of the relevant decisions adopted by members of the committee within their scope of decision-making at corporate level.

- **Work Out Committee:** Its purpose is to analyze and make decisions regarding the admission of wholesale credit risks of customers classified in Watch List, doubtful risk or write-offs in accordance with the criteria established in the Group, as well as to be informed of the decisions adopted by the person in charge of the Work Out process in its area of responsibility; it will also include the approval of proposals on entries, exits and modifications in Watch List, entries and exits in doubtful, unlikely to pay and pass to write-offs; as well as the approval of other proposals that must be seen in this Committee according to the established thresholds and criteria.
- **Global Portfolio Management Committee:** The executive authority responsible for managing the limits by asset class for credit risk, equities and real estate not for own use, structural risks, insurance and pension risk and asset management; and by business area and at group level established in the risk limits planning exercise, which aims to achieve an optimal combination and composition of portfolios under the restrictions imposed by the Risk Appetite Framework, which allows maximizing the risk-adjusted return on regulatory and economic capital when appropriate. Additionally, it takes into account the concentration and asset quality objectives of the portfolio, as well as the prospects and strategic needs of the BBVA Group.
- **Risk Models Management Committee:** It ensures an appropriate decision-making process regarding the planning, development, implementation, use, validation and monitoring of the models required to achieve an appropriate management of the Model Risk in the BBVA Group.
- **Global Market and Counterparty Risk Committee:** its purpose is to formalize, supervise and communicate the trading risk monitoring in all Global Markets business units, as well as coordinating and approving the key decisions of the Market and Counterparty Risk activity. It is also responsible for the analysis and decision making (opinion on the risk profile of the proposal, the mitigants and the risk-return ratio) with respect to the most relevant transactions in the different geographies in which Global Markets is present.
- **Retail Credit Risk Committee:** it ensures for the analysis, discussion and decision support on all issues regarding the retail credit risk management that impact or potentially do in the practices, processes and corporate metrics established in the General Policies, Rules and Operating Frameworks.

Also:

- **GRM Continuity Committee:** this committee operates under the provisions of the Corporate Continuity Committee for the different Areas. Its purpose is to analyze and make decisions about exceptional crisis situations, with the aim of managing continuity and the restoration of critical GRM processes, minimizing the impact of its operations through the Continuity Plan, which covers crisis management and Recovery Plans.
- **The Corporate Committee for Admission of Operational Risk and Product Governance (CCAROpGP)** aims to ensure the adequate evaluation of initiatives with significant operational risk (new business, product, outsourcing, process transformation, new systems, etc.) from the perspective of operational risk and approval of the proposed control environment.

Risk units of the corporate area and the business/geographical areas

The risks function is comprised of risk units from the corporate area, which carry out cross-cutting functions, and of risk units of the geographical/business areas.

- The risk units of the corporate area develop and submit to the Group's Chief Risk Officer the different elements required to define the proposal for the Group's Risk Appetite Framework, the general policies, the regulation and global infrastructures within the operating framework approved by corporate bodies; they ensure their application and report directly or through the Group's Chief Risk Officer to the corporate bodies of BBVA. With regard to non-financial risks and reputational risk, which are entrusted to the Regulation & Internal Control and Communications areas respectively, the corporate units of GRM will coordinate, with the corresponding corporate units of those areas, the development of the elements that should be integrated into the Appetite Framework of the Group.
- The risk units of the business and/or geographical areas develop and submit to the Chief Risk Officer of the geographical and/or business areas the Risk Appetite Framework proposal applicable in each geographical and/or business area, independently and always according to the Group's Risk Appetite Framework. In addition, they ensure the application of general policies and the rest of the internal regulations, with the necessary adaptations, when applicable, to local requirements, providing the appropriate infrastructures for risk management and control purposes, within the global risk infrastructure framework defined by the corporate areas, and reporting to the corresponding corporate bodies and senior management, as applicable. With regard to Non-financial risks, which are integrated in the Regulation & Internal Control area, the local risk units will coordinate, with the unit responsible for those risks, the development of the elements that should be integrated into the local Risk Appetite Framework.

Thus, the local risk units work with the risk units of the corporate area with the aim of adapting themselves to the risk strategy at Group level and pooling all the information required to monitor the evolution of their risks.

As previously mentioned, the risks function has a decision-making process supported by a structure of committees, and also a top-level committee, the GRMC, whose composition and functions are described in the section "Chief Risk Officer of the Group."

Each geographical and/or business area has its own risk management committee(s), with objectives and contents similar to those of the corporate area. These committees perform their duties consistently and in line with general risk policies and corporate rules, and its decisions are reflected in the corresponding minutes.

Under this organizational scheme, the risks function ensures the integration and application throughout the Group of the risk strategy, the regulatory framework, the infrastructures and standardized risk controls. It also benefits from the knowledge and proximity to customers in each geographical and/or business area, and conveys the corporate risk culture to the Group's different levels. Moreover, this organization enables the risks function to conduct and report to the corporate bodies an integrated monitoring and control of the risks of the entire Group.

Chief Risk Officers of geographical and/or business areas

The risks function is cross-cutting, i.e. it is present in all of the Group's geographical and/or business areas through specific risk units. Each of these units is headed by a Chief Risk Officer for the geographical and/or business area who, within the relevant scope of responsibility, carries out risk management and control functions and is responsible for applying the Model, the general policies and corporate rules approved at Group level in a consistent manner, adapting them if necessary to local requirements and with the subsequent reporting to local corporate bodies.

The Chief Risk Officers of the geographical and/or business areas have functional reporting to the Group's Chief Risk Officer and hierarchical reporting to the head of their geographical and/or business area. This dual reporting system aims to ensure the independence of the local risks function from the operational functions and enable its alignment with the Group's general policies and goals related to risks.

