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# UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

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## FORM 20-F

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REGISTRATION STATEMENT PURSUANT TO SECTION 12(b) OR (g) OF THE SECURITIES EXCHANGE ACT OF 1934

OR

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2022

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_ to \_\_\_

OR

SHELL COMPANY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Date of event requiring this shell company report

Commission file number: 1-10110

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# BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

(Exact name of Registrant as specified in its charter)

# BANK BILBAO VIZCAYA ARGENTARIA, S.A.

(Translation of Registrant's name into English)

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**Kingdom of Spain**

(Jurisdiction of incorporation or organization)

**Calle Azul, 4**

**28050 Madrid**

**Spain**

(Address of principal executive offices)

**Rafael Salinas Martínez de Lecea**

**Calle Azul, 4**

**28050 Madrid**

**Spain**

**Telephone number +34 91 537 7000**

(Name, Telephone, E-mail and /or Facsimile Number and Address of Company Contact Person)



Securities registered or to be registered pursuant to Section 12(b) of the Act.

<u>Title of Each Class</u>	<u>Trading Symbol</u>	<u>Name of Each Exchange on which Registered</u>
American Depositary Shares, each representing the right to receive one ordinary share, par value €0.49 per share	BBVA	New York Stock Exchange
Ordinary shares, par value €0.49 per share	BBVA*	New York Stock Exchange*
0.875% Fixed Rate Senior Notes due 2023	BBVA 23	New York Stock Exchange
1.125% Fixed Rate Senior Notes due 2025	BBVA 25	New York Stock Exchange
5.862% Fixed Rate Senior Non-Preferred Notes due 2026	BBVA 26A	New York Stock Exchange
6.138% Fixed Rate Senior Non-Preferred Notes due 2028	BBVA 28	New York Stock Exchange

\* The ordinary shares are not listed for trading, but are listed only in connection with the registration of the American Depositary Shares, pursuant to requirements of the New York Stock Exchange.

Securities registered or to be registered pursuant to Section 12(g) of the Act.

None

Securities for which there is a reporting obligation pursuant to Section 15(d) of the Act.

<u>Title of Each Class</u>	<u>Name of Each Exchange on which Registered</u>
Series 6 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities	Irish Stock Exchange
Series 9 Non-Step-Up Non-Cumulative Contingent Convertible Perpetual Preferred Tier 1 Securities	Irish Stock Exchange

The number of outstanding shares of each class of stock of the Registrant as of December 31, 2022, was:

Ordinary shares, par value €0.49 per share—6,030,116,564

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

If this report is an annual or transition report, indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934.

Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (Section 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No



Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or an emerging growth company. See definition of “large accelerated filer,” “accelerated filer,” and “emerging growth company” in Rule 12b-2 of the Exchange Act.:

Large accelerated filer  Accelerated filer  Non-accelerated filer  Emerging growth company

If an emerging growth company that prepares its financial statements in accordance with U.S. GAAP, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

The term “new or revised financial accounting standard” refers to any update issued by the Financial Accounting Standards Board to its Accounting Standards Codification after April 5, 2012.

Indicate by check mark whether the registrant has filed a report on and attestation to its management’s assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the registrant’s executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark which basis of accounting the registrant has used to prepare the financial statements included in this filing:

U.S. GAAP

International Financial Reporting Standards as  
Issued by the International Accounting Standards  
Board

Other

If “Other” has been checked in response to the previous question, indicate by check mark which financial statement item the registrant has elected to follow.

Item 17  Item 18

If this is an annual report, indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

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**BANCO BILBAO VIZCAYA ARGENTARIA, S.A.**

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## CERTAIN TERMS AND CONVENTIONS

The terms below are used as follows throughout this report:

- “**BBVA**”, the “**Bank**”, the “**Company**”, the “**Group**”, the “**BBVA Group**” or first person personal pronouns, such as “we”, “us”, or “our”, mean Banco Bilbao Vizcaya Argentaria, S.A. and its consolidated subsidiaries unless otherwise indicated or the context otherwise requires.
- “**BBVA Mexico**” means Grupo Financiero BBVA Bancomer, S.A. de C.V. and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.
- “**BBVA USA**” means BBVA USA Bancshares, Inc. and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.
- “**Consolidated Financial Statements**” means our audited consolidated financial statements as of and for the years ended December 31, 2022, 2021 and 2020, prepared in compliance with the International Financial Reporting Standards as issued by the International Accounting Standards Board (“**IFRS-IASB**”) and in accordance with the International Financial Reporting Standards adopted by the European Union (“**EU-IFRS**”) required to be applied under the Bank of Spain’s Circular 4/2017 (as defined herein).
- “**Garanti BBVA**” means Türkiye Garanti Bankası A.Ş., and its consolidated subsidiaries, unless otherwise indicated or the context otherwise requires.
- “**Latin America**” refers to Mexico and the countries in which we operate in South America and Central America.

In this report, “\$”, “**U.S. dollars**”, and “**dollars**” refer to United States Dollars and “€” and “**euro**” refer to Euro.

## CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Annual Report contains statements that constitute forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended (the “**Securities Act**”), Section 21E of the U.S. Securities Exchange Act of 1934, as amended (the “**Exchange Act**”), and the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements can be identified by the use of forward-looking terminology such as “believe”, “expect”, “estimate”, “project”, “anticipate”, “should”, “intend”, “probability”, “risk”, “VaR”, “target”, “goal”, “objective”, and “future” or by the use of similar expressions or variations on such expressions, or by the discussion of strategy or objectives. Forward-looking statements are based on current plans, estimates and projections, are not guarantees of future performance and are subject to inherent risks, uncertainties and other factors that could cause actual results to differ materially from the future results expressed or implied by such forward-looking statements. The accompanying information in this Annual Report, including, without limitation, the information under the items listed below, identifies important factors that could cause such differences:

- “Item 3. Key Information—Risk Factors”;
- “Item 4. Information on the Company”;
- “Item 5. Operating and Financial Review and Prospects”; and
- “Item 11. Quantitative and Qualitative Disclosures About Market Risk”.

Other important factors that could cause actual results to differ materially from those expressed or implied by forward-looking statements include, among others:

- the deterioration of economic conditions or the alteration of the institutional environment of the countries in which we operate, especially Spain, Mexico and Turkey, including any adverse developments, or the perception that such developments may occur, regarding credit quality, public debt sustainability and sovereign ratings, particularly Spain’s, among other factors;
- the intensity of geopolitical and economic risks in recent years as a result of, among other factors, US-China trade tensions, Brexit, the rise of populism and Russia’s invasion of Ukraine, which has led to significant disruption, instability and volatility in global markets, as well as higher inflation (including by contributing to further increases in the prices of energy, oil and other commodities and further disrupting supply chains) and lower or negative growth;
- changes or volatility in interest rates, foreign exchange rates, asset prices, equity markets, commodity prices, inflation or deflation and, in particular, as of the date of this Annual Report, the depreciation of the currencies of the non-euro geographical areas in which we operate, high inflation, stagflation due to more intense or prolonged supply crises, interest rate increases in most of the geographical areas where we operate (which may impact default rates) and interest rate cuts in Turkey (which may affect our margins);
- adverse developments in emerging economies, in particular Latin America and Turkey, including unfavorable political and economic developments, social instability and changes in governmental policies, including expropriation, nationalization, exchange controls or other limitations on the distribution or repatriation of dividends, international ownership legislation, interest rate caps, fee caps and tax policies;
- downgrades in our credit ratings or in sovereign credit ratings, particularly Spain’s credit ratings;
- the monetary, interest rate and other policies of central banks, and the trade, economic and other policies of governments, in the EU, Spain, Mexico, Turkey, the United States and elsewhere;
- adjustments in the real estate markets in the geographical areas in which we operate, in particular in Spain, Mexico and Turkey;
- the success of our acquisitions and investments (including our acquisition in May 2022 of an additional 36.12% stake in Garanti BBVA, which has resulted in BBVA’s stake in Garanti BBVA increasing to 85.97%), divestitures (including the sale in June 2021 of BBVA USA as well as other companies of the BBVA Group in the United States with activities related to the banking business), mergers, joint ventures and strategic alliances;
- the impact of the coronavirus (COVID-19) pandemic, new waves of contagion, the emergence of new strains, and the measures adopted by governments and the private sector in connection therewith on our business and the economy;

- the effects of competition in the markets in which we operate, which may be influenced by regulation or deregulation affecting us or our competitors, and our ability to implement technological advances;
- our ability to comply with various legal and regulatory regimes and the impact of applicable laws and regulations on our operations, including capital, resolution, liquidity and provision requirements and the increasing tax burden;
- changes in consumer spending and savings habits, including changes in government policies which may influence spending, saving and investment decisions;
- our ability to continue to access sources of liquidity and funding, including public sources of liquidity such as the funding provided by the European Central Bank (“**ECB**”) under its programs, and our ability to receive dividends and other funds from our subsidiaries;
- our ability to hedge certain risks economically;
- our ability to address physical, regulatory, reputational, transition and business risks associated with climate change and emerging and developing environmental, social and governance standards;
- our ability to make payments on certain substantial unfunded amounts relating to commitments with personnel;
- the performance of our international operations and our ability to manage such operations;
- weaknesses or failures in our Group’s internal or outsourced processes, systems (including information technology systems) and security;
- weaknesses or failures of our anti-money laundering or anti-terrorism programs, or of our internal policies, procedures, systems and other mitigating measures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations;
- security breaches, including cyber-attacks and identity theft;
- the outcome of legal and regulatory actions and proceedings, both those to which the Group is currently exposed and any others which may arise in the future, including actions and proceedings related to former subsidiaries of the Group or in respect of which the Group may have indemnification obligations;
- actions that are incompatible with our ethics and compliance standards, and our failure to timely detect or remedy any such actions;
- uncertainty surrounding the integrity and continued existence of reference rates and the transition away from the Euro Interbank Offered Rate (EURIBOR), Euro OverNight Index Average (EONIA) and London Inter-bank Offered Rate (LIBOR) to new reference rates;
- our success in managing the risks involved in the foregoing, which depends, among other things, on our ability to anticipate events that are not captured by the statistical models we use; and
- *force majeure* and other events beyond our control.

Readers are cautioned not to place undue reliance on such forward-looking statements, which speak only as of the date hereof. We undertake no obligation to release publicly the result of any revisions to these forward-looking statements which may be made to reflect events or circumstances after the date hereof, including, without limitation, changes in our business, strategy or expectations, including as a result of the occurrence of unanticipated events.

