BBVA Global Markets B.V.

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

Interim Financial Statements for the
six-month period ended June 30th, 2023

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Directors’ report

The Board of Directors of BBVA Global Markets B.V. (hereinafter, the “Company”) herewith presents the directors’ report and the unaudited interim financial statements for the six-month period ended June 30th, 2023. These interim financial statements for the six-month period ended June 30th, 2023, have not been audited or reviewed by auditors.

<u>Incorporation</u>

BBVA Global Markets B.V. was incorporated under the laws of the Netherlands on October 29th, 2009, with limited liability and having its statutory seat in Amsterdam, the Netherlands.

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

<u>Principal activities, business overview and future developments</u>

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

During the six-month period ended June 30th, 2023, the Company has issued 1.552 debt instruments.

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

– Structured Medium Term Securities Programme to issue notes and certificates up to an aggregated amount of EUR 10,000,000,000 (or its equivalent in other currencies). The last update of the programme was on June 23th, 2023. Notes and certificates issued under this Programme are linked to a range of underlyings embedded derivatives including indices, shares, ETF’s, funds, credit and FX, or any combination thereof, and could provide for cash settlement or physical delivery.

– Structured Medium Term Note Programme to issue Notes up to an aggregated amount of EUR 2,000,000,000 (or its equivalent in other currencies). The last update of the programme was on July 15th, 2023, increasing the maximum amount of notes to be issued by EUR 1,000,000,000 (or its equivalent in other currencies) with respect to the previous update that took place on July 14th, 2022. Notes issued under this Programme are linked to a range of underlyings embedded derivatives including indices, shares, ETF’s, funds, credit and FX, or any combination thereof, and could provide for cash settlement or physical delivery of the underlying.

– Programme for the Issue of Warrants to issue Warrants up to an aggregated amount of EUR 1,000,000,000 (or its equivalent in other currencies). All the warrants issued by the Company are cash-settled. The last update of the Warrants Programme was on July 6th, 2023. Warrants issued under this Programme are linked to a range of underlyings including indices, shares, ETFs, funds, FX, or any combination thereof, and could provide for cash settlement or physical delivery of the underlying.

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

All outstanding notes and certificates (hereinafter “securities”) as of June 30th, 2023, and December 31st, 2022 are listed. The Company does not anticipate any significant change in the kind of activities for the next financial year.

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

Economic environment

The global economy is currently facing a number of extraordinary challenges. The war in Ukraine and the sanctions imposed against and by Russia have led to significant disruption, instability and volatility in global markets, as well as higher inflation and lower economic growth, mainly in Europe While the entity´s direct exposure to Ukraine and Russia is limited, the war could adversely affect the financial condition and results of operations. Further, the collapse of Silicon Valley Bank and UBS's takeover of Credit Suisse in the first half of 2023 have also led to a (temporary) increase in volatility, especially in the stock and interest rate markets.

The global economy has slowed down during the first six months of 2023 despite the resilience of private consumption and labor markets. Global GDP is expected to ease from 3.5% in 2022 to around 2.9% in 2023. The war, a hard-landing in China, and, mainly, the combination of still high inflation and tight monetary conditions are among some of the factors that could pave the way for more negative scenarios ahead, including a global recession and new episodes of financial instability.

Inflation has been and is expected to remain high throughout the year, reinforcing the case for contractionary monetary policy in most economies. The central banks of many developed and emerging economies have significantly increased policy rates since 2021 and monetary conditions are likely to remain restrictive moving forward to favor a gradual reduction of inflation. In particular, the United States Federal Reserve and the ECB have increased their benchmark interest rates in an aggressive way. Although uncertainty is high, policy rates (refinancing rates in the case of the ECB) may remain high, at least at 5.50% in the United States and 4.50% in the Eurozone, for a relatively long period of time. Furthermore, the reduction of central bank balance sheets in both regions are expected to contribute to the ongoing monetary tightening process.

High interest rates in the US will likely support the US dollar, which risks spurring stress, mainly in emerging and developing economies.

Principal risks and uncertainties

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

- Credit risk: Credit risk is defined as the risk that one party entitled to a financial instrument will cause a financial loss for another party by failing to discharge an obligation. In accordance with IFRS 7 "Financial Instruments: Disclosures", the maximum credit risk exposure in the statement of financial position as of June 30th, 2023, and December 31st, 2022, amounted to EUR 6,049,569 thousand and EUR 4,815,092 thousand, respectively.

  As of June 30th, 2023, and December 31st, 2022, credit risk is concentrated geographically in Spain, with the Parent Company (see Note 16). As of June 30th, 2023 and December 31st, 2022 there are no impaired assets. The financial performance and positions of Banco Bilbao Vizcaya Argentaria, S.A. are important for the recoverability of the exposures in place.

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

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

  – Foreign exchange risk: This is the risk resulting from variations in foreign exchange rates. Since the funds obtained by the Company from the issues are invested in deposits in the same currency, the exposure to currency risk is not relevant. Changes in foreign exchange rates affect face value and interests from deposits and face value and interests paid on issues equally. Therefore, the changes in foreign exchange rates offset each other.

  – Price risk: This is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market. The fair value of the issues launched does not differ significantly from the fair value of the deposits since their features (amount, term and interest rate) are the same.

  - Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in derivative products whose underlying asset is a share or an equity index. Changes in share prices affect face value and payments of derivatives on deposits and face value and interests paid on issues equally. Therefore, the changes in share prices offset each other.

- Liquidity risk: This is the possibility that a company cannot meet its payment commitments duly, or, to do so, must resort to borrowing funds under onerous conditions, or risking its image and the reputation of the entity. The Company obtains the liquidity required to meet interest payments, redemptions of issues from deposits on the issues arranged with BBVA. Note 6 details the maturities of the debt securities issued and gives the breakdown of deposits in BBVA to cover the liquidity necessary for such maturities. The liquidity to meet the interest payments on the securities is derived from interest earned on BBVA deposits, which have similar maturities.

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

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

  Risk concentration limits are established at a Group level and not at the Company level. In order to prevent the build-up of excessive risk concentrations at the individual, sector, portfolio and geography levels, BBVA Group maintains updated maximum permitted risk concentration indices which are tied to the various observable variables related to concentration risk.

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

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

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

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

  Additionally, there has not been any default position to the date. All Company's deposits due from BBVA related to securities with maturity in the period ended June 30th, 2023, and previous years until the date of this report, have been reimbursed.