Risk Internal Control

The Group has a specific Risk Internal Control unit, within the Regulation & Internal Control area, that, among other tasks, independently challenges and control the regulation and governance structure in terms of financial risks and its implementation and deployment in GRM, in addition to the challenge of the development and implementation of financial risks control and management processes. It is also responsible for the validation of risk models.

For this purpose, it has 3 subunits: RIC-Processes, Risks Technical Secretariat and Risk Internal Validation.

- RIC-Processes. It is responsible for challenging an appropriate development of the functions of GRM units, and for reviewing that the functioning of financial risk management and control processes is appropriate and in line with the corresponding regulation, identifying potential opportunities for improvement and contributing to the design of the action plans to be implemented by the responsible units. In addition, it is the Risk Control Specialist (RCS) in the Group's Internal Control Model and, therefore, establishes the general mitigation and control frameworks for its risk area and contrasts them with those actually implemented.
- Risks Technical Secretariat. It is responsible for the definition, design and management of the principles, policies, criteria and processes through which the regulatory risk framework is developed, processed, reported and disclosed to the countries; and for the coordination, monitoring and assessment of its consistency and completeness. In addition, it coordinates the definition and structure of the most relevant GRM Committees, and monitors their proper functioning, in order to ensure that all risk decisions are taken through an adequate governance and structure, ensuring their traceability. It also provides to the CRC the technical support required in terms of financial risks for a better performance of its functions.
- Risk Internal Validation. It is responsible for validating the risks models. In this regard, it effectively challenges the relevant models used to manage and control the risks faced by the Group, as an independent third party from those developing or using the models in order to ensure its accuracy, robustness and stability. This review process is not restricted to the approval process, or to the introduction of changes in the models; it is a plan to make a regular assessment of those models, with the subsequent issue of recommendations and actions to mitigate identified weaknesses.

The Head of Risk Internal Control of the Group is responsible for the function and reports about his activities and work plans to the Head of Regulation & Internal Control and to the CRC, with the corresponding support in the issues required, and, in particular, challenging that GRM's reports submitted to the Committee are aligned with the criteria established at the time.

In addition, the risk internal control function is global and transversal, it includes all types of financial risks and has specific units in all geographical and/or business areas, with functional reporting to the Head of Risk Internal Control of the Group.

The Risk Internal Control function must ensure compliance with the general risks strategy defined by the Board of Directors, with adequate proportionality and continuity. In order to comply with the control activity within its scope. Risk Internal Control is member of GRM's top-level committees (sometimes even assuming the Secretariat role), independently verifying the decisions that may be taken and, specifically, the decisions related to the definition and application of internal GRM regulation.

Furthermore, the control activity is developed within a homogeneous methodological framework at a Group level, covering the entire life cycle of financial risk management and carried out under a critical and analytical approach.

The Risk Internal Control team reports the results of its control function to the corresponding heads and teams, promoting the implementation of corrective measures and submitting these assessments and the resolution commitments in a transparent manner to the established levels.

Lastly, and notwithstanding the control responsibility that GRM teams have in the first instance, Risk Internal Control teams promote a control culture in GRM, conveying the importance of having robust processes.

Risk appetite framework

Elements and development

The Group's Risk Appetite Framework approved by the corporate bodies determines the risks and the risk level that the Group is willing to assume to achieve its business objectives considering the organic evolution of business. These are expressed in terms of solvency, liquidity and funding, and profitability, as well as recurrence of revenue, which are reviewed not only periodically but also if there are any substantial changes in the business strategy or relevant corporate transactions.

The Risk Appetite Framework is expressed through the following elements:

- Risk appetite statement: sets out the general principles of the Group's risk strategy and the target risk profile:

"The BBVA Group develops a multichannel and responsible universal banking business model, based on values, committed to sustainable development and centred on our customers' needs, focusing on operational excellence and the preservation of adequate security and business continuity.

BBVA intends to achieve these goals while maintaining a moderate risk profile, so the risk model established aims at ensuring a robust financial position, facilitating its commitment with sustainability and obtaining a sound risk- adjusted profitability throughout the cycle, as the best way to face adverse environments without jeopardizing its strategies.

BBVA Group's risk management is based on prudent management, and a comprehensive and prospective vision of all risks, to allow us to adapt to the disruptive risks inherent in the banking business. It includes the climate factor, a diversification of portfolios by geographies, asset classes and customer segments, prevention of money laundering and terrorist financing, and the maintenance of a long-term relationship with customers, supporting them in the transition to a sustainable future, to promote profitable growth and recurring generation of value."
- Statements and core metrics: Statements are established, based on the risk appetite statement, specifying the general principles of risk management in terms of solvency, liquidity and funding, profitability and income recurrence. Moreover, the core metrics reflect, in quantitative terms, the principles and the target risk profile set out in the Risk Appetite statement. Each core metric has three thresholds ranging from usual management of the businesses to higher levels of impairment:
 - Management benchmark: a benchmark that determines a comfortable management level for the Group.
 - Maximum appetite: the maximum level of risk that the Group is willing to accept in its ordinary activity.
 - Maximum capacity: the maximum risk level that the Group could assume, which for some metrics is associated with regulatory requirements.
- Metrics by type of risk: based on the core metrics and their thresholds, a number of metrics are determined for each type of risk, whose observance enables compliance with the core metrics and the Group's Risk Appetite statement. These metrics have a maximum risk appetite threshold.

In addition to this Framework, statements are established that include the general principles for each risk type, as well as a level of management limits that is defined and managed by the areas responsible for the management of each type of risk in order to ensure that the early management of risks complies with the established Risk Appetite Framework.

Each significant geographical area (that is, those representing more than 1% of the assets or operating income of the BBVA Group) has its own Risk Appetite framework, consisting of its local Risk Appetite statement, core statements and metrics, and metrics by type of risk, which must be consistent with those set at the Group level, but adapted to their own reality. These are approved by the corresponding corporate bodies of each entity. This Appetite Framework is supplemented by statements for each risk type and has a limit structure in line and consistent with the above.