## PRESENTATION OF FINANCIAL INFORMATION

Under Regulation (EC) no. 1606/2002 of the European Parliament and of the Council of July 19, 2002, all companies governed by the law of an EU Member State and whose securities are admitted to trading on a regulated market of any Member State must prepare their consolidated financial statements for the years beginning on or after January 1, 2005 in conformity with EU-IFRS. The Bank of Spain issued Circular 4/2017 of November 27, 2017 (“**Circular 4/2017**”), on Public and Confidential Financial Reporting Rules and Formats, which requires Spanish credit institutions to adapt their accounting system to the principles derived from the adoption of EU-IFRS.

There are no differences between EU-IFRS required to be applied under the Bank of Spain’s Circular 4/2017 and IFRS-IASB for the years ended December 31, 2022, 2021 and 2020. The Consolidated Financial Statements included in this Annual Report have been prepared in compliance with IFRS-IASB and in accordance with EU-IFRS required to be applied under the Bank of Spain’s Circular 4/2017.

For a description of our critical accounting policies, see “*Item 5. Operating and Financial Review and Prospects—Critical Accounting Policies*” and Note 2.2 to our Consolidated Financial Statements.

The financial information as of and for the years ended December 31, 2021 and 2020 may differ from previously reported financial information as of such dates and for such periods in our respective annual reports on Form 20-F for certain prior years, as a result of certain of the modifications referred to in the section “*Changes in Accounting Policies*” herein. Further, during the first quarter of 2021, we changed the reporting structure of the BBVA Group’s operating segments compared with that presented in our annual report on Form 20-F for the year ended December 31, 2020, mainly as a consequence of the elimination of the United States operating segment. As a result thereof, we created a new segment called “Rest of Business” which included the business previously included in our “Rest of Eurasia” segment (which was eliminated) and the BBVA Group’s remaining business in the United States (which was excluded from the scope of the USA Sale (as defined herein)), except for the Group’s stake in the venture capital fund Propel Venture Partners (as defined herein), which was reallocated to our Corporate Center. These changes required the revision of segment information as of and for the year ended December 31, 2020.

### Designation of Turkey as a Hyperinflationary Economy

Since the first half of 2022, the Turkish economy is considered hyperinflationary, resulting in the Group having applied hyperinflation accounting in accordance with IAS 29 “Financial reporting in hyperinflationary economies” in respect thereof with effect from January 1, 2022 with respect to the financial statements of the BBVA Group’s entities located in Turkey<sup>1</sup>. In addition, all the components of the financial statements of such entities (including income statement items) (in each case, for any period in which the Turkish economy was considered to be hyperinflationary) are converted at the relevant period-end exchange rate for inclusion in our Consolidated Financial Statements, and the resulting conversion differences are recorded within “Accumulated other comprehensive income (loss)” as stated in IAS 21. The net result derived from the application of IAS 29 and IAS 21 in Turkey for the year ended December 31, 2022 amounts to a loss of €2,711 million, of which €1,793 million is attributed to the parent company of the Group. This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €2,323 million and is recorded in the line “Other operating expense” in the consolidated income statement, partially offset by the positive impact of the revaluation of certain bonds linked to inflation, for a gross amount of €1,490 million, given that, under IAS 29, these types of bonds are considered protective assets. See Note 2.2.19 to our Consolidated Financial Statements for information on the application of IAS 29 and IAS 21 to hyperinflationary economies.

The first application of IAS 29 in the Turkish subsidiaries led to an increase in equity of €130 million as of January 1, 2022, and is mainly the result of the revaluation of tangible assets and inflation-linked bonds.

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<sup>1</sup> IAS 29 does not apply to the operations outside Turkey of the Türkiye Garanti Bankası A.Ş. group of companies, and in particular to the financial statements of Garanti Bank S.A. in Romania and GarantiBank International N.V. in the Netherlands.

## **Changes in Accounting Policies**

### ***Hyperinflationary economies - IAS 29***

In 2020, in light of the interpretation issued by the International Financial Reporting Interpretations Committee (“**IFRIC**”) in its “**IFRIC Update**” of March 2020 on IAS 29 “Financial information in hyperinflationary economies”, the Group made an accounting policy change such that for all periods presented, the differences generated when translating the restated financial statements of the subsidiaries in hyperinflationary economies into euros are included in the line item “Accumulated other comprehensive income – Items that may be reclassified to profit or loss – Foreign currency translation” of our consolidated balance sheets. Since 2009 and 2018, respectively, the Argentine and Venezuelan economies were considered to be hyperinflationary as defined by IAS 29. In addition, as discussed above, since the first half of 2022, the Turkish economy was considered to be hyperinflationary. See “—*Designation of Turkey as a Hyperinflationary Economy*” for information on the related impact in the Consolidated Financial Statements. In addition, all the components of the financial statements (including income statement items) of entities located in such countries (in each case, for any period in which the relevant economy was considered to be hyperinflationary) are converted at the relevant period-end exchange rate for inclusion in our Consolidated Financial Statements, and the resulting conversion differences are recorded within “Accumulated other comprehensive income (loss)” as stated in IAS 21.

The net result derived from the application of accounting for IAS 29 and IAS 21 in Argentina for the year ended December 31, 2022 amounted to a loss of €1,031 million, of which €694 million is attributed to the parent company of the Group (for the years ended December 31, 2021 and 2020 this result amounted to a loss of €258 million and €174 million, respectively).

The net result derived from the application of accounting for IAS 29 and IAS 21 in Venezuela for the year ended December 31, 2022 amounted to a loss of €11 million, of which €6 million is attributed to the parent company of the Group (for the years ended December 31, 2021 and 2020 this result amounted to a loss of €6 million and €5 million, respectively).

See Note 2.2.19 to our Consolidated Financial Statements for additional information on the application of IAS 29 to hyperinflationary economies.

### ***New definition of default***

In 2021, the Group updated its definition of default for internal credit risk management purposes to conform to that set forth in the European Banking Authority (“**EBA**”) Guidelines, in compliance with article 178 of Regulation (EU) No 575/2013 (CRR). As a result thereof, the Group deemed it appropriate to update the definition of credit-impaired asset (Stage 3), considering it a change in accounting estimate, so that such definition continues to be substantially consistent with the definition of default used for internal credit risk management.

The Group estimated that the update in the definition of credit-impaired asset (Stage 3) led to an increase of €1,262 million in impaired financial assets as of December 31, 2021. The impact of this change on expected credit losses was not considered to be significant, since most of the affected transactions were previously classified within Stage 2 and, consequently, their credit risk coverage already corresponded to the expected credit losses throughout the expected lifetime of the transactions. For a discussion of certain accounting standards applicable to loss allowances on financial assets and the method for calculating expected credit loss, see Note 2.2.1 to our Consolidated Financial Statements. See also “*Item 4. Information on the Company—Selected Statistical Information—ASSETS—Impaired loans*” and “*Item 5. Operating and Financial Review and Prospects—Operating Results*”.

### ***(Reverse) repurchase agreements recognition***

In 2021, certain repurchase agreements and reverse repurchase agreements are presented on a net basis in the consolidated balance sheet by offsetting certain financial assets (reverse repurchase agreements) with certain financial liabilities (repurchase agreements). In order to make the information as of December 31, 2020 comparable with the information as of December 31, 2021, the information as of December 31, 2020 was adjusted by reducing “Total assets” and “Total liabilities” by €2,379 million.

### ***IFRS 16—Leases – COVID-19 modifications***

On May 28, 2020, the IASB approved an amendment to IFRS 16 which provides an optional exemption for lessees from assessing whether rent concessions that occur due to COVID-19 (including payment holidays and deferrals of lease payments for a period of time, in each case in connection with payments due on or before June 30, 2020) are lease modifications. For additional information, see Note 2.3 to the Consolidated Financial Statements.

This amendment was effective from June 1, 2020 and was endorsed by the European Union. The amendment, which was applied by the Group, had no significant impact on the Consolidated Financial Statements of the Group.



## Changes in Intra-Group Adjustments

During the first half of 2022, we changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas. In addition, a team from the Global Markets unit was transferred from Spain to New York, with the corresponding transfer of the costs associated with this reallocation from the Spain business area to other business areas. The impact of these intra-group adjustments was not material and segment figures as of December 31, 2021 and 2020 and for the years then ended have not been revised to reflect the new allocation criteria.

## Voluntary Takeover Bid for the Entire Share Capital of Türkiye Garanti Bankası A.Ş.

On November 15, 2021, BBVA announced a voluntary takeover bid (“VTB”) addressed to the holders of the 2,106,300,000 shares<sup>2</sup> of Garanti BBVA not controlled by BBVA, which represented 50.15% of Garanti BBVA’s total share capital. BBVA submitted for authorization an application for the VTB to the supervisor of the securities markets in Turkey (Capital Markets Board of Turkey, “CMB”) on November 18, 2021.

On March 31, 2022, CMB approved the relevant information memorandum and on the same day BBVA announced the start of the VTB acceptance period on April 4, 2022. On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA’s share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390 million<sup>3</sup> including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired). The transaction has resulted in a capital gain of approximately €924 million (including the impacts after the application of IAS 29, see Note 2.2.19 to our Consolidated Financial Statements). An amount of €3,609 million has been recorded under the heading “Other reserves” and there was a reclassification to “Accumulated other comprehensive income (loss)” corresponding to the 36.12% acquired from “Minority interests” to “Accumulated other comprehensive income (loss)” of the parent company amounting to a loss of €2,685 million. The total derecognition associated with the transaction of the heading “Minority interests” considering “Other items” and “Accumulated other comprehensive income (loss)” amounted to a loss of €2,541 million. The percentage of total share capital of Garanti BBVA owned by BBVA (after the completion of the VTB on May 18) is 85.97%.

## Agreement on the Collective Layoff Procedure

On June 8, 2021, BBVA reached an agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain on April 13, 2021, which would affect a maximum of 2,935 employees. The agreement also included the closing of 480 offices (all closed as of June 30, 2022). Ultimately, by the time the procedure was over, 2,899 employees had accepted the agreement and effectively departed BBVA. The cost of the process amounted to a €994 million expense before taxes for the year ended December 31, 2021 (€754 million corresponding to the collective layoff and €240 million to the closing of offices, respectively) which was recognized under the headings “Provisions or reversal of provisions and other results”, “Impairment or reversal of impairment on non-financial assets” and “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” of the BBVA Group and under the heading “Profit / (loss) from discontinued operations, net and Other” of the Corporate Center. See Note 24 to our Consolidated Financial Statements.