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

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

(i) CORPORATE GOVERNANCE RISK SYSTEM

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

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

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

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

(ii) TOOLS, CIRCUITS AND PROCEDURES

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

(iii) INTERNAL CONTROL MODEL

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

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

<u>Results for the period</u>

The Company recorded a nil result during the period ended on June 30th, 2023, and a net loss of EUR 3 thousand for the six-month period ended on June 30th, 2022. The result for the period is set out on statements of profit or loss and other comprehensive income for the six-month period ended June 30th, 2023 and 2022. Results of the Company are at the disposal of the Annual General Meeting.

<u>Directors and their interest</u>

The Directors and Secretary of the Board who held office on June 30th, 2023, did not hold any shares in the Company at period-end or during the period. There were no contracts of any significance in relation to the business of the Company in which the Directors had any interest at anytime during the period.

Personnel

During the six-month period ended on June 30th, 2023, and 2022, the Company had no employees. The Managing Directors are employees at BBVA. All administrative and accounting tasks are performed by employees of BBVA.

Board composition

During the six-month period ended on June 30th, 2023, and 2022, the allocation of seats in the Board of Directors between men and women is in equilibrium. The current Managing Board has the necessary experience and expertise to ensure that its duties are properly executed.

Audit Committee

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

Board of Directors and Shareholders' meetings

The Board of Directors and the Sole-Shareholder have held meetings since January 1st, 2023 which were as follows:

April 27th, 2023	Shareholder resolution
June 20th, 2023	Board of Directors
June 20th, 2023	Shareholder resolution

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

Accounting records

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

Post balance sheet events

From July 1st, 2023 to the date of preparation of these interim financial statements, no other subsequent events have taken place that could significantly affect the Company's earnings or its equity position.

Internal and external factors

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

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

Presented with the current situation (see Economic environment) and given the Company's activity, the risks must be analyzed within the Group in which it operates. For this matter, BBVA Group has focused its attention on ensuring continuity in the operational security of the business as a priority and monitoring the impacts on the business and the Group's risks (such as impacts on results, capital or liquidity). Additionally, BBVA Group adopted a series of measures to support its main stakeholders from the beginning. This way, the Group's long-term strategic purpose and priorities remain the same and are even reinforced with its commitment to technology and data-based decision making. Due to the current situation, the estimates made by the Company as of June 30th, 2023 have been made based on the best information available on the events analyzed. Likewise, the Company's Directors have concluded that the going concern principle continues to be applied in the formulation of the following interim financial statements.

The Company has no direct exposure to Ukraine and Russia.

Madrid, September 27th, 2023

Board of Directors:

Marian Coscarón Tomé

Christian Hojbjerre Mortensen

Statement of Directors’ responsibilities in respect of directors’ report and the interim financial statements

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

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

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

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

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

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

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

Date: September 27th, 2023

Board of Directors:

Marian Coscarón Tomé

Christian Hojbjerre Mortensen

STATEMENTS OF FINANCIAL POSITION AS OF JUNE 30th, 2023 AND DECEMBER 31st, 2022

(before appropriation of result)

Thousands of Euros	**Note**	**06/30/2023**	**12/31/2022**
		UNAUDITED	**AUDITED**
ASSETS:			
Non-current assets			
- Long-Term deposits due from Parent	**8**	4,176,799	3,612,231
- Other Long-Term assets	**15**	322	322
Total Non-current assets		**4,177,121**	**3,612,553**
Current assets			
- Short-Term deposits due from Parent	**8**	1,872,770	1,202,861
- Other assets		444	271
- Cash and cash equivalents	**7**	-	457
Total Current assets		**1,873,214**	**1,203,589**
Total assets		**6,050,335**	**4,816,142**
LIABILITIES:			
Non-current liabilities			
- Long-Term debt securities issued	**9**	4,176,799	3,612,231
Total Non-current liabilities		**4,176,799**	**3,612,231**
Current liabilities			
- Short-Term debt securities issued	**9**	1,872,770	1,202,861
- Other liabilities		55	62
- Credit account		464	733
- Current tax liabilities	**15**	-	8
Total Current liabilities		**1,873,289**	**1,203,664**
Total liabilities		**6,050,088**	**4,815,895**
SHAREHOLDER'S EQUITY:			
- Issued share capital	**10**	90	90
- Share premium	**10**	250	250
- Other reserves	**10**	(93)	(94)
- Result of the year		-	1
Total shareholder’s equity		**247**	**247**
Total liabilities and shareholder’s equity		**6,050,335**	**4,816,142**

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SIX-MONTH PERIOD ENDED JUNE 30th, 2023 AND 2022

Thousands of Euros	**Note**	**06/30/2023**	**06/30/2022**
		UNAUDITED	**UNAUDITED**
- Exchange rate differences		-	(3)
- Other operating income	**6 and 16**	285	129
- Other operating expenses		(285)	(129)
- Gains / (Losses) on financial assets designated at fair value through profit or loss	**8 and 16**	674,244	(1,155,005)
- Gains / (Losses) on financial liabilities designated at fair value through profit or loss	**9**	(674,244)	1,155,005
Result of the period before tax		**-**	**(3)**
- Income tax	**15**	-	-
Result of the period from continued operations		**-**	**(3)**
Comprehensive result of the period		-	-
Total comprehensive result of the period		**-**	**(3)**

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

STATEMENTS OF CHANGES IN EQUITY FOR THE SIX-MONTH PERIOD ENDED JUNE 30th, 2023 AND 2022

Thousands of Euros	**Issued Share Capital**	**Other reserves**	**Share Premium**	**Result of the year**	**Total**
Balance at beginning of the year (January 1st, 2022)	**90**	**(123)**	**250**	**29**	**246**
- Result as of June 30th, 2022	-	-	-	(3)	**(3)**
- Result of previous years	-	29	-	(29)	**-**
- Share premium	-	-	-	-	**-**
Balance as of June 30th, 2022 (*)	**90**	**(94)**	**250**	**(3)**	**243**
Balance at end of the year (December 31st , 2022)	**90**	**(94)**	**250**	**1**	**247**
Balance at beginning of the year (January 1st, 2023)	**90**	**(94)**	**250**	**1**	**247**
- Result as of June 30th, 2023	-	-	-	-	**-**
- Result of previous years	-	1	-	(1)	**-**
- Share premium	-	-	-	-	**-**
Balance as of June 30th, 2023 (*)	**90**	**(93)**	**250**	**-**	**247**

(*) Unaudited.