The corporate risks area works with the various geographical and/or business areas to define their Risk Appetite Framework, so that it is coordinated with, and integrated into, the Group's Risk Appetite Framework, making sure that its profile is in line with the one defined. Moreover, and for the purposes of monitoring at local level, the Chief Risks Officer of the geographical and/or business area regularly reports on the evolution of the metrics of the Local Risk Appetite Framework to the corporate bodies, as well as to the relevant top-level local committees, following a scheme similar to that of the Group, in accordance with its own corporate governance systems.

Within the issuing process of the Risk Appetite Framework, Risk Internal Control carries out, within the scope of the GRM area the effective challenge of the Framework proposal prior to its escalation to corporate bodies, which is also documented, and it is extended to the approval of the management limits under which it is developed, also supervising its adequate approval and extension to the different entities of the Group. Likewise, in each significant geographical area, the local Risk Internal Control unit, working in the Risk Management Committee (hereinafter, RMC), carries out an effective challenge of the local Risk Appetite Framework prior to its escalation to local corporate bodies, which is also documented, and extended to the local approval process of the management limits.

Monitoring of the Risk Appetite Framework and management of breaches

So that corporate bodies can develop the risk functions of the Group, the heads of risks at an executive level will regularly report (more frequently in the case of the CRC, within its scope of responsibility) on the evolution of the metrics of the Risk Appetite Framework of the Group, with the sufficient granularity and detail, in order to check the degree of compliance of the risks strategy set out in the Risk Appetite Framework of the Group approved by the Board of Directors.

If, through the monitoring of the metrics and supervision of the Risk Appetite Framework by the executive areas, a relevant deviation or breach of the maximum appetite levels of the metrics is identified, that situation must be reported and, where applicable, the corresponding corrective measures must be submitted to the CRC.

After the relevant review by the CRC, the deviation must be reported to the CDP (as part of its role in the monitoring of the evolution of the risk profile of the Group) and to the Board of Directors, which will be responsible, when applicable, for implementing the corresponding executive measures, including the modification of any metric of the Risk Appetite Framework. For this purpose, the CRC will submit to the corresponding corporate bodies all the information received and the proposals prepared by the executive areas, together with its own analysis.

Notwithstanding the foregoing, once the information has been analyzed and the proposal of corrective measures has been reviewed by the CRC, the CDP may adopt, on grounds of urgency and under the terms established by law, measures corresponding the Board of Directors, but always reporting those measures to the Board of Directors in the first meeting held after the implementation for ratification purposes.

In any case, an appropriate monitoring process will be established (with a greater information frequency and granularity, if required) regarding the evolution of the breached or deviated metric, and the implementation of the corrective measures, until it has been completely redressed, with the corresponding reporting to corporate bodies, in accordance with its risks monitoring, supervision and control functions.

Integration of the Risk Appetite Framework into the management

The transfer of the Risk Appetite Framework to ordinary management is underpinned by three basic elements:

1. The existence of a standardized set of regulations: the corporate risks area defines and proposes the general policies within its scope of action, and develops the additional internal regulation required for the development of those policies and the operating frameworks on the basis of which risk decisions must be adopted within the Group. The approval of the general policies for all types of risks is a responsibility of the corporate bodies of BBVA, while the rest of regulation is defined at an executive level according to the framework of competences applicable at any given time. The Risks units of the geographical and/or business areas comply with this regulation and performing, where necessary, the relevant adaptation to local requirements, in order to have a decision-making process that is appropriate at local level and aligned with the Group's policies.
2. Risk planning, which ensures the integration into the management of the Risk Appetite Framework through a cascade process established to set limits adjusted to the target risk profile. The Risks units of the corporate area and of the geographical and/or business areas are responsible for ensuring the alignment of this process with the Group's Risk Appetite Framework in terms of solvency, liquidity and funding, profitability, and recurrence of earnings.
3. A comprehensive management of risks during their life cycle, based on differentiated treatment according to their type.

Assessment, monitoring and reporting

Assessment, monitoring and reporting is a cross-cutting function at Group level. This function ensures that the model has a dynamic and proactive vision to enable compliance with the Risk Appetite Framework approved by the Board of Directors, even in adverse scenarios.

This process is integrated in the activity of the Risk units, both of the corporate area and in the geographical and/or business units, together with the units specialized in non-financial risks and reputational risk within the Regulation & Internal Control and Communications business areas respectively, in order to generate a comprehensive and single view of the risk profile of the Group.

This process is developed through the following phases:

1. Monitoring of the identified risk factors that can compromise the performance of the Group or of the geographical and/or business areas in relation to the defined risk thresholds.
2. Assessment of the impact of the materialization of the risk factors on the metrics that define the Risk Appetite Framework based on different scenarios, including stress testing scenarios (EU-wide stress testing).
3. Response to unwanted situations and proposals for redressing measures to the corresponding levels, in order to enable a dynamic management of the situation, even before it takes place.
4. Monitoring the Group's risk profile and the identified risk factors, through internal, competitor and market indicators, among others, to anticipate their future development.
5. Reporting: complete and reliable information on the evolution of risks to corporate bodies and senior management, in accordance with the principles of accuracy, exhaustiveness, clarity and utility, frequency, and adequate distribution and confidentiality. The principle of transparency governs all the risk information reporting process.

Infrastructure

For the implementation of the Model, the Group has the resources required for an effective management and supervision of risks and for achieving its goals. In this regard, the Group's risks function:

1. Has the appropriate human resources in terms of number, ability, knowledge and experience. The profile of resources will evolve over time based on the specific needs of the GRM and Regulation & Internal Control areas, always with a high analytical and quantitative capacity as the main feature in the profile of those resources. Likewise, the corresponding units of the geographical and/or business areas have sufficient means from the resources, structures and tools perspective in order to achieve a risk management process aligned with the corporate model.
2. Develops the appropriate methodologies and models for the measurement and management of the different risk profiles, and the assessment of the capital required to take those risks.
3. Has the technological systems required to: support the Risk Appetite Framework in its broadest definition; calculate and measure the variables and specific data of the risk function; support risk management according to this Model; and provide an environment for storing and using the data required for risk management purposes and reporting to supervisory bodies.
4. Promotes adequate data governance, in accordance with the principles of governance, infrastructure, precision and integrity, completeness, promptness and adaptability, following the quality standards of the internal regulations referring to this matter.