## Sale of BBVA USA Bancshares, Inc.

On June 1, 2021, after obtaining the relevant regulatory authorizations from the competent authorities, BBVA completed the sale of 100% of the share capital in its subsidiary BBVA USA Bancshares, Inc., which in turn owned 100% of the share capital in BBVA USA, as well as other companies of the BBVA Group in the United States with activities related to this banking business, to The PNC Financial Services Group, Inc. (the “USA Sale”).

The consideration received in cash by BBVA as a consequence of the USA Sale amounted to approximately \$11,500 million (the price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately €9,600 million (at an exchange rate of \$1.20 per euro).

The results obtained by BBVA USA Bancshares, Inc. were consolidated in the Group’s results during the first five months of 2021, until completion of the USA Sale on June 1, 2021. The accounting for both the results generated by BBVA USA Bancshares, Inc. in the first five months of 2021 and the gain on sale at closing of the transaction resulted in a cumulative profit net of taxes of €280 million in the year ended December 31, 2021, which was recorded under the heading “Profit / (loss) from discontinued operations, net”, and in a positive impact on the BBVA Group’s Common Equity Tier 1 (fully loaded) ratio of approximately 294 basis points as of December 31, 2021. See Notes 3 and 21 to our Consolidated Financial Statements and “Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group”.

<sup>2</sup> All references to “shares” or “share” shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

<sup>3</sup> Using the effective exchange rate of 16.14 Turkish lira per euro.





## Statistical and Financial Information

The following principles should be noted in reviewing the statistical and financial information contained herein:

- Average balances, when used, are based on the beginning and the month-end balances during each year. We do not believe that such monthly averages present trends that are materially different from those that would be presented by daily averages.
- Unless otherwise stated, any reference to loans refers to both loans and advances.
- Financial information with respect to segments or subsidiaries may not reflect consolidation adjustments.
- Certain numerical information in this annual report may not compute due to rounding. In addition, information regarding period-to-period changes is based on numbers which have not been rounded.

See “*Item 4. Information on the Company—Selected Statistical Information*” for information on how the information for BBVA USA has been treated for purposes of calculating the selected statistical information contained herein.

## **PART I**

### **ITEM 1. IDENTITY OF DIRECTORS, SENIOR MANAGEMENT AND ADVISERS**

#### **A. Director and Senior Management**

Not Applicable.

#### **B. Advisers**

Not Applicable.

#### **C. Auditors**

Not Applicable.

### **ITEM 2. OFFER STATISTICS AND EXPECTED TIMETABLE**

Not Applicable.

### **ITEM 3. KEY INFORMATION**

#### **A. Selected Consolidated Financial Data**

[Reserved]

#### **B. Capitalization and Indebtedness**

Not Applicable.

#### **C. Reasons for the Offer and Use of Proceeds**

Not Applicable.

## D. Risk Factors

### MACROECONOMIC AND GEOPOLITICAL RISKS

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

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey, which respectively represented 59.9%, 20.1% and 9.3% of the Group's assets as of December 31, 2022 (62.4%, 17.8% and 8.5% as of December 31, 2021, respectively, and 55.6%, 15.0% and 8.1%, as of December 31, 2020, respectively). Additionally, the Group is exposed to sovereign debt, especially sovereign debt related to these countries. Furthermore, in May 2022, the Group increased its shareholding stake in Türkiye Garanti Bankası A.Ş. (Garanti BBVA) from 49.85% to 85.97%. For summarized information on the macroeconomic conditions that these countries are currently facing, and which could significantly affect the Group, see "Item 5. Operating and Financial Review and Prospects—Operating Results—Operating Environment".

In addition to the significant macroeconomic problems triggered by the COVID-19 pandemic, the global economy is currently facing a number of extraordinary challenges. Russia's invasion of Ukraine, the largest military attack on a European state since World War II, has led to significant disruption, instability and volatility in global markets, as well as higher inflation (including by contributing to further increases in the prices of oil, gas and other commodities and further disrupting supply chains) and lower economic growth. The European Union, the United States and other governments have imposed significant sanctions and export controls against Russia and Russian interests and additional sanctions and controls may be imposed in the future.

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

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

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

The Group bears, among others, the following general risks with respect to the economic and institutional environment of the countries in which it operates: a deterioration in economic activity, including recession scenarios; more persistent inflationary pressures, which could trigger a more severe tightening of monetary conditions; the depreciation of local currencies, particularly the Turkish lira and the Mexican peso; the deterioration of the real estate market, to which the Group remains significantly exposed in Spain and, to a lesser extent, in Mexico and Turkey; depressed disposable income levels, including as a result of the impact of high oil and gas prices on areas that are net energy importers, such as Spain or Turkey; changes in regulatory or government policies, including in terms of exchange controls and restrictions on the distribution of dividends or the imposition of new taxes or charges; excessive public debt or external deficit, which could lead to a downward revision of the credit ratings of the sovereign debt or a default or restructuring of said debt; and episodes of market volatility, any of which could expose the Group to significant losses.

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



***Pandemics like the COVID-19 pandemic could have a material adverse effect on the Group's business, financial condition and results of operations***

The COVID-19 (coronavirus) pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates. Among other challenges, these countries have had to deal with supply disruptions and increasing inflationary pressures, while public debt has increased significantly due to the support and spending measures implemented by government authorities. Furthermore, there has been an increase in loan losses from both companies and individuals, which has been slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures (see “Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—The COVID-19 Pandemic”).

With the outbreak of COVID-19, the Group experienced a decline in its activity. For example, the granting of new loans to individuals decreased during lockdowns. In addition, in several countries, including Spain, the Group closed a significant number of its branches and reduced the opening hours of working with the public, with central services teams having to work remotely. Furthermore, the Group has been affected by the measures and recommendations adopted by regulatory authorities in the banking sector, such as variations in reference interest rates, the modification of prudential requirements, the temporary suspension of dividend payments, changes to the terms of bank payment deferrals and the granting of credit with public guarantee and changes to the terms of the financial assets purchase programs implemented by the ECB. The finalization of COVID-19 related public relief measures may result in the deterioration of the credit quality of certain borrowers, especially SMEs, which may result in higher loan-loss provisions by the Group, particularly in the context of rising interest rates.

Future pandemics (or a worsening of the COVID-19 pandemic) could be further detrimental to the Group. Furthermore, pandemics like the COVID-19 pandemic could adversely affect the business and operations of third parties that provide critical services to the Group and, in particular, the higher demand for and/or the lower availability of certain resources, compounded by any supply bottlenecks could make it more difficult for the Group to maintain the required service levels.

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

As a result of the above, a pandemic could have a material adverse effect on the Group's business, financial condition and results of operations.

***Political, economic and social conditions in Spain may have an adverse effect on our business, financial condition and results of operations***

The Group has historically carried out its lending activity mainly in Spain, which continues to be its primary business area. As of December 31, 2022, total risk in financial assets in Spain (calculated as set forth in Appendix IX (Additional information on risk concentration) of the Consolidated Financial Statements) amounted to €225,825 million, equivalent to 37% of the Group's total risk in financial assets. The Group's gross exposure of loans and advances to customers in Spain totaled €214,126 million as of December 31, 2022, representing 58% of the Group's total amount of loans and advances to customers. Following the sharp decline in economic activity in 2020, economic recovery has further deteriorated following the outbreak of the war in Ukraine. Measures adopted to support the economy as a result of the COVID-19 pandemic and, more recently, rising inflation, have given rise to concerns about the sustainability of very high public debt in the medium and long term. Moreover, the inflation rate was 5.7% in December 2022 (core inflation was 7.0%), with wages growing at a slower pace and structural unemployment remaining high. General elections will take place in December 2023 at the latest, and their outcome is uncertain.

Given the significance of the Group's exposure to Spain, any adverse change affecting political, economic and social conditions in Spain could have a material adverse effect on the Group's business, financial condition and results of operations.

***Political, economic and social conditions in Turkey may have an adverse effect on our business, financial condition and results of operations***

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

Turkey has, from time to time, experienced volatile political, economic and social conditions. Turkey is currently facing an economic crisis characterized by strong depreciation of the Turkish lira, high inflation (64.3% for the year ended December 31, 2022), a soaring trade deficit, depletion of the central bank's foreign reserves and rising external financing costs. The recent earthquakes of February 2023 are expected to deepen Turkey's economic struggles. In addition to the vast human losses, the earthquakes and government's response thereto are expected to add to mounting inflation and budget risks. Additionally, certain ongoing geopolitical tensions referred to in this section, as well as continuing regional conflicts (such as in Syria and in Armenia/Azerbaijan), may pose further strain on the country's economy. Continuing unfavorable economic conditions in Turkey, such as the elevated inflation and devaluation of the Turkish lira, may result in a potential deterioration in the purchasing power and creditworthiness of our clients (both individual and corporate). In addition, the Turkish central bank's repeated interest rate cuts in the midst of rising inflation and continued currency depreciation has affected and may continue to affect the Group's results.

Further, the Group may continue to be affected by regulation and measures specifically affecting the financial sector, such as the central bank's "liraization" strategy (which seeks to increase the weight of Turkish lira-denominated assets and liabilities of the banking system) and restrictions on the fees and commissions that may be charged to customers.

Challenges faced by the Turkish economy and any impositions on the Turkish banking sector may have a material adverse effect on the Group's business, financial condition and results of operations.

## **BUSINESS RISKS**

### ***The Group's businesses are subject to inherent risks concerning borrowers and counterparties' credit quality and the value of collateral***

The total maximum credit risk exposure of the Group (calculated as set forth in Note 7.2.2 to the Consolidated Financial Statements) as of December 31, 2022 was €816,778 million (€753,730 million and €747,145 million as of December 31, 2021 and 2020, respectively). The Group has exposures to many different products and counterparties (including borrowers), and the credit quality of its exposures can have a significant effect on the Group's earnings. Adverse changes in the credit quality of the Group's counterparties, including as a result of changes in their businesses, or any adverse changes in the value of the collateral they may have provided, may reduce the value of the Group's assets, and materially increase the Group's write-downs and loss allowances. Credit risk can be affected by a range of factors, including an adverse economic environment, a decrease in consumption or corporate or government spending, changes in the rating of individual contractual counterparties, their debt levels and the environment in which they operate, increased unemployment, higher commodity prices (especially of energy commodities), reduced asset values, increased retail or corporate insolvency levels, reduced corporate profits, changes in interest rates (as well as the timing, magnitude and pace of these changes), litigation and legal and regulatory developments.