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

STATEMENTS OF CASH FLOWS FOR THE SIX-MONTH PERIOD ENDED JUNE 30th, 2023 AND 2022

Thousands of Euros	Note	06/30/2023	06/30/2022
		UNAUDITED	UNAUDITED
Result of the period before tax		**-**	**(3)**
ADJUSTMENTS TO RECONCILE NET (LOSS) INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Adjustments for:		**-**	**1**
Gains / (Losses) on financial assets designated at fair value through profit or loss		(507,980)	1,278,269
Gains / (Losses) on financial liabilities designated at fair value through profit or loss		507,980	(1,278,269)
Exchange differences		-	3
Other income and expenses		-	(2)
Changes in working capital:		**(188)**	**(138)**
Trade and other payables		(15)	(57)
Trade and other receivables		(173)	(81)
Other cash flows from operating activities:		**-**	**-**
Interest paid		(166,264)	(123,264)
Interest received		166,264	123,264
Income tax recovered (paid)		-	-
Net cash provided by/(used in) operating activities		**(188)**	**(140)**
CASH FLOW FROM INVESTING ACTIVITIES:			
Investments:		**(2,083,931)**	**(1,406,853)**
Deposits at the parent		(2,083,931)	(1,406,853)
Disinvestments:		**1,367,394**	**836,637**
Deposits at the parent		1,367,394	836,637
Net cash provided by/(used in) investing activities		**(716,537)**	**(570,216)**
CASH FLOW FROM FINANCING ACTIVITIES:			
Proceeds from issue of share premium		-	-
Proceeds from issue of debt instruments and other marketable securities		2,083,931	1,406,853
Proceeds from issue of borrowings from Group companies and associates		(269)	81
Redemption of debt instruments and other marketable securities		(1,367,394)	(836,637)
Net cash provided by/(used in) financing activities		**716,268**	**570,297**
Net increase/(decrease) in cash and cash equivalents		(457)	(59)
Effect of currency translations		-	-
Cash and cash equivalents at the beginning of the year		457	311
Cash and cash equivalents at the end of the period	**7**	**-**	**252**

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

NOTES TO THE INTERIM FINANCIAL STATEMENTS

Notes to the interim financial statements for the six-month period ended June 30th, 2023 (Currency – Thousands of Euros).

1. Group affiliation, principal activity and tax regulation

BBVA Global Markets B.V. (hereinafter, the “Company”), is a corporation with limited liability, incorporated under Dutch law, whose trade register code number is 34363108. The Company has its seat and statutory domicile in Amsterdam, the Netherlands and its principal place of business and tax residence at Calle Sauceda, 28, 28050, Madrid, Spain. It was incorporated under the laws of the Netherlands on October 29th, 2009 and is a wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. (hereinafter, the “Bank” or “BBVA”), a Spanish banking institution headquartered in Bilbao, Spain. The Company is integrated in the Banco Bilbao Vizcaya Argentaria Group (hereinafter, the “Group” or “BBVA Group”).

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

The Company has no direct employees, and no remuneration is paid by the Company to the Managing Directors, which consist of a man and a woman.

2. Significant accounting policies

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

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

a) Cash and cash equivalents

The balance recorded under the heading “Cash and cash equivalents” are carried at amortized cost in the statement of financial position, and it represents the amount the Company holds as of June 30th, 2023 and December 31st, 2022 on the current account held at BBVA.

b) Debt instruments and deposits due from Parent

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

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

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

For subsequent measurement, debt securities issued are accounted for at fair value through profit and loss using the “fair value option of liability” to eliminate "accounting asymmetries", (IFRS9. 4.2.2) including the changes in the credit risk in profit and loss since if they were registered against other comprehensive income an accounting asymmetry with the related assets would be generated.

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

c) *Recognition of revenues and expenses*

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

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

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

e) *Cash flow statement*

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

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

Total Liabilities from financing activities	**2023**	**2022**
Balance at the beginning of the year	**4,815,825**	**4,567,688**
Cash movements		
Cash-flows from financing activities	716,268	570,297
Interest paid	(166,264)	(123,264)
Non-cash movements		
Fair value changes	507,980	(1,278,269)
Interest accrual	166,264	123,264
Foreign exchange differences (*)	9,960	205,286
Balance as of June 30th	**6,050,033**	**4,065,002**

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

f) *Recognition and derecognition*

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

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

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

g) *Income taxes*

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

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

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

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

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

h) Financial instruments offset

Financial assets and liabilities may be netted, i.e. they are presented for a net amount on the statement of financial position only when the Company complies with the provisions of IAS 32-Paragraph 42, so they have both the legal right to net recognized amounts, and the intention of settling the net amount or of realizing the asset and simultaneously paying the liability. As of June 30th, 2023, and December 31st, 2022, there are no asset and liabilities presented netted in the statement of financial position.

i) Fair value hierarchy

The fair value of financial instruments is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is therefore a market-based measurement and not specific to each entity.

All financial instruments, both assets and liabilities are initially recognized at fair value, which at that point is equivalent to the transaction price, unless there is evidence to the contrary in the market.

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

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

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

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

- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets (see notes 9 and 11).

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

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

j) True and fair view

The Company's interim financial statements for the six-month period ended June 30th, 2023, which have been obtained from the Company's accounting records, are presented in accordance with the regulatory financial reporting framework applicable to the Company and, in particular, with the accounting principles and rules contained therein, and they give a true and fair view of the Company's net worth and financial position as of June 30th, 2023 and the results of operations as well as the cash flows generated during the period then ended.

The Company's financial statements for 2022 were approved by its sole shareholder on April 27th, 2023.

k) Related party transactions

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

l) Use of estimates

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

These estimates were made on the basis of the best available information on the matters analyzed, as of June 30th, 2023. However, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the corresponding income statement.

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

There have not been any changes in the estimates made by the management during the period ended June 30th, 2023 and 2022.

m) Comparative information

In order to improve the comparability, certain reclassifications have been made in the Statement of profit or loss for the period ended June 30th, 2022.

Regarding the captions "Gains / (Losses) on financial assets designated at fair value through profit or loss" and "Gains / (Losses) on financial liabilities designated at fair value through profit or loss" of the accompanying Statement of profit or loss for the period ended June 30th, 2022, only the effect of the interest settled in the year was disclosed, netting out the remaining effects of the fair value measurement of both, deposits and debt securities issued. This is a non-material error of presentation, as the net amount of this reclassifications amounts zero, and therefore there is no impact on the Company's equity and result for the period.