Within the risk functions, both the profiles and the infrastructure and data shall have a global and consistent approach.

The human resources among the countries must be equivalent, within proportionality, ensuring a consistent operation of the risk function within the Group. However, they will be distinguished from those of the corporate area, as the latter will be more focused on the conceptualization of appetite frameworks, operating frameworks, the definition of the regulatory framework and the development of models, among other tasks.

As in the case of the human resources, technological platforms must be global, thus enabling the implementation of the Risk Appetite Framework and the standardized management of the risk life cycle in all countries.

The corporate area is responsible for deciding on the platforms and for defining the knowledge and roles of the human resources. It is also responsible for defining risk data governance.

The foregoing is reported to the corporate bodies of BBVA so they can ensure that the Group has the appropriate means, systems, structures and resources.

4.2 Risks associated with climate change

The information on the management of risks associated with climate change required by Law 7/2021, of May 20, on climate change and energy transition, is described in the chapter "Report on climate change and other environmental and social issues" of this report.

4.3 Operational risk

BBVA defines operational risk ("OR") as any risk that could result in losses caused by human error; inadequate or flawed internal processes; undue conduct with respect to customers, markets or the institution; antimoney laundering and financing of terrorist activities; failures, interruptions or flaws in systems or communications; theft, loss or wrong use of information, as well as deterioration of its quality, internal or external fraud, including in any case those derived from cyberattacks; theft or harm to assets or persons; legal risks; risks derived from staff management and labor health; and defective service provided by suppliers; as well as damages from extreme climate events, pandemics and other natural disasters.

Operational risk management is oriented towards the identification of the root causes to avoid their occurrence and mitigate possible consequences. This is carried out through the establishment of control framework and monitoring and the development of mitigation plans aimed at minimizing resulting economic and reputational losses and their impact on the recurrent generation of results, and contributing to increase the quality, safety and availability of the provided service. Operational risk management is integrated into the global risk management structure of the BBVA Group.

This section addresses general aspects of operational risk management as the main component of non-financial risks. However, sections devoted to conduct and compliance risk and to cybersecurity risk management are also included in the non-financial information report.

Operational risk management principles

The BBVA Group is committed to preferably applying advanced operational risk management models, regardless of the capital calculation regulatory model applicable at the time. Operational risk management at the BBVA Group shall:

- Be aligned with the Risk Appetite Framework ratified by the BBVA Board of Directors.
- Address BBVA's management needs in terms of compliance with legislation, regulations and industry standards, as well as the decisions or positioning of BBVA's corporate bodies.

- Anticipate the potential operational risk to which the Group may be exposed as a result of the creation or modification of products, activities, processes or systems, as well as decisions regarding the outsourcing or hiring of services, and establish mechanisms to assess and mitigate risk to a reasonable extent prior to implementation, as well as review the same on a regular basis.
- Establish methodologies and procedures to enable regular reassessment of the significant operational risk to which the Group is exposed, in order to adopt appropriate mitigation measures in each case, once the identified risk and the cost of mitigation (cost/benefit analysis) have been considered, while safeguarding the Group's solvency at all times.
- Promote the implementation of mechanisms that support careful monitoring of all sources of operational risk and the effectiveness of mitigation and control environments, fostering proactive risk management.
- Examine the causes of any operational events suffered by the Group and establish means to prevent the same, provided that the cost/benefit analysis so recommends. To this end, there are procedures in place to evaluate operational events and mechanisms that allow recording the operational losses that may be caused by the same.
- Evaluate key public events that have generated operational risk losses at other institutions in the financial sector and support, where appropriate, the implementation of measures as required to prevent them from occurring at the Group.
- Identify, analyze and attempt to quantify events with a low probability of occurrence and a high impact, which by their exceptional nature may not be included in the loss database; or if they are, feature with impacts that are not very representative for the purpose of valuing possible mitigation measures.
- Have an effective system of governance in place, where the functions and responsibilities of the corporate areas and bodies involved in operational risk management are clearly defined.
- Operational risk management must be performed in coordination with management of other risk, taking into consideration credit or market events that may have an operational origin.

Operational risk control and management model

The operational risk management cycle at BBVA is similar to the one implemented for the rest of risks. Its elements are:

Operational risk management parameters

Operational risk forms part of the risk appetite framework of the Group and includes three types of metrics and limits:

- Economic capital calculated with the operational losses database of the Group, considering the corresponding diversification effects and the additional estimation of potential and emerging risks through stress scenarios designed for the main types of risks. The economic capital is regularly calculated for the main banks of the Group and simulation capabilities are available to anticipate the impact of changes on the risk profile or new potential events.
- ORI metrics (Operational Risk Indicator: operational risk losses vs. gross income) broken down by geography.
- Indicators by risk type: a more granular common scheme of metrics (indicators and limits) covering the main types of operational risk is being implemented throughout the Group. These metrics make it possible to intensify the anticipatory management of risk and objectify the appetite to different sources. These indicators are regularly reviewed and adjusted to fix the main risks in force at any time.

Operational risk admission

The main purposes of the operational risk admission phase are the following:

- To anticipate potential operational risk to which the Group may be exposed due to the release of new, or modification of businesses, products, activities, processes or systems or in relations with third parties (e.g. outsourcing).
- To ensure that implementation and the roll out of initiatives is only performed once appropriate mitigation measures have been taken in each case, including external assurance of risks where deemed appropriate.