In recent years, the Group's NPL ratio (3.4%, 4.1% and 4.2% as of December 31, 2022, 2021 and 2020, respectively) has benefited from the low interest rate environment, which has led to increased recoveries and repayments. Recent and any further interest rate increases will likely lead to a deterioration of the Group's NPL ratio and an increase in the Group's RWAs. See "*—The Group's business is particularly vulnerable to interest rates and is exposed to risks associated with the continuity of certain reference rates and the transition to alternative reference rates*".

Furthermore, economic deterioration typically results in a decrease in the price of real estate assets. The Group remains significantly exposed to the real estate market, mainly in Spain and, to a lesser extent, Mexico and Turkey, due to the fact that many of its loans are secured by real estate assets and due to the significant volume of real estate assets that it maintains on its balance sheet. A fall in the price of real estate assets in a particular region would reduce the value of any real estate securing loans granted by the Group in such region and, therefore, in the event of default, the amount of the expected losses related to such loans would increase. Further, a fall in real estate prices could have a material adverse effect on the default rates of the Group's residential mortgage and real estate developer credit portfolios. The balance of the Group's residential mortgage portfolio was €92,064 million at a global level as of December 31, 2022 (€91,324 million and €91,428 million as of December 31, 2021 and 2020, respectively), 73.2% of which related to Spain as of December 31, 2022. Further, the Group's corporate credit portfolios include real estate developers and constructors. As of December 31, 2022, the Group's exposure to the construction and real estate sectors (excluding the mortgage portfolio) in Spain was equivalent to €9,549 million, of which €1,861 million corresponded to loans for construction and development activities in Spain (representing 1.1% of the Group's loans and advances to customers in Spain (excluding the public sector) and 0.3% of the Group's consolidated assets as of December 31, 2022). The total real estate exposure (excluding the mortgage portfolio), including developer credit and foreclosed assets had a coverage ratio of 34% in Spain as of December 31, 2022.

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

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

The Group's results of operations are substantially dependent upon the level of its net interest income, which is the difference between interest income from interest-earning assets and interest expense on interest-bearing liabilities. It is possible that changes in market interest rates affect the Group's interest-earning assets differently from the Group's interest-bearing liabilities. This, in turn, may lead to a reduction in the Group's net interest margin, which could have a material adverse effect on its results. Moreover, changes in interest rates may affect the Group's credit risk exposure (see "*—The Group's businesses are subject to inherent risks concerning borrowers and counterparties' credit quality and the value of collateral*").

Interest rates are highly sensitive to many factors beyond the Group's control, including fiscal and monetary policies of governments and central banks, regulation of the financial sector, domestic and international economic and political conditions and other factors. The COVID-19 pandemic triggered a process of cuts in reference interest rates, which were then progressively reversed by central banks in order to combat inflation, with four interest rate increases implemented by the ECB since July 2022 through December 2022 and additional increases expected this year. However, interest rate increases are being implemented at a different pace across regions and it is possible that such increases could be reversed due to economic growth concerns or otherwise. The Group's results of operations have been affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, contributing both to a rise in net interest income and a rise in funding costs. Further increases in interest rates could adversely affect the Group by reducing the demand for credit, limiting its ability to generate credit for its clients and/or increasing the default rate of its borrowers and counterparties. In particular, the repayment capacity of loans tied to variable interest rates is more sensitive to changes in interest rates. As of December 31, 2022, 2021 and 2020, 49.2%, 50.2% and 53.2%, respectively, of the Group's gross exposure of loans and advances to customers with maturity greater than one year had floating-interest rates.

Moreover, the transition away from and discontinuation of interbank offer rates ("**IBORs**") could have an adverse effect on the Group. In recent years, international regulators have been driving a transition from the use of IBORs, including the London interbank offered rate ("**LIBOR**"), the euro interbank offered rate ("**EURIBOR**") and the euro overnight index average ("**EONIA**"), to alternative risk free rates ("**RFRs**"). This has resulted in regulatory reform and changes to existing IBORs, with further changes anticipated. These reforms and changes may cause an IBOR to perform differently than it has done in the past or to be discontinued. The Group is particularly exposed to EURIBOR-based financial instruments. However, as of December 31, 2022, the Group considers that there are limited transition risks relating to EURIBOR as it has been replaced by the hybrid EURIBOR which uses a methodology that meets the requirements of the European Regulation of Reference Indices.

Although the transition from EUR, CHF, JPY and GBP LIBOR has been carried out without any material impact on the Group, the Group continues to maintain financial assets and liabilities whose contracts are referenced to LIBOR USD including, among others, loans, deposits and debt issuances as well as underlying derivative financial instruments, and the Group continues to work to adapt or modify the related documentation. The uncertainty about the nature and extent of USD LIBOR reforms and changes, and how they might affect financial instruments, could negatively impact the valuation and/or trading of a wide range of financial instruments for which USD LIBOR is used, including securities, loans, deposits and derivative instruments based on USD LIBOR issued by the Group or otherwise included in the financial assets and liabilities of the Group. Such uncertainty may also affect the availability and cost of hedging instruments and debt.

The implementation of any alternative RFRs may be impossible or impracticable under the existing terms of certain financial instruments. Such transition could also result in pricing risks arising from how changes to reference rates could impact pricing mechanisms in some instruments, and could have an adverse effect on the value of, return on and trading market for such financial instruments and on the Group's profitability. In addition, the transition to RFRs will require important operational changes to the Group's systems and infrastructure, as all systems will need to account for the changes in the reference rates.

As a result of the foregoing, the evolution of interest rates and the transition to RFRs could have a material adverse effect on the Group's business, financial condition and results of operations.





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

The markets in which the Group operates are highly competitive and it is expected that this trend will continue in the coming years with the increasing entry of non-bank competitors (some of which have large client portfolios and strong brand recognition) and the emergence of new business models. In recent years, the financial services sector has undergone a significant transformation driven by the development of mobile technologies, the entry of new players into activities previously controlled by financial institutions and consolidation in the banking industry. Although the Group is making efforts to adapt to these changes through its digital transformation, its competitive position is affected by the fact that non-bank operators are less heavily regulated than banks such as BBVA. For example, banking groups are subject to prudential regulations that have implications for most of their businesses, including those in which they compete with non-bank operators (such as FinTechs or BigTechs) that are subject only to regulations specific to the activity they develop or that benefit from loopholes in the regulatory environment. Furthermore, when banking groups such as the Group carry out financial activities through the use of new technologies, they are generally subject to additional internal governance rules that place such groups at a competitive disadvantage.

Moreover, the widespread adoption of new technologies, including crypto currencies and alternative payment systems that do not use the banking system, could erode the Group's business or require the Group to make substantial investment to modify or adapt existing products and services, including its mobile and internet banking capabilities. Likewise, the increasing use of these new technologies and mobile banking platforms could have an adverse impact on the Group's investments in facilities, equipment and employees of the branch network. A faster pace of transformation towards mobile and online banking models could require changes in the Group's commercial banking strategy, including the closure, restructuring or sale of branches, and significant reductions in employees. These changes could result in significant expenses as the Group reconfigures or reduces its commercial network. In addition, the trend towards the consolidation in the banking industry has created larger banks with which the Group must compete. According to the Bank of Spain, as a result of consolidation in the banking industry, the ten largest banking entities managed 87% of customer deposits in Spain as of March 2022. Any failure by the Group to adapt to its competitive environment or to implement any necessary changes to its business model efficiently or on a timely basis could have a material adverse impact on the Group's competitive position or otherwise have a material adverse effect on the Group's business, financial condition and results of operations.

The future success of the Group depends, in part, on its ability to use technology to provide suitable products and services for customers. While the Group has focused on developing its technological capabilities in recent years and is committed to digitization, its ability to compete successfully is likely to be adversely affected by, on the one hand, the existing uneven playing field between banks and non-bank players and, on the other, the increasing relevance of access to digital data and interactions for customer relationship management, which places digital platforms at an advantage. Digital platforms (such as those maintained by large technology or social media companies, and FinTechs) increasingly dominate access to data and control over digital interactions, and are already eroding the Group's results in highly relevant markets such as payments. These platforms can leverage their advantage in access to data to compete with the Group in other markets and could reduce the Group's operations and margins in its core businesses such as lending or wealth management. Some of the Group's competitors have created alliances with BigTechs that may affect the Group's ability to compete successfully and could adversely affect the Group. In the event that the Group is not successful in addressing increasing competition, its business, financial condition and results of operations could be materially and adversely affected.

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

The Group is made up of commercial banks, insurance companies and other financial services companies in various countries and its performance as a global business depends on its ability to manage its different businesses under various economic, social and political conditions, as well as different legal and regulatory requirements (including, among others, different supervisory regimes and different tax and legal regimes related to the repatriation of funds or the nationalization or expropriation of assets). In addition, the Group's international operations may expose it to risks and challenges to which its local competitors may not be exposed, such as currency risk, the difficulty of managing or supervising a local entity from abroad, political risks (which could affect only foreign investors) or limitations on the distribution or repatriation of dividends, thus worsening its position compared to that of local competitors.

There can be no guarantee that the Group will be successful in developing and implementing policies and strategies in all of the countries in which it operates, some of which have experienced significant economic, political and social volatility in recent decades. In particular, the Group has significant operations in several emerging countries, such as Mexico and Turkey, and is therefore vulnerable to any deterioration in economic, social or political conditions in these countries. Emerging markets are generally affected by the conditions of other commercially or financially related markets and by the evolution of global financial markets in general (they may be affected, for example, by the evolution of GDP and interest rates in the United States and the exchange rate of the U.S. dollar), as well as, by fluctuations in the prices of commodities. The perception that the risks associated with investing in emerging economies have increased, in general, or in emerging markets where the Group operates, in particular, could reduce capital flows to those economies and adversely affect such economies and therefore the Group. Moreover, emerging countries are more prone to experience significant changes in inflation and foreign exchange rates, which may have a material impact on the Group's results of operations, assets (including RWAs) and liabilities. In Turkey, for example, inflation was 64.3% for the year ended December 2022 (according to the Turkish Statistical Institute, TUIK) and the Turkish lira depreciated 23.7% against the euro as of December 31, 2022 compared to December 31, 2021.