In order to make this effect explicit, the following reclassifications have been made to both captions in the Statement of profit or loss for the period ended June 30th, 2022:

Thousands of Euros	**Gains / (Losses on financial assets designated at fair value through profit or loss (Note 8)**	**Gains / (Losses on financial liabilities designated at fair value through profit or loss (Note 9)**	**Total**
Amount disclosed under this caption in the period ended June 30th, 2022 Financial Statements	123,264	(123,264)	**-**
Fair value adjustments netted in the period ended June 30th, 2022 (Notes 8 and 9)	(1,278,269)	1,278,269	**-**
Amount disclosed under this caption in the period ended June 30th, 2023 Financial Statements	**(1,155,005)**	**1,155,005**	-

n) Going concern

Given the Company's activity and its scope of operation, the Company's Directors are constantly monitoring the possible impacts, both financial and non-financial, that may occur on the Company's Financial Statements, due to the consequences caused by the volatile inflation dynamics, the recent turbulence in the banking sector, and the persistent military conflict between Russia and Ukraine, having concluded in the short term that there are no possible significant impacts from these facts and the going concern principle continues to be applied in the preparation of these interim financial statements as of June 30th, 2023.

3. Statement of compliance

The interim financial statements for the six-month period ended June 30th, 2023, have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("EU-IFRS") and with Part 9 of Book 2 of the Dutch Civil code.

4. Recent IFRS pronouncements

Standards and interpretations that became effective in the first six months of 2023:

The following amendments to the IFRS standards or their interpretations (hereinafter "IFRIC" or "interpretation") became effective in the first six months of 2023:

- **Entry into force of IFRS 17 – Insurance contracts.**

  IFRS 17 has superseded IFRS 4 as the accounting standard applicable to the recognition, measurement and presentation of contracts that transfer significant insurance risk.

- **Amendments to IAS 1 "Presentation of financial statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors"**

  In February 2021 the International Accounting Standards Board (hereinafter "IASB") issued amendments to this IAS with the aim of improving the quality of the disclosures in relation to the accounting policies applied by the entities with the ultimate aim of providing useful and material information in the financial statements. The amendments to IAS 1 require entities to disclose accounting policies that are material rather than significant accounting policies and provide guidance to help apply the concept of materiality in financial statement disclosures. The amendments to IAS 8 introduce clarifications to distinguish between the concept of accounting estimate and that of accounting policy. The amendments have entered into force on January 1st, 2023, with no significant impact on the interim financial statements of the Company.

- **Amendment IAS 12 – Income taxes**

  The IASB issued an amendment to IAS 12 to clarify that entities should recognize deferred tax arising on transactions such as leases or decommissioning obligations. The amendment requires entities to recognize a deferred tax asset and liability separately when the temporary differences arising in the recognition of an asset and a liability are the same, not being possible to apply the initial recognition exception provided for in the standard. The purpose of the amendments has been to reduce the diversity in the presentation of information on deferred taxes in said transactions. The modification has entered into force on January 1st, 2023, although its early application was allowed, it has not had a significant impact on the interim financial statements of the Company.

Standards and interpretations issued but not yet effective as of June 30th, 2023:

The following new International Financial Reporting Standards and Interpretations or amendments had been published at the date of preparation of the accompanying interim financial statements but are not mandatory as of June 30th, 2023. Although in some cases the IASB allows early adoption before their effective date, the Company has not proceeded with this option for any such new standards. No impact is expected on the Company's financial statements:

- **Amendment to IFRS 16 "Leases"**

  The IASB has issued an amendment to IFRS 16 that clarifies the requirements for sale-and-leaseback transactions. The new requirements establish that the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee will not recognize any amount of the gain or loss that relates to the right of use retained by the seller-lessee. The amendments will be effective for annual reporting periods beginning on or after January 1, 2024, with early application permitted. No significant impact is expected on the Company's financial statements.

- **Amendment to IAS 12 - International Tax Reform Pillar Two Model Rules**

  On December 20, 2021, the OECD published an international tax initiative in which it is articulated a framework of rules ("GloBE -Global Anti-Base Erosion Rules") for the application of the "Pillar Two Model Rules", establishing a supplementary tax system that makes the effective rate of taxation of certain multinational groups in certain jurisdiction reach the minimum rate of 15%.

  In May 2023, the IASB has published an amendment to IAS 12 to clarify the application of this initiative on the results derived from the tax legislation enacted or substantially enacted in each country to apply the model rules of Pillar Two in which:

  - sets a temporary exception to the accounting of deferred taxes in relation to the implementation of the rules of the Pillar 2 model;

  - requires qualitative and quantitative disclosures that allow users to understand the entities' exposure to taxes that may arise from this initiative and/or the entity's progress in its implementation.

  The European Union has published a Directive incorporating this initiative into European law. As of June 30th, 2023, Spain has not yet transposed the national tax legislation. These amendments to IAS 12 will become effective immediately upon their publication and adoption in the EU.

5. Foreign currency translation

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

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

As of June 30th, 2023, the Company had 3,205 outstanding issuances in US dollars (including 2 warrants issued in US dollars), constituting, at the same time, 3,203 deposits with the full amounts of the funds obtained and in the same currency. Also, the Company had 535 outstanding issuances in GB pounds, constituting, at the same time, 535 deposits with the full amount of the funds obtained and in the same currency. In addition, the Company had 83 outstanding issuances in CHF (including 2 warrants issued in CHF), constituting, at the same time, 81 deposits with the full amount of the funds obtained and in the same currency. Furthermore, the Company had 7 outstanding issuances in PEN, constituting, at the same time, 7 deposits with the full amount of the funds obtained and in the same currency. Moreover, the Company had 9 outstanding issuances in MXN and 1 outstanding issuance in MXV, constituting, at the same time, 10 deposits with the full amount of the funds obtained and in the same currency. The Company had also 7 outstanding issuances in COP, constituting, at the same time, 7 deposits with the full amount of the funds obtained and in the same currency. Besides, the Company had 2 outstanding issuances in SEK, constituting, at the same time, 2 deposits with the full amount of the funds obtained and in the same currency. Also, the Company had 28 outstanding issuances in HKD, constituting, at the same time, 28 deposits with the full amount of the funds obtained and in the same currency. In addition, the Company had 1 outstanding issuance in PLN, constituting, at the same time, 1 deposit with the full amount of the funds obtained and in the same currency. Furthermore, the Company had 3 outstanding issuances in AUD, constituting, at the same time, 3 deposits with the full amount of the funds obtained and in the same currency. Moreover, the Company had 3 outstanding issuances in SGD, constituting, at the same time, 3 deposits with the full amount of the funds obtained and in the same currency. Finally, the Company had 3 outstanding issuances in JPY, constituting, at the same time, 3 deposits with the full amount of the funds obtained and in the same currency. The interest rates related to the deposits are identical to those related to the issues. As a result, the exchange differences in this connection were no significant.