The Corporate Non-Financial Risk Management Policy sets out the specific operational risk admission framework through different Operational Risk Admission and Product Governance Committees, both at a corporate and Business Area level, that follow a delegation structure based on the risk level of proposed initiatives.



Operational risk monitoring

The purpose of this phase is to check that the target operational risk profile of the Group is within the authorized limits. Operational risk monitoring considers 2 scopes:

- Monitoring the operational risk admission process, oriented towards checking that accepted risks levels are within the limits and that defined controls are effective.
- Monitoring the operational risk "stock" mainly associated with processes. This is done by carrying out a periodic re-evaluation in order to generate and maintain an updated map of the relevant operational risks in each Area, and evaluate the adequacy of the monitoring and mitigation environment for said risks. This promotes the implementation of action plans to redirect the weaknesses detected.

This process is supported by a corporate Governance, Risk & Compliance tool that monitors the operational risk at a local level and its aggregation at a corporate level.

In addition, and in line with the best practices and recommendations provided by the Bank for International Settlements (hereinafter, BIS), BBVA has procedures to collect the operational losses occurred both in the different entities of the Group and in other financial groups, with the appropriate level of detail to carry out an effective analysis that provides useful information for management purposes and to contrast the consistency of the Group's operational risks map. To that end, a corporate tool of the Group is used.

The Group ensures continuous monitoring by each Area of the due functioning and effectiveness of the control environment, taking into consideration management indicators established for the Area, any events and losses that have occurred, as well as the results of actions taken by the second line of defense, the internal audit unit, supervisors or external auditors.

Operational risk mitigation

The Group promotes the proactive mitigation of the non-financial risks to which it is exposed and which are identified in the monitoring activities.

In order to rollout common monitoring and anticipated mitigation practices throughout the Group, several cross-sectional plans are being promoted related to focuses from events, lived by the Group or by the industry, self-assessments and recommendations from auditors and supervisors in different geographies, thereby analyzing the best practices at these levels and fostering comprehensive action plans to strengthen and standardize the control environment.

Insurance of Operational Risk

Assurance is one of the possible options for managing the operational risk to which the Group is exposed, and mainly has two potential purposes:

- Coverage of extreme situations linked to recurrent events that are difficult to mitigate or can only be partially mitigated by other means.
- Coverage of non-recurrent events that could have significant financial impact, if they occurred.

The Group has a general framework that regulates this area, and allows systematizing risk assurance decisions, aligning insurance coverage with the risks to which the Group is exposed and reinforcing governance in the decision-making process of arranging insurance policies.

Operational Risk Control Model

BBVA Group's operational risk governance model is based on two components:

- Three-line defense control model, in line with industry best practices, and which guarantees compliance with the most advanced operational risk internal control standards.
- Scheme of Corporate Assurance Committees and Internal Control and Operational Risk Committees at the level of the different business and support areas.

Corporate Assurance establishes a structure of committees, both at local and corporate level, to provide senior management with a comprehensive and homogeneous vision of the main non-financial risks and significant situations of the control environment.



Each geographical area has a Corporate Assurance Committee chaired by the Country Manager and whose main functions are:

- Facilitate agile and anticipatory decision-making for the mitigation or assumption of the main risks.
- Monitoring the changes in the non-financial risks and their alignment with the defined strategies and policies and the risk appetite.
- Analyzing and assessing controls and measures established to mitigate the impact of the risks identified, should they materialize.
- Making decisions about the proposals for risk taking that are conveyed by the working groups or that arise in the Committee itself
- Promoting transparency by promoting the proactive participation of the three lines of defense in discharging their responsibilities and the rest of the organization in this area

At the holding level there is a Global Corporate Assurance Committee, chaired by the Group's Chief Executive Officer. Its main functions are similar to those already described but applicable to the most important issues that are escalated from the geographies and the holding company areas.

The business and support areas have an Internal Control and Operational Risk Committee, whose purpose is to ensure the due implementation of the operational risk management model within its scope of action and drive active management of such risk, taking mitigation decisions when control weaknesses are identified and monitoring the same.

Additionally, the Non-Financial Risk unit periodically reports the status of the management of non-financial risks in the Group to the Board's Risk and Compliance Committee.

4.4 Reputational risk

Reputational risk assessment of the activity in progress

Since 2016, BBVA disposes of a reputational risk assessment methodology. Through this methodology, the Bank defines and reviews regularly a map in which it prioritizes the reputational risks which have to be faced and the set of action plans to mitigate them. The prioritization is done based on two variables: the impact on the perception of the stakeholders and the strength of BBVA facing the risk.

This exercise is performed annually in all countries where the Group has bank entities. As a result of the assessment carried out in 2021, in 2022, 29 mitigation action plans were identified. The 17 plans identified in 2021 as a result of the evaluation of the 2021 financial year have already been concluded.

Reputational risk in new initiatives

The Reputation teams collaborate, together with the rest of the members of BBVA's second defense line, in the different Committees of Admission of the Operational Risk, both at Group and the different geographical areas level. Those Committees perform the initial identification of potential reputational risks and mitigation controls are proposed.

Reporting of the Reputational risk

The results of the annual assessment of the Reputational Risk are reported in each geographical area at the appropriate governance level. At Group level, these results are reported to the Global Corporate Assurance Committee and, since 2020, to the Board's Executive Committee.

4.5 Risk factors

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

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

Risks are identified and measured consistently using the methodologies deemed appropriate in each case. Their measurement includes the design and application of scenario analyzes and stress testing and considers the controls to which the risks are subjected.

As part of this process, a forward projection of the Risk Appetite Framework (RAF) variables in stress scenarios is conducted in order to identify possible deviations from the established thresholds. If any such deviations are detected, appropriate measures are taken to keep the variables within the target risk profile.