The Group's operations in emerging countries are also exposed to heightened political risks, such as changes in governmental policies, expropriation, nationalization, interest rate limits, exchange controls, capital controls, government restrictions on dividends or bank fees and adverse tax policies. For example, the repatriation of dividends from BBVA's Venezuelan, Argentinian and Turkish subsidiaries is subject to certain restrictions and there is no assurance that further restrictions will not be imposed. As BBVA's ability to pay dividends depends, in part, on the receipt of dividends from its subsidiaries, such restrictions may in turn affect BBVA's ability to pay dividends.

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

#### ***The Group is exposed to various risks in connection with climate change***

Climate change, which is resulting in an increase in the intensity and frequency of extreme weather events and environmental degradation, presents both short, medium and long-term risks to the Group and its customers and counterparties, with the risks expected to increase over time. Risks posed by climate change may be classified into transition and physical risks.

Transition risks refer to changes in, among others, regulations, technologies and market preferences linked to the transition toward a less carbon-dependent economy, including the following:

- *Legal and regulatory risks.* Legislative or regulatory changes regarding how banks manage climate risk or otherwise affecting banking practices or disclosure of climate-related information may result in higher compliance, operational and credit risks and costs. The Group's customers and counterparties may also face similar challenges. Moreover, there are significant risks and uncertainties inherent in the development of adequate climate change-related risk assessment and modelling capabilities and the collection of customer, third party or other data, which may result in the Group's systems or frameworks (or those of its customers and counterparties, where applicable) being inadequate, inaccurate or susceptible to incorrect customer, third party or other data.
- *Technological risks.* Certain of the Group's customers and counterparties may be adversely affected by the progressive transition to a low-carbon economy and/or risks associated with new low-carbon technologies. If our customers and counterparties fail to adapt to the transition to a low-carbon economy, or if the costs of doing so adversely affect their creditworthiness, this could adversely affect the Group's relevant loan portfolios.
- *Market risks.* The funding costs of businesses that are perceived to be more exposed to climate change could increase, which may result in the deterioration of their creditworthiness and credit ratings, adversely affecting the Group's relevant loan portfolios. The Group could also be adversely affected by changes in demand brought by climate change, as well as changes in energy supply and prices, among others.
- *Reputational risks.* The perception of climate change as a risk by society, shareholders, customers, governments and other stakeholders continues to increase, including in relation to the financial sector's operations and strategy. This may result in increased scrutiny of the Group's activities, as well as its climate change-related policies, goals and disclosure. The Group's reputation may be harmed if its efforts to reduce environmental and social risks are deemed to be insufficient. Divergent views on ESG policies may also have a negative impact on the Group's reputation. Increased scrutiny of climate change-related policies, goals and disclosure may result in litigation and regulatory investigations and actions. The Group has disclosed certain aspirational climate-related goals and such goals, which are being pursued over the long-term, may prove to be considerably more costly or difficult than currently expected, or even impossible, to achieve, including as a result of changes in environmental and energy regulation and policy, the pace of technological change and innovation and the actions of governments, Group's customers and competitors.



The physical risk arising from climate change could result from increased frequency and/or severity of adverse weather events or the impact of climate change over the long term. The activities of the Group or those of its customers or counterparties could be adversely affected by the physical risks arising from climate change. For example, extreme weather events may damage or destroy the properties and other assets of the Group or those of its customers or counterparties, result in increased costs, or otherwise disrupt their respective operations (for example, if supply chains are disrupted as a result), diminishing—in the case of the Group’s customers or counterparties - their repayment capacity and, if applicable, the value of assets pledged as collateral to the Group. The Group is also exposed to potential long-term risks arising from climate change, such as increases in credit-related costs due to deteriorating macroeconomic conditions, which may be caused in part by an increase in infectious diseases or other ailments resulting from climate change. The Group could also be adversely affected by widespread declines in asset values as a result of climate change or climate change-related risks, reduced availability of insurance and significant interruptions to business operations, and may be required to change its business models in response to those consequences.

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

#### ***The Group faces risks related to its acquisitions and divestitures***

The Group has acquired and sold several companies and businesses over the past few years. For additional information on recent transactions, see “*Item 4. Information on the Company—History and Development of the Company—Capital Divestitures*” and “*—Capital Expenditures*”.

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

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

Acquisitions may also lead to potential write-downs that adversely affect the Group’s results of operations. Any of the foregoing may cause the Group to incur significant unexpected expenses, may divert significant resources and management attention from the Group’s other business concerns, or may otherwise have a material adverse effect on the Group’s business, financial condition and results of operations.

## **FINANCIAL RISKS**

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

Traditionally, one of the Group’s main sources of financing has been savings accounts and demand deposits. As of December 31, 2022, the balance of customer deposits represented 75% of the Group’s total financial liabilities at amortized cost. However, the volume of wholesale and retail deposits can fluctuate significantly, including as a result of factors beyond the Group’s control, such as general economic conditions, changes in economic policy or administrative decisions that diminish their attractiveness as savings instruments (for example, as a consequence of changes in taxation, coverage by guarantee funds for deposits or expropriations) or competition from other savings or investment instruments (including deposits from other banks).

Likewise, changes in interest rates and credit spreads may significantly affect the cost of the Group’s short and long-term wholesale financing. Changes in credit spreads are driven by market factors and are also influenced by the market’s perception of the Group’s solvency. As of December 31, 2022, debt securities issued by the Group represented 10.5% of the total financial liabilities at amortized cost of the Group.

In addition, the Group has made and continues to make significant use of public sources of liquidity, such as the ECB's extraordinary measures taken in response to the financial crisis since 2008 or those taken in connection with the crisis caused by the COVID-19 pandemic. As of December 31, 2022, BBVA had drawn down €26,711 million under the ECB's Targeted Long Term Refinancing Operations (TLTRO) III program (€38,692 million as of December 31, 2021 and €35,032 million as of December 31, 2020). However, the conditions of this or other ECB programs could be revised or they could be cancelled at any time.

In the event of a withdrawal of deposits or other sources of liquidity, especially if it is sudden or unexpected, the Group may not be able to finance its financial obligations or meet the minimum liquidity requirements that apply to it, and may be forced to incur higher financial costs, liquidate assets and take additional measures to reduce leverage. Furthermore, the Group could be subject to the adoption of early intervention measures or, ultimately, to the adoption of a resolution measure by the Relevant Spanish Resolution Authority (see "Item 4. Information on the Company—Business Overview—Supervision and Regulation—Capital Requirements, MREL and Resolution"). Any of the above could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group depends on its credit ratings and sovereign credit ratings, especially Spain's credit ratings***

Rating agencies periodically review the Group's debt credit ratings. Any reduction, effective or anticipated, in any such ratings of the Group, whether below investment grade or otherwise, could limit or impair the Group's access to capital markets and other possible sources of liquidity and increase the Group's financing cost, and entail the breach or early termination of certain contracts or give rise to additional obligations under those contracts, such as the need to grant additional guarantees. Furthermore, if the Group were required to cancel its derivative contracts with some of its counterparties and were unable to replace them, its market risk would worsen. Likewise, a reduction in the credit rating could affect the Group's ability to sell or market some of its products or to participate in certain transactions, and could lead to the loss of customer deposits and make third parties less willing to carry out commercial transactions with the Group (especially those that require a minimum credit rating), having a material adverse effect on the Group's business, financial condition and results of operations.

Furthermore, the Group's credit ratings could be affected by variations in sovereign credit ratings, particularly the rating of Spanish sovereign debt. The Group holds a significant portfolio of debt issued by Spain, by the Spanish autonomous communities and by other government or government-related Spanish issuers. As of December 31, 2022 the Group's exposure (European Banking Authority ("EBA") criteria) to such debt was €39,485 million, representing 5.5% of the consolidated total assets of the Group. Any decrease in the credit rating of Spain could adversely affect the valuation of the respective debt portfolios held by the Group and lead to a reduction in the Group's credit ratings. Additionally, counterparties to many of the credit agreements signed with the Group could also be affected by a decrease in the credit rating of Spain, which could limit their ability to attract additional resources or otherwise affect their ability to pay their outstanding obligations to the Group. It is possible that current or future economic and geopolitical conditions or other factors could lead to ratings actions and changes to BBVA's credit ratings, any of which could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group's earnings and financial condition have been, and its future earnings and financial condition may continue to be, materially affected by asset impairment***

Regulatory, business, economic or political changes and other factors could lead to asset impairment. In recent years, severe market events such as the past sovereign debt crisis, rising risk premiums and falls in share market prices, have resulted in the Group recording large write-downs on its credit market exposures. Doubts regarding the asset quality of European banks has also affected their evolution in the market in recent years.

Several ongoing factors could depress the valuation of the Group's assets or otherwise lead to the impairment of such assets (including goodwill and deferred tax assets). This includes a deteriorating macroeconomic environment, Russia's invasion of Ukraine and the possible escalation of conflict, new COVID-19 outbreaks, the consequences of Brexit, the surge of populist trends in several countries, increased trade tensions and potential changes in U.S. economic policies implemented by the current U.S. administration, any of which could increase global financial volatility and lead to the reallocation of assets. In addition, uncertainty about China's growth expectations and its policymaking capability to address certain severe challenges has contributed to the deterioration of the valuation of global assets and further increased volatility in the global financial markets. Any asset impairments resulting from these or other factors could have a material adverse effect on the Group's business, financial condition and results of operations.

***The Group has a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets***

The Group faces liquidity risk in connection with its ability to make payments on its unfunded commitments with personnel (which are recognized under the heading “Provisions—Provisions for pensions and similar obligations” in the Group’s consolidated balance sheet), which it seeks to mitigate, with respect to post-employment benefits, by maintaining insurance contracts which were contracted with insurance companies owned by the Group. The insurance companies have recorded in their balance sheets specific assets (fixed interest deposit and bonds) assigned to the funding of these commitments. The insurance companies also manage derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. The Group seeks to mitigate liquidity risk with respect to early retirements and post-employment welfare benefits through oversight by the Assets and Liabilities Committee (“ALCO”) of the Group. The Group’s ALCO manages a specific asset portfolio to mitigate the liquidity risk resulting from the payments of these commitments. These assets are government and covered bonds which are issued at fixed interest rates with maturities matching the aforementioned commitments. The Group’s ALCO also manages derivatives (primarily swaps) to mitigate the interest rate risk in connection with the payments of these commitments. Should BBVA fail to adequately manage liquidity risk and interest rate risk either as described above or otherwise, it could have a material adverse effect on the Group’s business, financial condition and results of operations.