6. Risk exposure

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

- Credit risk: Credit risk is defined as the risk that one party entitled to a financial instrument will cause a financial loss for another other party by failing to discharge an obligation. In accordance with IFRS 7 “Financial Instruments: Disclosures”, the maximum credit risk exposure in the statement of financial position as of June 30th, 2023, and December 31st, 2022, amounted to EUR 6,049,569 thousand and EUR 4,815,092 thousand, respectively.

  As of June 30th, 2023, and December 31st, 2022, credit risk is concentrated geographically in Spain, with the Parent Company (see Note 16). As of June 30th, 2023 and December 31st, 2022 there are no impaired assets. The financial performance and positions of Banco Bilbao Vizcaya Argentaria, S.A. are important for the recoverability of the exposures in place.

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

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

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

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

  - Foreign exchange risk: This is the risk resulting from variations in foreign exchange rates. Since the funds obtained by the Company from the issues are invested in deposits in the same currency, the exposure to currency risk is not relevant. Changes in foreign exchange rates affect face value and interests from deposits and face value and interests paid on issues equally. Therefore, the changes in foreign exchange rates offset each other.

- Price risk: This is the risk resulting from variations in market prices, either due to factors specific to the instrument itself, or alternatively to factors which affect all the instruments traded on the market. The fair value of the issues launched does not differ significantly from the fair value of the deposits since their features (amount, term and interest rate) are the same.

- Equity risk: This arises as a result of movements in share prices. This risk is generated in spot positions in derivative products whose underlying asset is a share or an equity index. Changes in share prices affect face value and payments of derivatives on deposits and face value and interests paid on issues equally. Therefore, the changes in share prices offset each other.

- Liquidity risk: This is the possibility that a Company cannot meet its payment commitments duly, or, to do so, must resort to borrowing funds under onerous conditions, or risking its image and the reputation of the entity. The Company obtains the liquidity required to meet interest payments, redemptions of issues from deposits on the issues arranged with Banco Bilbao Vizcaya Argentaria, S.A. The liquidity to meet the interest payments on the debt securities is derived from interest earned on BBVA deposits, which have similar maturities.

  Ultimate responsibility for liquidity risk management rests with the Board of Directors. The Company manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities.

  The breakdown of the nominal amounts, in thousands of Euros, of the deposits and issues by maturities as of June 30th, 2023 and December 31st, 2022 is as follows:

June 30th, 2023	**Demand**	**Up to 1 Month**	**1 to 3 Months**	**3 to 12 Months**	**1 to 3 Years**	**3 to 5 Years**	**Over 5 Years**	**Total**
ASSETS:								
Non-current assets								
- Long-Term deposits due from Parent	-	-	-	-	1,999,845	1,136,903	1,887,444	**5,024,192**
Current assets								
- Short-Term deposits due from Parent	-	91,069	185,501	1,660,294	-	-	-	**1,936,864**
LIABILITIES:								
Long-Term liabilities								
- Long-Term debt securities issued	-	-	-	-	1,999,845	1,136,903	1,887,444	**5,024,192**
Short-Term liabilities								
- Short-Term debt securities issued	-	91,069	185,501	1,660,294	-	-	-	**1,936,864**

(*) Only the nominal amounts associated with deposits due from Parent and debt securities issued are included, as the contractual conditions defining other payment components are not observable at June 30th, 2023.

December 31st, 2022	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 3 Years	3 to 5 Years	Over 5 Years	Total
ASSETS:								
Non-current assets								
- Long-Term deposits due from Parent	-	-	-	-	1,825,180	1,264,965	1,767,431	**4,857,576**
Current assets								
- Short-Term deposits due from Parent	-	80,621	170,794	1,149,888	-	-	-	**1,401,303**
LIABILITIES:								
Long-Term liabilities								
- Long-Term debt securities issued	-	-	-	-	1,825,180	1,264,965	1,767,431	**4,857,576**
Short-Term liabilities								
- Short-Term debt securities issued	-	80,621	170,794	1,149,888	-	-	-	**1,401,303**

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

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

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

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

Risk concentration limits are established at a Group level and not at the Company level. In order to prevent the build-up of excessive risk concentrations at the individual, sector, portfolio and geography levels, BBVA Group maintains updated maximum permitted risk concentration indices which are tied to the various observable variables related to concentration risk.

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

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

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

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

Additionally, there has not been any default position to the date. All Company's deposits due from BBVA related to securities with maturity in the period ended June 30th, 2023, and previous years until the date of this report, have been reimbursed.

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

7. Cash and cash equivalents

The balance of this heading of the statements of financial position as of June 30th, 2023, and December 31st, 2022 includes the amount of demand deposits held by the Company at BBVA as of that date, which bears no interest. The aforementioned amount is recorded as a freely disposable liquid assets.

8. Deposits due from Parent

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

As of June 30th, 2023, and December 31st, 2022, the amounts registered under these captions of the statement of financial position are composed as follows:

Deposits due from Parent	Thousands of Euros	
	June 30th 2023	December 31st 2022
Long-Term deposits due from Parent	4,176,799	3,612,231
Short-Term deposits due from Parent	1,872,770	1,202,861
Total	**6,049,569**	**4,815,092**

As of June 30th, 2023 and December 31st, 2022, and as required by IFRS 7 “Financial Instruments: Disclosures”, the credit risk associated to the deposits placed at BBVA represented a negative amount of EUR 345,192 thousand and EUR 348,434 thousand, respectively. The impact for the period is a positive amount of EUR 3,242 thousand.

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

Gains / (Losses) on financial assets designated at fair value through profit or loss	Thousands of Euros	
	June 30th 2023	June 30th 2022
Interest income from deposits	166,264	123,264
Fair value changes	507,980	(1,278,269)
Total	**674,244**	**(1,155,005)**

The interest generated for the Company by all of the deposits placed at the Parent Company during the six-month period ended June 30th, 2023, and 2022, amounted to EUR 166,264 thousand and EUR 123,264 thousand, respectively, and was recorded under the heading “Gains / (Losses) on financial assets designated at fair value through profit or loss” in the accompanying interim statements of profit or loss and other comprehensive income (see Note 16).

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

2023		
Currency	**Number of Deposits at Parent**	**Fair Value (Thousands of Euros) (*)**
USD	3,203	3,273,371
EUR	700	1,592,666
GBP	535	436,597
CHF	81	197,588
HKD	28	15,165
MXN	9	316,080
COP	7	102,908
PEN	7	33,615
JPY	3	3,612
AUD	3	1,136
SGD	3	749
SEK	2	1,272
MXV	1	65,028
PLN	1	9,298
Total Deposits at Parent as of June 30th, 2023	**4,583**	**6,049,085**

(*) This detail does not include two warrants in USD and two warrants in CHF issued as of June 30th, 2023, amounting a positive value of EUR 484 thousands.