In this context, there are a number of emerging risks that could affect the evolution of the Bank's business. These risks are included in the following blocks:

Macroeconomic and geopolitical risks

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey. Additionally, the Group is exposed to sovereign debt, especially in these areas. Furthermore, the Group has recently increased its shareholding stake in Türkiye Garanti Bankası A.Ş. (Garanti BBVA) in an additional 36.12% (reaching 85.97%) as a result of the voluntary takeover bid for the shares of Garanti BBVA not already owned by BBVA announced in November 2021.

In addition to the significant macroeconomic problems triggered by the COVID-19 pandemic, the global economy is currently facing a number of extraordinary challenges. Russia's invasion of Ukraine, the largest military attack on a European state since World War II, has led to significant disruption, instability and volatility in global markets, as well as higher inflation (including by contributing to further increases in the prices of oil, gas and other commodities and further disrupting supply chains) and lower economic growth. The European Union, the United States and other governments have imposed significant sanctions and export controls against Russia and Russian interests and additional sanctions and controls cannot be ruled out.

The conflict has represented a significant supply shock for the global economy, which has hampered economic growth and added to the inflationary pressures, mainly in European countries, due to their relatively significant economic ties with Ukraine and Russia. The economic effects are being felt mainly through the higher commodity prices, mainly of energy commodities, despite their moderation over the last few months in 2022. While the Group's direct exposure to Ukraine and Russia is limited, the war could adversely affect the Group's business, financial condition and results of operations. Geopolitical and economic risks have also increased lately as a result of trade tensions between the United States and China, Brexit and the rise of populism, among others. Growing tensions may lead, among others things, to a deglobalization of the world economy, an increase in protectionism, a general reduction of international trade in goods and services and a reduction in the integration of financial markets, any of which could materially and adversely affect the Group's business, financial condition and results of operations.

Moreover, the world economy could be vulnerable to other factors such as the aggressive interest rate hikes by central banks due to growing and widespread inflationary pressures, which could cause a significant growth slowdown - and, even, a sharp economic recession - as well as financial crises. The central banks of many developed and emerging economies have significantly augmented policy rates over the last year and the process of tightening monetary conditions is likely to continue going forward in many economies. The United States Federal Reserve (FED) and the European Central Bank have raised policy interest rates respectively by 425 and 250 basis points throughout 2022 and further adjustments are expected to be announced in the coming months (such as the rise in the Fed's 0.25 basis points and the ECB's 0.5 basis points, announced on February 1 and February 2, 2023, respectively), taking them up to around 5.0% in the first case and 3.75% in the case of the interest rates for refinancing operations in the Eurozone. The Group's results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing to the rise in funding costs. Further, increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of its counterparties.

Another risk is a sharp slowdown in the global GDP growth caused by a deceleration in the Chinese economy, due to the disruptions generated by the coronavirus infections following the flexibilization of the COVID-19 policies or other factors, such as the imbalances on real estate markets.

The Group bears, among others, the following general risks with respect to the economic and institutional environment in which it operates: a deterioration in economic activity in the countries in which it operates, including recession scenarios; more persistent inflationary pressures, which could trigger a more severe tightening of monetary conditions; stagflation due to more intense or prolonged supply crises; changes in exchange rates; an unfavorable evolution of the real estate market; very high oil and gas prices could have a negative impact on disposable income levels in areas that are net energy importers, such as Spain or Turkey, to which the Group is particularly exposed; changes in the institutional environment of the countries in which the Group operates could give rise to sudden and sharp drops in GDP and/or changes in regulatory or government policy, including in terms of exchange controls and restrictions on the distribution of dividends or the imposition of new taxes or charges; a growth in the public debt or in the external deficit could lead to a downward revision of the credit ratings of the sovereign debt and even a possible default or restructuring of said debt; and episodes of volatility in the markets, which could cause the Group significant losses.

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

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

In May 2022, the Group increased its shareholding stake in Garanti BBVA (Turkey) from 49.85% to 85.97% following the completion of a voluntary takeover bid (see Note 3).

Turkey has, from time to time, experienced volatile political, economic and social conditions. As of the date of the approval of these Consolidated Financial Statements, Turkey is facing an economic crisis characterized by strong depreciation of the Turkish lira, high inflation (the Turkish Statistical Institute, TUIK, established the inflation rate at 64.3% for the twelve months ended December 31, 2022; see Note 2.2.19 for information on the impact of the application of IAS 29), a soaring trade deficit, depletion of the central bank's foreign reserves and rising external financing costs. Continuing unfavorable economic conditions in Turkey, such as the elevated inflation and devaluation of the Turkish lira, may result in a potential deterioration in the purchasing power and creditworthiness of our clients (both individual and corporate).

Additionally, certain ongoing geopolitical and domestic political factors, referred to in this section, as well as continuing regional conflicts (such as in Syria, Armenia/Azerbaijan), may pose further strain on the country's economy.

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

Risks associated with pandemics such as the COVID-19

The COVID-19 (coronavirus) pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates. Among other challenges, these countries have had to deal with supply disruptions and increasing inflationary pressures, while public debt has increased significantly due to the support and spending measures implemented by the government authorities. Furthermore, there has been an increase in loan losses from both companies and individuals, which has been slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures. With the outbreak of COVID-19, the Group experienced a decline in its activity. For example, the granting of new loans to individuals decreased during lockdowns. In addition, in several countries, including Spain, the Group closed a significant number of its branches and reduced the opening hours of working with the public, with central services teams having to work remotely. Furthermore, the Group has been affected by the measures or recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the modification of prudential requirements, the temporary suspension of dividend payments, changes to the terms of payment deferrals and the granting of guarantees or public guarantees for credit granted to companies and self-employed persons, the adoption of further similar measures or the modification or termination of those already approved, as well as changes in the financial assets purchase programs by the ECB.

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

Further, pandemics such as the COVID-19 pandemic may exacerbate other risks disclosed in this section, including but not limited to risks associated with the credit quality of the Group's borrowers and counterparties or collateral, any withdrawal of ECB funding, the Group's exposure to sovereign debt and rating downgrades, the Group's ability to comply with its regulatory requirements, including MREL (Minimum Requirement for Own Funds and Eligible Liabilities) and other capital requirements, and the deterioration of economic conditions or changes in the institutional environment.