**LEGAL RISKS**

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

The financial sector faces an environment of increasing regulatory and litigation pressure. The Group is party to government procedures and investigations, such as those carried out by the antitrust authorities which, among other things, have in the past and could in the future result in sanctions, as well as lead to claims by customers and others.

The various Group entities are also frequently party to individual or collective judicial proceedings (including class actions) resulting from their activity and operations, as well as arbitration proceedings. For example, in April 2017, the Mexican Federal Economic Competition Commission (*Comisión Federal de Competencia Económica*) launched an antitrust investigation relating to alleged monopolistic practices of certain financial institutions, including BBVA’s subsidiary BBVA Mexico, in connection with transactions in Mexican government bonds. This investigation concluded with the Commission imposing fines to all financial institutions involved, with BBVA Mexico being imposed with a fine insignificant in amount, which BBVA Mexico has challenged. In March 2018, BBVA Mexico and certain other affiliates of the Group were named as defendants in a putative class action lawsuit filed in the United States District Court for the Southern District of New York, alleging that the defendant banks and their named subsidiaries engaged in collusion with respect to the purchase and sale of Mexican government bonds. In December 2019, following a decision from the judge assigned to hear the proceedings, plaintiffs withdrew their claims against BBVA Mexico’s affiliates. In November 2020, the judge granted the remaining defendants’ motion to dismiss for lack of personal jurisdiction. Plaintiffs filed a motion for reconsideration of that decision in May 2021, which the judge denied in March 2022. Final judgment dismissing plaintiffs’ claims was entered in August 2022. In September 2022 plaintiffs appealed the district court’s decisions to the United States Court of Appeals for the Second Circuit. Briefing on the appeal was completed in late February 2023.

More generally, in recent years, regulators have increased their supervisory focus on consumer protection and corporate behavior, which has resulted in an increased number of regulatory actions.

In Spain and in other jurisdictions where the Group operates, legal and regulatory actions and proceedings against financial institutions, prompted in part by certain recent national and supranational rulings in favor of consumers (with regards to matters such as credit cards and mortgage loans), have increased significantly in recent years and this trend could continue in the future. Legal and regulatory actions and proceedings faced by other financial institutions, especially if such actions or proceedings result in favorable resolutions for the consumer, could also adversely affect the Group. See “*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Principal Markets*” for information on certain additional legal and regulatory actions and initiatives.

All of the above may result in a significant increase in operating and compliance costs and/or a reduction in revenues, and it is possible that an adverse outcome in any proceedings (depending on the amount thereof, the penalties imposed or the resulting procedural or management costs for the Group) could materially and adversely affect the Group, including by damaging its reputation.

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





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

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

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

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

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

**REGULATORY, TAX, COMPLIANCE AND REPORTING RISKS**

The financial services sector is one of the most regulated sectors in the world. The Group is subject to a broad regulatory and supervisory framework, which has increased significantly in the last decade. Regulatory activity in recent years has affected multiple areas, including changes in accounting standards; strict regulation of capital, liquidity and remuneration; bank charges and taxes on financial transactions; regulations affecting mortgages, banking products and consumers and users; recovery and resolution measures; stress tests; prevention of money laundering and terrorist financing; market abuse; conduct in the financial markets; anti-corruption; and requirements as to the periodic publication of information. Governments, regulatory authorities and other institutions continually make proposals to strengthen the resistance of financial institutions to future crises. Further, there is an increasing focus on the climate-related financial risk management capabilities of banks.

Furthermore, the international nature of the Group’s operations means that the Group is subject to a wide and complex range of local and international regulations in these matters, sometimes with overlapping scopes and areas regulated. This complexity, which can be exacerbated by differences and changes in the interpretation or application of these standards by local authorities, makes compliance risk management difficult and costly, requiring highly sophisticated monitoring, qualified personnel and general training of employees.

Any change in the Group’s business that is necessary to comply with any particular regulations at any given time, especially in Spain, Mexico or Turkey, could lead to a considerable loss of income, limit the Group’s ability to identify business opportunities, affect the valuation of its assets, force the Group to increase its prices and, therefore, reduce the demand for its products, impose additional costs on the Group or otherwise adversely affect its business, financial condition and results of operations.

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

The Group is subject to a comprehensive regulatory and supervisory framework, the complexity and scope of which has increased significantly following the 2008 global financial crisis and the crisis caused by the COVID-19 pandemic. In particular, the banking sector is subject to continuous scrutiny at the political level and by the supervisory bodies, and it is foreseeable that in the future there will continue to be political intervention in regulatory and supervisory processes, as well as in the governance of the main financial entities. For these reasons, the laws, regulations and policies to which the Group is subject, as well as their interpretation and application, may change at any time. In addition, supervisors and regulators have significant discretion in carrying out their duties, which gives rise to uncertainty regarding the interpretation and implementation of the regulatory framework. Moreover, regulatory fragmentation and the implementation by some countries of more flexible or stricter rules or regulations could also negatively affect the Group's ability to compete with financial institutions that may or may not have to comply with any such rules or regulations, as applicable.

Regulatory changes over the last decade, as well as those currently being proposed (including changes in the interpretation or application of existing regulations), have increased and may continue to substantially increase the Group's operating expenses and adversely affect its business model. For example, the imposition of prudential capital standards has limited and is expected to continue to limit the ability of subsidiaries to distribute capital to the Group, while liquidity standards may lead the Group to hold a higher proportion of financial instruments with higher liquidity and lower performance, which can adversely affect its net interest margin. In addition, the Group's regulatory and supervisory authorities may require the Group to increase its loan loss allowances and record asset impairments, which could have an adverse effect on its financial condition. Any legislative or regulatory measure, any necessary change in the Group's business operations as a consequence of such measures, as well as any failure to comply with them, could result in a significant loss of income, represent a limitation on the ability of the Group to take advantage of business opportunities and offer certain products and services, affect the value of the Group's assets, force the Group to increase prices (which could reduce the demand for its products), impose additional compliance costs or result in other possible adverse effects for the Group.

One of the most significant regulatory changes resulting from the 2008 global financial crisis, was the introduction of resolution regulations (see "*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Capital Requirements, MREL and Resolution*"). In the event that the Relevant Spanish Resolution Authority (as defined herein) considers that the Group is in a situation where conditions for early intervention or resolution are met, it may adopt the measures provided for in the applicable resolution regulations, including without prior notice. Such measures could include, among others, the write down and/or conversion into equity (or other securities or obligations) of unsecured debt claims of the Group. In addition, the Relevant Spanish Resolution Authority may apply Non-Viability Loss Absorption (as defined herein) in the event that it determines that the entity meets the conditions for its resolution or will no longer be viable unless capital instruments are written down or converted into equity or extraordinary public support is provided. Any such determination or the mere possibility that such determination could be made, could materially and adversely affect the Group's business, financial condition and results of operations, as well as the market price and behavior of securities issued by the Group (or their terms, if amended following an exercise of the Spanish Bail-in-Power (as defined herein)).

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

The Group is subject to various minimum capital, liquidity and funding requirements, among others. For example, in its capacity as a Spanish credit institution, the Group is subject to compliance with a "Pillar 1" solvency requirement, a "Pillar 2" solvency requirement and a "combined buffer requirement", at both the individual and consolidated levels. For additional information on such requirements, see "*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Capital Requirements, MREL and Resolution*" and, with respect to the Group's requirements in particular, "*Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital*" and Note 32.1 to the Consolidated Financial Statements.

While the Group believes it meets its current requirements (as applicable to the Bank and the Group as a whole, respectively), the capital requirements, the MREL requirements and the calculation of the own funds and the eligible liabilities available for MREL purposes are subject to interpretation and change and, therefore, no assurance can be given that the Group's interpretation is the appropriate one or that the Bank and/or the Group will not be subject to more stringent requirements at any future time. Likewise, no assurance can be given that the Bank and/or the Group will be able to fulfil whatever future requirements may be imposed, even if such requirements were to be equal or lower than those currently in force. No assurances can be made that the Bank and/or the Group will meet any capital target that may be announced to the market at any given time. If an announced target is not met, this could adversely affect the market value or behavior of securities issued by the Bank and/or the Group and/or lead to the implementation of new recommendations or requirements regarding "Pillar 2" or (should the Relevant Spanish Resolution Authority interpret that obstacles may exist for the viability of the resolution of the Bank and/or the Group), MREL. Further, the Bank and/or the Group may fail to meet consensus estimates, as occurred with respect to the CET 1 ratios as of December 31, 2021, which may also affect market perceptions of the Bank and the Group.

If the Bank or the Group failed to comply with its "combined buffer requirement", the Bank would have to calculate the Maximum Distributable Amount ("MDA") and, until such calculation has been undertaken and reported to the Bank of Spain, the Bank would not be able to make any discretionary payments. Once the MDA has been calculated and reported, such discretionary payments would be limited to the calculated MDA. Likewise, should the Bank or the Group not meet the applicable combined buffer requirement, it could result in the imposition of additional requirements of "Pillar 2". Regarding MREL, failure by BBVA to meet its relevant "combined buffer requirement" could result in the imposition of restrictions or prohibitions on discretionary payments. Additionally, failure to comply with the capital requirements may result in the implementation of early intervention measures or, ultimately, resolution measures by the resolution authorities. For additional information on such requirements, see "*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Capital Requirements, MREL and Resolution*".

Regulation (EU) 2019/876 of the European Parliament and of the Council, of May 20, 2019 (as amended, replaced or supplemented at any time, "CRR II") establishes a binding requirement for the leverage ratio effective from June 28, 2021 of 3% of Tier 1 capital (as of December 31, 2022 the phased-in leverage ratio of the Group was 6.49% and the fully loaded ratio was 6.46%). Any failure to comply with this leverage ratio buffer may also result in the need to calculate and report the MDA, and restrictions on discretionary payments. Moreover, CRR II proposes new requirements that capital instruments must meet in order to be considered AT1 or Tier 2 instruments. Once the grandfathering period in CRR II has elapsed, AT1 and/or Tier 2 instruments which do not comply with the new requirements at such date will no longer be considered as capital instruments. This could give rise to shortfalls in the Bank's or the Group's regulatory capital and, ultimately, could result in failure to comply with the applicable minimum regulatory capital requirements, with the aforementioned consequences.