2022		
Currency	**Number of Deposits at Parent**	**Fair Value (Thousands of Euros) (*)**
USD	3,214	2,791,167
EUR	568	1,140,835
GBP	460	353,807
CHF	49	110,534
COP	8	80,052
PEN	6	21,412
MXN	5	241,633
HKD	3	7,469
SEK	2	1,266
JPY	2	560
PLN	1	8,352
MXV	1	57,742
Total Deposits at Parent as of December 31st, 2022	**4,319**	**4,814,829**

(*) This detail does not include three warrants in US dollars issued as of December 31st, 2022, amounting a positive value of EUR 263 thousands.

During the six-month period ended on June 30th, 2023, full early redemption was applied for 748 outstanding issues (724 outstanding issues during the year ended December 31st, 2022) and, therefore, the Company cancelled the associated deposits whose nominal value was the same amount. The detail by currency is as follows:

June 30th, 2023		
Currency	**Number of Issues / Deposits at Parent**	**Redemption Nominal Amount (Thousands of original Currency)**
USD	498	429,810
EUR	165	206,110
GBP	49	41,601
CHF	23	81,635
HKD	12	46,800
SGD	1	200

December 31st, 2022		
Currency	Number of Issues / Deposits at Parent	Redemption Nominal Amount (Thousands of original Currency)
USD	515	634,658
EUR	117	115,823
GBP	67	76,063
CHF	23	131,190
COP	1	137,379,600
HKD	1	3,800

During the six-month period ended on June 30th, 2023, and the year ended December 31st, 2022, 52 and 335 outstanding issues, respectively, were partially redeemed and, therefore, the Company partially cancelled the associated deposits to those issues. Deposits by currency associated to early redemption of partially redeemed issues during the six-month period ended on June 30th, 2023, and the year ended December 31st, 2022 is as follows:

June 30th, 2023					
Currency	Number of Issues / Deposits at Parent	Initial Nominal Amount (Thousands of original Currency)	Redemption Nominal Amount (Thousands of original Currency)	Final Nominal Amount (Thousands of original Currency)	Final Value (Thousands of Euros)
USD	42	97,877	32,196	65,681	41,711
EUR	9	83,597	40,947	42,650	42,312
GBP	1	2,500	1,000	1,500	1,719

December 31st, 2022					
Currency	Number of Issues / Deposits at Parent	Initial Nominal Amount (Thousands of original Currency)	Redemption Nominal Amount (Thousands of original Currency)	Final Nominal Amount (Thousands of original Currency)	Final Value (Thousands of Euros)
USD	264	591,107	168,573	422,534	244,362
EUR	43	320,766	69,430	251,336	236,524
GBP	28	37,605	9,742	27,863	23,075

Additionally, the detail of the deposits by currency, both placed and matured during the six-month period ended June 30th, 2023, and the year ended December 31st, 2022 is as follows:

June 30th, 2023		
Currency	Number of deposits / notes	Initial and Redemption Nominal Amount (Thousands of original Currency)
USD	121	188,279
HKD	47	152,000
EUR	20	32,982
CHF	9	35,965
GBP	7	2,450
SGD	4	1,300
AUD	3	1,503
MXN	2	60,000
JPY	1	500,000

December 31st 2022		
Currency	**Number of deposits / notes**	**Initial and Redemption Nominal Amount (Thousands of original Currency)**
USD	41	69,438
MXN	4	45,896
EUR	2	500
GBP	2	400
HKD	1	2,115

9. Debt securities issued

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

– Structured Medium Term Securities Programme to issue notes and certificates up to an aggregated amount of EUR 10,000,000,000 (or its equivalent in other currencies). The last update of the Programme was on June 23th, 2023. Notes and certificates issued under this Programme are linked to a range of underlyings embedded derivatives including indices, shares, ETF's, funds, credit and FX, or any combination thereof, and could provide for cash settlement or physical delivery.

– Structured Medium Term Note Programme to issue Notes up to an aggregated amount of EUR 2,000,000,000 (or its equivalent in other currencies). The last update of the programme was on July 15th, 2023, increasing the maximum amount of notes to be issued by EUR 1,000,000,000 (or its equivalent in other currencies) with respect to the previous update that took place on July 14th, 2022. Notes issued under this Programme are linked to a range of underlyings embedded derivatives including indices, shares, ETF's, funds, credit and FX, or any combination thereof, and could provide for cash settlement or physical delivery of the underlying.

– Programme for the Issue of Warrants to issue Warrants up to an aggregated amount of EUR 1,000,000,000 (or its equivalent in other currencies). All the warrants issued by the Company are cash-settled. The last update of the Warrants Programme was on July 6th, 2023. Warrants issued under this Programme are linked to a range of underlyings including indices, shares, ETFs, funds, FX, or any combination thereof, and could provide for cash settlement or physical delivery of the underlying.

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

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

As of June 30th, 2023, and December 31st, 2022, the debt instruments fair values are composed of the host contract, its derivatives, as well as the interests payable to third parties of the issuances (see Note 11), as follows:

Debt instruments issued	**Thousands of Euros**	
	June 30th 2023	**December 31st 2022**
Long-Term debt instruments issued	4,176,799	3,612,231
Short-Term debt instruments issued	1,872,770	1,202,861
Total	**6,049,569**	**4,815,092**

As of June 30th, 2023 and December 31st, 2022, and as required by IFRS 7 “Financial Instruments: Disclosures”, the credit risk associated to the debt securities issued represented a negative amount of EUR 345,192 thousand and EUR 348,434 thousand, respectively. The impact for the period is a positive amount of EUR 3,242 thousand.

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

Gains / (Losses) on financial liabilities designated at fair value through profit or loss	**Thousands of Euros**	
	June 30th 2023	**June 30th 2022**
Interest expense from securities	(166,264)	(123,264)
Fair value changes	(507,980)	1,278,269
Total	**(674,244)**	**1,155,005**

The interests generated by the Company for the debt issuances during the six-month period ended June 30th, 2023, and 2022, amounted to EUR 166,264 thousand and EUR 123,264 thousand, respectively, and was recorded under the heading “Gains / (Losses) on financial liabilities designated at fair value through profit or loss” in the accompanying statements of profit or loss and other comprehensive income.