Regulatory and reputational risks

Financial institutions are exposed to a complex and ever-changing regulatory environment defined by governments and regulators. Regulatory activity in recent years has affected multiple areas, including changes in accounting standards; strict regulation of capital, liquidity and remuneration; bank charges (such as the new tax for banks recently approved in Spain, see Note 19.6) and taxes on financial transactions; regulations affecting mortgages, banking products and consumers and users; recovery and resolution measures; stress tests; prevention of money laundering and terrorist financing; market abuse; conduct in the financial markets; anti-corruption; and requirements as to the periodic publication of information. Governments, regulatory authorities and other institutions continually make proposals to strengthen the resistance of financial institutions to future crises. Further, there is an increasing focus on the climate-related financial risk management capabilities of banks. Any change in the Group's business that is necessary to comply with any particular regulations at any given time, especially in Spain, Mexico or Turkey, could lead to a considerable loss of income, limit the Group's ability to identify business opportunities, affect the valuation of its assets, force the Group to increase its prices and, therefore, reduce the demand for its products, impose additional costs on the Group or otherwise adversely affect its business, financial condition and results of operations.

The financial sector is under ever closer scrutiny by regulators, governments and society itself. In the course of activities, situations which might cause relevant reputational damage to the Group could arise and might affect the regular course of business.

Business, operational and legal risks

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

Technological risks and security breaches: The Group is exposed to new threats such as cyber-attacks, theft of internal and customer databases, fraud in payment systems, etc. that require major investments in security from both the technological and human point of view. The Group gives great importance to the active operational and technological risk management and control. Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorized disclosure, destruction or use of confidential information, as well as prevent the normal operation of the Group and impair its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a significant adverse impact on the Group's business, financial condition and results of operations.

Regarding legal risks, the financial sector faces an environment of increasing regulatory and litigious pressure, and thus, the various Group entities are frequently party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. The Group is also party to government procedures and investigations, such as those carried out by the antitrust authorities in certain countries which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others. In addition, the regulatory framework in the jurisdictions in which the Group operates is evolving towards a supervisory approach more focused on the opening of sanctioning proceedings while some regulators are focusing their attention on consumer protection and behavioral risk.

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

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

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

As of December 31, 2022, the Group had €685 million in provisions for the proceedings it is facing (included in the line "Provisions for taxes and other legal contingencies" in the consolidated balance sheet) (see Note 24), of which €524 million correspond to legal contingencies and €161 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

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

Climate change risks

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

- Transition Risks: Risks linked to the transition to a low-carbon economy as a response to climate change, and that come from changes in legislation, the market, consumers, etc., to mitigate and address the requirements derived from climate change. Transition risks include:
 - a. Legal and regulatory risks: Legislative or regulatory changes related to the way banks manage climate risk or that otherwise affect banking practices or the disclosure of climate-related information may lead to increased costs and compliance risks, operational and credit. Group customers and counterparties may also face similar challenges.
 - b. Technological risks: Among others, those risks derived from the transition costs to low-emission technologies or from non-adaptation to them, which could eventually reduce the credit capacity of the Group's customers.
 - c. Market risks: BBVA is exposed to risks of a considerable increase in the cost of financing for customers with greater exposure to climate change risk, in such a way that their solvency or credit rating is affected. BBVA is also exposed to risks derived from changes in demand, changes in supply or the cost of energy, among others.
 - d. Reputational risks: The perception of climate change as a risk by society, shareholders, customers, governments and other interested parties continues to increase, encompassing the operations and strategy of the financial sector. This may lead to increased scrutiny of activities, policies, objectives and the way in which aspects related to climate change are disclosed. The Group's reputation may be damaged if its efforts to reduce environmental and social risks are deemed insufficient.
- Physical risks: Risks that come from climate change and can be caused by greater frequency and severity of extreme weather events or long-term weather changes, and that can lead to physical damage to the assets of the Group or its customers, the interruption of their operations, disruptions in the supply chain or increased expenses necessary to deal with them, thus impacting the value of assets or the solvency of customers.

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

Subsequent events

On February 1, 2023, it was announced that a cash distribution for the amount of €0.31 gross per share in April as a final dividend for the year 2022 and the execution of a share buyback program of BBVA for an amount of €422 million were planned to propose to the corresponding corporate bodies for consideration, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before the inception of its execution (see Note 3 of these financial statements).

In relation to the recent earthquake in Turkey, at these early stages, the Group is working on the definition of some emergency measures to help alleviate the effects of the humanitarian crisis caused by this catastrophe.

The necessary internal protocols have been applied to monitor the situation and begin to assess the direct and future impacts for the Group that may arise from it. The direct exposure of the Group in the affected areas is not significant and, up to the date of approval of this financial statements and management report, no relevant impacts on the future continuity of the Group's operations and business in Turkey have been identified. However, it is not possible at this time to carry out a precise evaluation of the future impacts that may derive from this situation. Such impacts, if applicable, will be recorded in the Bank's financial statements at a later time.

From January 1, 2023 to the date of preparation of these financial statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Bank's earnings or its equity position.

Annual Corporate Governance Report

In accordance with the provisions established by Article 540 of the Spanish Corporate Act, the Board of Directors of BBVA, on the occasion of the preparation of the financial statements for 2022, approved the Annual Corporate Governance Report for that year (which is an integral part of the Management Report) in accordance with the contents set down in Order ECC/461/2013, dated March 20, and in Circular 5/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 3/2021, dated September 28, of CNMV. The Annual Corporate Governance Report is incorporated by reference in the Management Report and is published in CNMV's website (www.cnmv.es) and in the Company's corporate website (www.bbva.com).