Additionally, the full implementation of the ECB expectations regarding prudential provisions for NPLs (published on May 15, 2018) and the ECB's review of internal models being used by banks subject to its supervision for the calculation of their RWAs ("TRIMs"), as well as complementary regulatory initiatives like the EBA's roadmap to repair internal models used to calculate own funds requirements for credit risk under the Internal Ratings Based (IRB) approach, could result in the need to increase provisions for future NPLs and increases in the Group's capital needs.

Furthermore, the implementation of the Basel III reforms (informally referred to as Basel IV) described in "*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Capital Requirements, MREL and Resolution*" (including changes to the calculation of the Group's Operational Risk) could result in an increase of the Bank's and the Group's total RWAs and, therefore, could also result in a decrease of the Bank's and the Group's capital ratios. Likewise, the lack of uniformity in the implementation of the Basel III reforms across jurisdictions in terms of timing and applicable regulations could give rise to inequalities and competition distortions. Moreover, the lack of regulatory coordination, with some countries bringing forward the application of Basel III requirements or increasing such requirements, could adversely affect an entity with global operations such as the Group and could affect its profitability.

Additionally, should the Total Loss Absorbing Capacity (TLAC) requirements, currently only imposed upon financial institutions of global systemic importance ("G-SIBs"), be imposed on non-G-SIBs entities or should the Group once again be classified as a G-SIB, additional minimum requirements similar to MREL could in the future be imposed upon the Group.

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



Lastly, the Group must also comply with liquidity and funding ratios. Several elements of the liquidity coverage ratio (“LCR”) and net stable financing ratio (“NSFR”), as introduced by national banking regulators, may require implementing changes in some of its commercial practices, which could expose the Group to additional expenses (including an increase in compliance expenses), affect the profitability of its activities or otherwise lead to a material adverse effect on the Group’s business, financial condition and results of operations. For information on the Group’s requirements, see “Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources”.

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

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

In addition, governments in different jurisdictions, including Spain, are seeking to identify new funding sources, and they have recently focused on the financial sector. The Group’s presence in various jurisdictions increases its exposure to new laws and regulatory and interpretative changes, including in response to the demands of various political forces, which could, among other things, lead to (i) the creation of new taxes, such as (a) the temporary windfall tax applicable to credit institutions operating in Spain amounting to 4.8% of the net income from interest and commissions generated in Spain, which is currently intended to apply to the fiscal years 2023 and 2024, (b) the common financial transaction tax (“FTT”) contemplated in the proposed Tax Directive of the European Commission for the Financial Transactions Tax (which would tax the acquisitions of certain securities, negotiated in markets where the Group operates), and (c) the Spanish FTT which came into effect in Spain in January 2021; (ii) an increase in the rates of existing taxes, such as the imposition, with effects as of January 1, 2022, of a minimum effective tax rate for purposes of the Spanish corporate income tax (set at 18%); and (iii) changes in the calculation of tax bases and exemptions therefrom, such as the recent limitation adopted in Spain with respect to the exemption for dividends and capital gains from domestic and foreign subsidiaries for purposes of the Spanish corporate income tax, pursuant to which 5% of the dividends and capital gains of Group companies in Spain will be subject to, and not exempt from, corporate tax. The increasing tax burden faced by the Group may have a material adverse effect on its business, financial condition and results of operations.

***The Group is exposed to compliance risks***

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

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

Although the Group has adopted policies, procedures, systems and other measures to manage compliance risk, it is dependent on its employees and external suppliers for the implementation of these policies, procedures, systems and other measures, and it cannot guarantee that these are sufficient or that the employees (115,675 as of December 31, 2022) or other persons of the Group or its business partners, agents and/or other third parties with a business or professional relationship with the Group do not circumvent or violate regulations or the Group’s ethics and compliance regulations, acts for which such persons or the Group could be held ultimately responsible and/or that could damage the Group’s reputation. In particular, acts of misconduct by any employee, and particularly by senior management, could erode trust and confidence and damage the Group’s reputation among existing and potential clients and other stakeholders. Actual or alleged misconduct by Group entities in any number of activities or circumstances, including operations, employment-related offenses such as sexual harassment and discrimination, regulatory compliance, the use and protection of data and systems, and the satisfaction of client expectations, and actions taken by regulators or others in response to such misconduct, could lead to, among other things, sanctions, fines and reputational damage, any of which could have a material adverse effect on the Group’s business, financial condition and results of operations.



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

If there is a breach of the applicable regulations or the Group's ethics and compliance regulations or if the competent authorities consider that the Group does not perform the necessary due diligence inherent to its activities, such authorities could impose limitations on the Group's activities, the revocation of its authorizations and licenses, and economic penalties, in addition to having significant consequences for the Group's reputation, which could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, the Group from time to time conducts investigations related to alleged violations of such regulations and the Group's ethics and compliance regulations, and any such investigation or any related proceedings could be time consuming and costly, and its results difficult to predict.

Further, the COVID-19 pandemic led to new specific regulations largely focused on consumer protection being adopted in many countries, mainly in 2020. The need to timely adapt the Group's processes and systems to these new regulations under the then prevailing circumstances has posed compliance risk. Likewise, the increase in remote account opening driven in part by the pandemic has resulted in increased money laundering risks. Additionally, criminals have sought to exploit the opportunities created by the pandemic across the globe, which has resulted in increased money laundering risks associated with counterfeiting of medical goods, investment fraud, cyber-crime scams and exploitation of economic stimulus measures put in place by governments. Increased strain on the Group's communications surveillance frameworks could raise the Group's market conduct risk.

***BBVA's financial statements are based in part on assumptions and estimates which, if inaccurate, could cause material misstatement of the results of its operations and financial condition***

The preparation of financial statements in compliance with IFRS-IASB requires the use of estimates. It also requires management to exercise judgment in applying relevant accounting policies. The key areas involving a higher degree of judgment or complexity, or areas where assumptions are significant to the consolidated and individual financial statements, include the classification, measurement and impairment of financial assets, particularly where such assets do not have a readily available market price, the assumptions used to quantify certain provisions and for the actuarial calculation of post-employment benefit liabilities and commitments, the useful life and impairment losses of tangible and intangible assets, the valuation of goodwill and purchase price allocation of business combinations, the fair value of certain unlisted financial assets and liabilities, the recoverability of deferred tax assets and the exchange and inflation rates of Venezuela. There is a risk that if the judgment exercised or the estimates or assumptions used subsequently turn out to be incorrect then this could result in significant loss to the Group beyond that anticipated or provided for, which could have a material adverse effect on the Group's business, financial condition and results of operations.

Observable market prices are not available for many of the financial assets and liabilities that the Group holds at fair value and a variety of techniques to estimate the fair value are used. Should the valuation of such financial assets or liabilities become observable, for example as a result of sales or trading in comparable assets or liabilities by third parties, this could result in a materially different valuation to the current carrying value in the Group's financial statements.

The further development of standards and interpretations under IFRS-IASB could also significantly affect the results of operations, financial condition and prospects of the Group.

## **OPERATIONAL RISKS**

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

The Group's activities depend to a large extent on its ability to process and report effectively and accurately on a high volume of highly complex transactions with numerous and diverse products and services (by their nature, generally ephemeral), in different currencies and subject to different regulatory regimes. Therefore, it relies on highly sophisticated information technology ("IT") systems for data transmission, processing and storage. However, IT systems are vulnerable to various problems, such as hardware and software malfunctions, computer viruses, hacking, and physical damage to IT centers. BBVA's exposure to these risks has increased significantly in recent years due to the Group's implementation of its ambitious digital strategy. Digital services, as well as other alternatives that BBVA offers users to become BBVA customers, have become even more important after the COVID-19 outbreak and the ensuing restrictions on mobility in the countries in which the Group operates. Currently, one in two new clients chooses digital channels to start their relationship with BBVA. The Group suffers cybersecurity incidents and system failures from time to time, and any such incident or failure could have a material adverse effect on the Group's business, financial condition and results of operations, and could be detrimental for its reputation.





Any attack, failure or deficiency in the Group's systems could, among other things, lead to the misappropriation of funds of the Group's clients or the Group itself and the unauthorized disclosure, destruction or use of confidential information, as well as prevent the normal operation of the Group, and impair its ability to provide services and carry out its internal management. In addition, any attack, failure or deficiency could result in the loss of customers and business opportunities, damage to computers and systems, violation of regulations regarding data protection and/or other regulations, exposure to litigation, fines, sanctions or interventions, loss of confidence in the Group's security measures, damage to its reputation, reimbursements and compensation, and additional regulatory compliance expenses and could have a material adverse effect on the Group's business, financial condition and results of operations. Furthermore, it is possible that such attacks, failures or deficiencies will not be detected on time or ever. The Group is likely to be forced to spend significant additional resources to improve its security measures in the future. As cyber-attacks are becoming increasingly sophisticated and difficult to prevent, the Group may not be able to anticipate or prevent all possible vulnerabilities, nor to implement preventive measures that are effective or sufficient.

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

## ITEM 4. INFORMATION ON THE COMPANY

### A. History and Development of the Company

BBVA's predecessor bank, BBV (Banco Bilbao Vizcaya), was incorporated as a public limited company (a "sociedad anónima" or S.A.) under the Spanish Corporations Law on October 1, 1988. BBVA was formed following the merger of Argentaria into BBV (Banco Bilbao Vizcaya), which was approved by the shareholders of each entity on December 18, 1999 and registered on January 28, 2000. It conducts its business under the commercial name "BBVA". BBVA is registered with the Commercial Registry of Vizcaya (Spain). It has its registered office at Plaza de San Nicolás 4, Bilbao, Spain, 48005, and operates out of Calle Azul, 4, 28050, Madrid, Spain (Telephone: +34-91-374-6201). BBVA's agent in the U.S. for U.S. federal securities law purposes is Banco Bilbao Vizcaya Argentaria, S.A. New York Branch (1345 Avenue of the Americas, 44th Floor, New York, New York 10105 (Telephone: +1-212-728-1660)). BBVA is incorporated for an unlimited term.

#### Capital Expenditures

Our principal investments are financial investments in our subsidiaries and affiliates. The main capital expenditures from 2020 to the date of this Annual Report were the following:

##### 2022

#### Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.