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

2023		
Currency	**Number of Issues**	**Fair Value (Thousands of Euros) (*)**
USD	3,203	3,273,371
EUR	700	1,592,666
GBP	535	436,597
CHF	81	197,588
HKD	28	15,165
MXN	9	316,080
COP	7	102,908
PEN	7	33,615
JPY	3	3,612
AUD	3	1,136
SGD	3	749
SEK	2	1,272
MXV	1	65,028
PLN	1	9,298
Total Issues as of June 30th, 2023	**4,583**	**6,049,085**

(*) This detail does not include two warrants in USD and two warrants in CHF issued as of June 30th, 2023, amounting a positive value of EUR 484 thousands.

2022		
Currency	**Number of Issues**	**Fair Value (Thousands of Euros) (*)**
USD	3,214	2,791,167
EUR	568	1,140,835
GBP	460	353,807
CHF	49	110,534
COP	8	80,052
PEN	6	21,412
MXN	5	241,633
HKD	3	7,469
SEK	2	1,266
JPY	2	560
PLN	1	8,352
MXV	1	57,742
Total Issues as of December 31, 2022	**4,319**	**4,814,829**

(*) This detail does not include three warrants in US dollars issued as of December 31st, 2022, amounting a positive value of EUR 263 thousands.

During the six-month period ended on June 30th, 2023, full early redemption was applied for 748 outstanding issues (724 outstanding issues during the year ended December 31st, 2022). The detail of those issues is included in “Note 8 - Deposits due from Parent”.

During the six-month period ended on June 30th, 2023, and the year ended December 31st, 2022, 52 and 335 outstanding issues, respectively, were partially redeemed and, therefore, the Company partially cancelled the associated deposits to those issues. The detail of those issues is included in “Note 8 – Deposits due from Parent”.

A detail of issues made by the Company during the six-month period ended June 30th, 2023, and the year ended December 31st, 2022 with maturity in the same issuance year is included in “Note 8 – Deposits due from Parent”.

All the securities issued outstanding as of June 30th, 2023, and December 31st, 2022 are listed.

10. Shareholder’s equity

The movement’s detail of shareholder’s equity during the period ended on June 30th, 2023 and the year ended December 31st, 2022 is presented in the “Statements of Changes in Equity”.

Issued Share Capital

The authorized share capital of the Company is EUR 90,000 divided into 900 ordinary shares of EUR 100 par value each, fully paid, The Company is a direct wholly-owned subsidiary of Banco Bilbao Vizcaya Argentaria, S.A. and does not have any subsidiaries of its own.

11. Financial instruments

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

Interest rate risk management

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

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

Fair value of financial instruments

As of June 30th, 2023 the floating interest rate deposits at Parent (see Note 8) are related to the Company´s debt instruments, the return on which is based on floating interest rates as appropriate.

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

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

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

	June 30th 2023			December 31st 2022					
	Carrying Amount	**Level 2**	**Level 3**	**Carrying Amount**	**Level 2**	**Level 3**	**Valuation technique(s)**	**Observable inputs**	**Unobservable inputs**
ASSETS									
Long and short term deposits due from Parent	**6,049,569**	**4,728,790**	**1,320,779**	**4,815,092**	**3,796,986**	**1,018,106**			
Loans and advances	6,049,569	4,728,790	1,320,779	4,815,092	3,796,986	1,018,106	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates
Interest rate derivatives							Interest rate products (Interest rate swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate options: Black, Hull-White and LGM Constant Maturity Swaps: SABR	- Exchange rates - Current market interest rates - Underlying assets prices: shares, funds, etc. - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity derivatives (*)							Equity Options: Local Volatility, Black, Momentum adjustment, Heston Stochvol model.		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long-term repos
Credit derivatives							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility

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

	June 30th 2023			December 31st 2022					
	Carrying Amount	**Level 2**	**Level 3**	**Carrying Amount**	**Level 2**	**Level 3**	**Valuation technique(s)**	**Observable inputs**	**Unobservable inputs**
LIABILITIES									
Long and short term debt securities issued	**6,049,569**	**4,728,790**	**1,320,779**	**4,815,092**	**3,796,986**	**1,018,106**			
Debt securities	6,049,569	4,728,790	1,320,779	4,815,092	3,796,986	1,018,106	Present-value method (Discounted future cash flows)	- Prepayment rates - Issuer's credit risk - Current market interest rates	- Prepayment rates
Interest rate derivatives							Interest rate products (Interest rate swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black Swaptions: Black, Hull-White and LGM Other Interest rate options: Black, Hull-White and LGM Constant Maturity Swaps: SABR		- Beta - Implicit correlations between tenors - Interest rates volatility
Equity derivatives (*)							Equity Options: Local Volatility, Black, Momentum adjustment, Heston Stochvol model.	- Exchange rates - Current market interest rates - Underlying assets prices: shares, funds, etc. - 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
Credit derivatives							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility

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

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

Main valuation techniques

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

- The net present value (net present value method): This technique uses the future cash flows of each financial instrument, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:

  a. Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.

  b. Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.

- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.

- Net asset value: This technique utilizes certain assumptions to use net asset value as representative of fair value, which is equal to the total value of the assets and liabilities of a fund published by the managing entity.

- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS (Credit Default Swaps). The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.

- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and Swaptions where the behavior of the Forward and not the Spot itself, is directly modeled.

- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.

- Heston: This model, typically applied to equity OTC options, assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.

- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input “Credit default volatility” is a volatility input of the credit factor dynamic applied in rate/credit hybrid operative. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.

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

Unobservable inputs

Quantitative information of unobservable inputs used to calculate level 3 valuations is presented below as of June 30th, 2023 and December 31st, 2022.

Unobservable inputs, June 2023

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

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

Unobservable inputs, December 2022

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

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

<u>Transfers between levels</u>

The financial instruments transferred between the different levels of measurement for the six-month period ended June 30th, 2023 and the year ended December 31st, 2022 are recorded at the following amounts:

<u>As of June 30th, 2023:</u>

	From:	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS							
Deposits due from Parent		-	-	-	605,937	-	448,838
LIABILITIES							
Debt securities issued		-	-	-	605,937	-	448,838

<u>As of December 31st, 2022:</u>

	From:	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
ASSETS							
Deposits due from Parent		-	-	-	493,752	-	116,618
LIABILITIES							
Debt securities issued		-	-	-	493,752	-	116,618

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

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

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

During the first six months of 2023, there is a slight net increase in Level 3 positions, mainly due to the increase in non-observability inputs in certain underlying assets with Vega Equity and correlation with Equity risk factors sensitivity, affecting the total non-observability of those notes whose coupons are linked to equity volatility or equity correlation variables.