Annual Report on Directors' Remuneration

In accordance with the provisions established by Article 541 of the Spanish Corporate Act, the Board of Directors of BBVA, on the proposal of the Remuneration Committee, and on the occasion of the preparation of the financial statements for 2022, approved the Annual Report on the Remuneration of BBVA Directors for that year (which is an integral part of the Management Report) in accordance with the contents set down in Order ECC/461/2013, dated March 20, and in Circular 4/2013, dated June 12, of Comisión Nacional del Mercado de Valores (CNMV), in the wording provided by Circular 3/2021, dated September 28, of CNMV. The Annual Report on the Remuneration of BBVA Directors is incorporated by reference in the Management Report and is published in CNMV's website (www.cnmv.com) and in the Company's corporate website (www.bbva.com).

Independent Assurance Report on the Non-Financial Information
Statement for the year ended December 31, 2022

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

INDEPENDENT ASSURANCE REPORT ON THE NON-FINANCIAL INFORMATION STATEMENT

(Free translation from the original in Spanish.
In case of discrepancy, the Spanish language version prevails.)

To the shareholders of Banco Bilbao Vizcaya Argentaria, S.A.:

Pursuant to Article 49 of the Spanish Code of Commerce, we have performed a verification, with a limited assurance scope, of the attached Non-Financial Information Statement (hereinafter, NFS) for the year ended December 31, 2022 of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, "the Bank"), which is part of the Bank's accompanying management Report for the year 2022.

The content of the management Report includes additional information to that required by prevailing mercantile regulations in relation to non-financial information that has not been subject to our verification. In this regard, our assignment has been exclusively limited to the verification of the information shown in section 2.7 "Additional information - Index of contents of Law 11/2018", of the accompanying management Report.

Responsibility of the Board of Directors

The preparation of the NFS included in the management Report and its content is the responsibility of the Board of Directors of the Bank. The NFS was prepared in accordance with prevailing mercantile legislation and following the criteria of the selected Sustainability Reporting Standards of the Global Reporting Initiative (GRI standards) in accordance with that described for each subject area in section 2.7 "Additional information - Index of contents of Law 11/2018" of the aforementioned management Report.

The Board of Directors are also responsible for the design, implementation and maintenance of such internal control as they determine is necessary to enable the preparation of an NFS that is free from material misstatement, whether due to fraud or error.

They are further responsible for defining, implementing, adapting and maintaining the management systems from which the information necessary for the preparation of the NFS is obtained.

Our independence and quality control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Accountants (including international standards on independence) issued by the International Ethics Standards Board for Accountants (IESBA) that is based on the fundamental principles of professional integrity, objectivity, competence, diligence as well as confidentiality and professional behaviour.

Our Firm complies with current international quality standards and thus maintains a quality system that includes documented policies and procedures related to compliance with ethical requirements, professional standards, as well as applicable legal provisions and regulations.

The engagement team consisted of experts in the review of Non-Financial Information and, specifically, in information about economic, social and environmental performance.

Our responsibility

Our responsibility is to express our conclusions in an independent limited assurance report based on the work performed. Our review has been performed in accordance with the requirements established in prevailing International Standard on Assurance Engagements 3000 "Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (ISAE 3000 Revised) issued by the International Auditing and Assurance Standards Board (IAASB) of the International Federation of Accountants (IFAC) and the guidelines for verifying Non-Financial Statement, issued by the Spanish Official Register of Auditors of Accounts.

The procedures performed in a limited assurance engagement vary in nature and timing of execution, and are less extensive, than those carried out in a reasonable assurance engagement, and therefore, the level of assurance provided is also lower.

Our work consisted in requesting information from Management, as well as of the various Bank units involved in the preparation of the NFS, reviewing the processes for gathering and validating the information included in the NFS, and applying certain analytical procedures and sample review tests as described below:

- ▶ Meeting with Bank personnel to know the business model, policies and management approaches applied, the main risks related to these matters and obtain the necessary information for our external review.
- ▶ Analyzing the scope, relevance and integrity of the content included in the NFS for the year 2022 based on the materiality analysis made by the Bank's Management and described in section 2.7 "Additional information - Materiality analysis", considering the contents required by current mercantile regulations.
- ▶ Analyzing the processes for gathering and validating the data included in the 2022 Non-Financial Statement.
- ▶ Reviewing the information on the risks, policies and management approaches applied in relation to the material aspects included in the 2022 NFS.
- ▶ Checking, through tests, based on a selection of a sample, the information related to the content of the 2022 NFS and its correct compilation from the data provided by the Bank's information sources.
- ▶ Obtaining a representation letter from the Board of Directors and Management.

Other Matters

On February 11, 2022, a different assurance provider issued a favorable independent assurance report on the Non-Financial Information Statement of the Bank for 2021.

Emphasis of matter

Regulation (EU) 2020/852 of the European Parliament and of the Council of 18 June 2020 on the establishment of a framework to facilitate sustainable investments establishes the obligation to disclose information on how and to what extent the entity's investments are associated with eligible economic activities in accordance with the Taxonomy. For such purposes, the Board of Directors of the Bank have included information on the criteria which, in their opinion, best allow them to comply with this obligation and which are those defined in section 2.7 "Additional information - Information related to Article 8 of the European Taxonomy" of the accompanying management Report. Our conclusion is not modified in respect of this matter.

Conclusion

Based on the procedures performed in our verification and the evidence we have obtained, nothing has come to our attention that causes us to believe that NFS of the Banco Bilbao Vizcaya Argentaria, S.A. for the year ended December 31, 2022 has not been prepared, in all material respects, in accordance with prevailing mercantile legislation and following the criteria of the selected GRI standards) in accordance with that mentioned for each subject in section 2.7 "Additional information - Index of contents of Law 11/2018" of the aforementioned management Report.

Use and distribution

This report has been prepared as required by prevailing mercantile regulations in Spain and may not be suitable for any other purpose or jurisdiction.

ERNST & YOUNG, S.L.

(Signed on the original version in Spanish)

José Carlos Hernández Barrasús

February 13, 2023