Level 3 fair value

The changes in the balance of Level 3 financial assets and liabilities included in the accompanying statements of financial position during the six-month period ended June 30th, 2023, and the year ended December 31st, 2022, are as follows:

	June 30th, 2023		December 31st, 2022	
	Assets	**Liabilities**	**Assets**	**Liabilities**
Balance at the beginning	**1,018,106**	**1,018,106**	**379,294**	**379,294**
Changes in fair value recognized in profit and loss	35,895	35,895	(80,217)	(80,217)
Changes in fair value not recognized in profit and loss	-	-	-	-
Acquisitions, disposals and liquidations	109,679	109,679	341,895	341,895
Net transfers to Level 3	157,099	157,099	377,134	377,134
Exchanges differences and others	-	-	-	-
Balance at the end	**1,320,779**	**1,320,779**	**1,018,106**	**1,018,106**

Sensitivity Analysis

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

As of June 30th, 2023, the effect on profit for the period 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:

	Potential impact on income statement	
	Most favourable hypothesis	**Least favourable hypothesis**
ASSETS		
Long and short term deposits due from Parent		
Loans and advances	-	-
Interest rate derivatives	2	(2)
Equity derivatives	1,118	(1,118)
Credit derivatives	34	(34)
Total	**1,154**	**(1,154)**
LIABILITIES		
Long and short term debt securities issued		
Debt securities	-	-
Interest rate derivatives	2	(2)
Equity derivatives	1,118	(1,118)
Credit derivatives	34	(34)
Total	**1,154**	**(1,154)**

12. Personnel

The Company had no employees during the six-month period ended June 30th, 2023 and the year ended on December 31st, 2022. The Managing Directors are employees at Banco Bilbao Vizcaya Argentaria, S.A. All administrative and accounting tasks are performed by employees of the Parent Company.

13. Operating segments

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

14. Auditor’s remuneration

The auditor’s remuneration for year 2022 amounted to EUR 40 thousand. These interim financial statements of the Company are not audited.

15. Tax matters

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

The Company qualifies since 1st January 2015 to the Special Regime of Group Entities (REGE for its acronym in Spanish) pursuant to the provisions of article 163 and followings of the 37/1992 Law of Value Added Tax. According to this Law, the tax base of the services granted in Spain within the Group is made up of the costs of the services incurred, in which VAT has been supported, and therefore the entity can deduct the whole VAT supported. The right to deduct is of the Company, the parent entity (BBVA, S.A.) is the legal representative of the group.

At the date of preparation of these interim financial statements, the Company has open for inspection by tax authorities the last four years for the taxes that are applicable to the Company.

Current Balances with Public Administrations

The composition of the current balances with the Public Administrations as of June 30th, 2023 and December 31st, 2022 is as follows:

	Thousands of Euros	
	June 30th 2023	**December 31st 2022**
ASSETS:		
Input VAT	3	3
	3	**3**
LIABILITIES:		
Current Income Tax	-	-
Withholding Tax	-	8
	-	**8**

Reconciliation between taxable income and taxable corporate income tax

The breakdown of the account reconciliation between taxable income and taxable corporate income tax as of June 30th, 2023 and December 31st, 2022 is as follows:

	Thousands of Euros	
	June 30th 2023	**December 31st 2022**
Profit before taxes	-	2
Permanent differences		
Increases	-	-
Decreases	**-**	**-**
Adjusted profit	**-**	**2**
Temporary differences		
Increases	-	-
Decreases	-	-
Set-off of tax losses	**-**	**-**
Taxable base	**-**	**2**
Tax rate	30 %	30 %
Gross tax payable	**-**	**1**
Deductions	-	-
Tax withholdings and pre-payments	-	**-**
Net tax payable	**-**	**1**

Corporate income tax expense

Below is the calculation of the Company Tax expense for the six-month period ended June 30th, 2023 and 2022:

	Thousands of Euros	
	June 30th 2023	**June 30th, 2022**
Taxable base	**-**	**(3)**
30% on the taxable base	-	-
Impact due to temporary differences	-	-
Deduction due to double taxation	-	-
Tax accrued in the fiscal year	**-**	**-**
(Activation) / Set-off activated tax loss carry forward	-	-
Adjust due to Corporate Income Tax on variation of temporary difference	-	-
Adjust due to Corporate Income Tax in previous fiscal years	-	-
Expense/(Income) due to Corporate Income Tax	**-**	**-**

As of June 30th, 2023, and December 31st, 2022, the Company presents a deferred tax asset amounting EUR 322 thousand and EUR 322 thousand, respectively, included in the heading “Other long-term assets” of the statement of financial position (see Note 16).

16. Related party balances and transactions

The detail of the main balances and transactions made by the Company on an arm’s length basis as of June 30th, 2023 and December 31st, 2022, respectively, correspond in full to balances and transactions with the sole-shareholder, Banco Bilbao Vizcaya Argentaria, S.A., and are as follows:

Thousands of Euros	**June 30th 2023**	**December 31st 2022**
STATEMENTS OF FINANCIAL POSITION		
Assets		
Long-Term deposits due from Parent (Note 8)	4,176,799	3,612,231
Short-Term part of deposits due from Parent (Note 8)	1,872,770	1,202,861
Other assets	444	271

The detail of the main transactions made by the Company on an arm’s length basis during the six-month period ended June 30th, 2023 and 2022, respectively, correspond in full to transactions with the sole-shareholder, Banco Bilbao Vizcaya Argentaria, S.A., and are as follows:

Thousands of Euros	**June 30th 2023**	**June 30th 2022**
STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME:		
Income/(Expenses)		
Gains / (Losses) on financial assets designated at fair value through profit or loss (Note 8)	674,244	(1,155,005)
Other operating income	285	129
Credit account interest expense	(6)	(4)

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

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

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

17. Proposed appropriation of results

The result of the six-month period ended on June 30th, 2023, is included in the shareholder's equity as "Result of the period". As of April 27th, 2023 the shareholder adopted the decision of including the net result for the year ended December 31st, 2022 in "Shareholder´s equity" as "Other reserves".

18. Post balance sheet events

From July 1st, 2023 to the date of preparation of these interim financial statements, no other subsequent events have taken place that could significantly affect the Company's earnings or its equity position.

19. Remuneration of directors

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

Name	Position of the Company	Present Principal Occupation Outside of the Company
Marian Coscarón Tome	Managing Director	Head of Global Structured Securities of BBVA
Christian Hojbjerre Mortensen	Managing Director	Global Structured Securities manager of BBVA

20. Sign off

Madrid, September 27th, 2023

Board of Directors:

Marian Coscarón Tomé

Christian Hojbjerre Mortensen

OTHER INFORMATION

Statutory provisions concerning the appropriation of results

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