On November 15, 2021, BBVA announced a voluntary takeover bid (VTB) addressed to the holders of the 2,106,300,000 shares<sup>4</sup> of Garanti BBVA not controlled by BBVA, which represented 50.15% of Garanti BBVA's total share capital. BBVA submitted for authorization an application for the VTB to the supervisor of the securities markets in Turkey (Capital Markets Board of Turkey, CMB) on November 18, 2021.

On March 31, 2022, CMB approved the relevant information memorandum and on the same day BBVA announced the start of the VTB acceptance period on April 4, 2022. On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA's share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390 million<sup>5</sup> including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired). The transaction has resulted in a capital gain of approximately €924 million (including the impacts after the application of IAS 29, see Note 2.2.19 to our Consolidated Financial Statements). An amount of €3,609 million has been recorded under the heading "Other reserves" and there was a reclassification to "Accumulated other comprehensive income (loss)" corresponding to the 36.12% acquired from "Minority interests" to "Accumulated other comprehensive income (loss)" of the parent company amounting to a loss of €2,685 million. The total derecognition associated with the transaction of the heading "Minority interests" considering "Other items" and "Accumulated other comprehensive income (loss)" amounted to a loss of €2,541 million. The percentage of total share capital of Garanti BBVA owned by BBVA (after the completion of the VTB on May 18) is 85.97%.

##### 2021

In 2021, there were no significant capital expenditures.

##### 2020

In 2020, there were no significant capital expenditures.

#### Capital Divestitures

Our principal divestitures are divestitures in our subsidiaries and affiliates. The main divestitures from 2020 to the date of this Annual Report were the following:

##### 2022

In 2022, there were no significant capital divestitures.

<sup>4</sup> All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

<sup>5</sup> Using the effective exchange rate of 16.14 Turkish lira per euro.

## 2021

### ***Sale of BBVA USA Bancshares, Inc.***

On June 1, 2021, we completed the USA Sale. The consideration received in cash by BBVA as a consequence of the USA Sale amounted to approximately \$11,500 million (the price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately €9,600 million (at an exchange rate of \$1.20 per euro). See “*Presentation of Financial Information—Sale of BBVA USA Bancshares, Inc.*” and “*Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—USA Sale*”.

The BBVA Group continues to develop an institutional and wholesale business in the United States through its broker-dealer BBVA Securities Inc. and the New York branch. BBVA also maintains its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P. (“**Propel Venture Partners**”). See “*Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group*”.

### ***Sale of the BBVA Group’s stake in Paraguay***

On January 22, 2021 and after obtaining the relevant regulatory authorizations from the competent authorities, BBVA completed the sale of 100% of the share capital in its subsidiary Banco Bilbao Vizcaya Argentaria Paraguay, S.A. (“**BBVA Paraguay**”) to Banco GNB Paraguay S.A., an affiliate of Grupo Financiero Gilinski. The total amount received by BBVA amounted to approximately \$250 million (approximately €210 million) in cash. The transaction resulted in a loss of approximately €9 million net of taxes and has increased the Group’s CET1 (fully loaded) ratio by approximately 6 basis points in 2021.

## 2020

### ***Agreement for the alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.***

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in Spain including a long-term exclusive distribution agreement for the sale of non-life insurance products, excluding the health insurance business, through BBVA’s branch network in Spain.

On December 14, 2020, after obtaining the relevant regulatory approvals from the competent authorities, BBVA Seguros, S.A. de Seguros y Reaseguros (“**BBVA Seguros**”) transferred to Allianz, Compañía de Seguros y Reaseguros, S.A., 50% of the share capital plus one share in BBVA Allianz Seguros y Reaseguros, S.A. (“**BBVA Seguros Generales**”). BBVA Seguros received a cash payment of €274 million. Prior to the closing of the transaction, BBVA transferred its non-life insurance business in Spain, excluding the health insurance business, to BBVA Seguros Generales.

Allianz, Compañía de Seguros y Reaseguros, S.A. may need to make an additional payment to BBVA of up to €100 million if certain business goals and milestones are met. This transaction resulted in a profit net of taxes of €304 million and increased the Group’s CET1 (fully loaded) ratio by 7 basis points as of December 31, 2020.

### **Public Information**

The SEC maintains an Internet site ([www.sec.gov](http://www.sec.gov)) that contains reports and other information regarding issuers that file electronically with the SEC, including BBVA. See “*Item 10. Additional Information—Documents on Display*”. Additional information on the Group is also available on our website at <https://shareholdersandinvestors.bbva.com>. The information contained on such websites does not form part of this Annual Report.

## **B. Business Overview**

The BBVA Group is a customer-centric global financial services group founded in 1857. Internationally diversified and with strengths in the traditional banking businesses of retail banking, asset management and wholesale banking, the Group is committed to offering a compelling digital proposition focused on customer experience.

For this purpose, the Group is focused on increasingly offering products online and through mobile channels, improving the functionality of its digital offerings and refining the customer experience, contributing to the delivery of its strategy in a sustainable and inclusive way. BBVA is committed to sustainability, which is impacting the banking business, as part of its daily activities, encompassing not only relations with customers but also internal processes. In 2022, the number of digital and mobile customers and the volume of digital sales continued to increase.



## Operating Segments

As of December 31, 2022, the structure of the operating segments used by the BBVA Group for management purposes remained the same as in 2021.

Set forth below are the Group's current five operating segments:

- Spain;
- Mexico;
- Turkey;
- South America; and
- Rest of Business.

In addition to the operating segments referred to above, the Group has a Corporate Center which includes those items that have not been allocated to an operating segment. It includes the Group's general management functions, including costs from central units that have a strictly corporate function; management of structural exchange rate positions carried out by the Financial Planning unit; certain proprietary portfolios; certain tax assets and liabilities; certain provisions related to commitments with employees; and goodwill and other intangibles, as well as the financing of such asset portfolios. It also includes the results of the Group's stake in the venture capital fund Propel Venture Partners. Additionally, the results obtained by the Group's businesses in the United States included within the scope of the USA Sale, through the date of its closing, have been presented in a single line under the heading "Profit / (loss) from discontinued operations, net and Other" in the income statement of the Corporate Center. Until October 15, 2021, BBVA's 20% stake in Divarian Propiedad, S.A. was also included in this unit. On such date, BBVA completed the sale of this stake to Cerberus Capital Management, L.P.

During the first half of 2022, we changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas. In addition, a team from the Global Markets unit was transferred from Spain to New York, with the corresponding transfer of the costs associated with this reallocation from the Spain business area to other business areas. The impact of these intra-group adjustments was not material and segment figures as of December 31, 2021 and 2020 and for the years then ended have not been revised to reflect the new allocation criteria.

For certain relevant information concerning the preparation and presentation of the financial information included in this Annual Report, see "*Presentation of Financial Information*".

The breakdown of the Group's total assets by each of BBVA's operating segments and the Corporate Center as of December 31, 2022, 2021 and 2020 was as follows:

	As of December 31,		
	2022	2021	2020
	(In Millions of Euros)		
Spain	427,193	413,477	408,030
Mexico	143,405	118,106	110,236
Turkey	66,043	56,245	59,585
South America	62,067	56,124	55,436
Rest of Business	49,952	40,314	35,172
<b>Subtotal Assets by Operating Segment</b>	<b>748,660</b>	<b>684,266</b>	<b>668,460</b>
Corporate Center and Adjustments (1)	(35,520)	(21,381)	65,336
<b>Total Assets BBVA Group</b>	<b>713,140</b>	<b>662,885</b>	<b>733,797</b>

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

The following table sets forth information relating to the profit (loss) attributable to parent company for each of BBVA's operating segments and the Corporate Center for the years ended December 31, 2022, 2021 and 2020. For information on the differences between the Group income statement and the income statement calculated in accordance with management operating segment reporting criteria, see "Item 5. Operating and Financial Review and Prospects—Operating Results—Results of Operations by Operating Segment".

	Profit / (Loss) Attributable to Parent Company			% of Profit / (Loss) Attributable to Parent Company		
	For the year ended December 31,					
	2022	2021	2020	2022	2021	2020
	(In Millions of Euros)			(In Percentage)		
Spain	1,678	1,581	652	23	28	18
Mexico	4,182	2,568	1,761	57	46	48
Turkey	509	740	563	7	13	15
South America	734	491	446	10	9	12
Rest of Business	240	254	222	3	5	6
<b>Subtotal operating segments</b>	<b>7,342</b>	<b>5,633</b>	<b>3,644</b>	<b>100</b>	<b>100</b>	<b>100</b>
Corporate Center	(922)	(980)	(2,339)			
<b>Profit attributable to parent company</b>	<b>6,420</b>	<b>4,653</b>	<b>1,305</b>			

The following table sets forth certain summarized information relating to the income of each operating segment and the Corporate Center for the years ended December 31, 2022, 2021 and 2020. For information on the differences between the Group income statement and the income statement calculated in accordance with management operating segment reporting criteria, see "Item 5. Operating and Financial Review and Prospects—Operating Results—Results of Operations by Operating Segment".

	Operating Segments						Total (1)
	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center	
	(In Millions of Euros)						
<b>December 2022</b>							
Net interest income / (expense)	3,784	8,378	2,631	4,137	332	(109)	19,153
Gross income	6,145	10,839	3,185	4,261	790	(329)	24,890
Operating profit / (loss) before tax	2,625	5,690	1,644	1,429	277	(1,175)	10,490
<b>Profit / (loss) attributable to parent company</b>	<b>1,678</b>	<b>4,182</b>	<b>509</b>	<b>734</b>	<b>240</b>	<b>(922)</b>	<b>6,420</b>
<b>December 2021</b>							
Net interest income / (expense)	3,502	5,836	2,370	2,859	281	(163)	14,686
Gross income	5,925	7,603	3,422	3,162	741	212	21,066
Operating profit / (loss) before tax	2,122	3,528	1,953	961	314	(638)	8,240
<b>Profit / (loss) attributable to parent company</b>	<b>1,581</b>	<b>2,568</b>	<b>740</b>	<b>491</b>	<b>254</b>	<b>(980)</b>	<b>4,653</b>
<b>December 2020</b>							
Net interest income / (expense)	3,566	5,415	2,783	2,701	291	(164)	14,592
Gross income	5,567	7,025	3,573	3,225	839	(63)	20,166
Operating profit / (loss) before tax	823	2,475	1,522	896	280	(1,183)	4,813
<b>Profit / (loss) attributable to parent company</b>	<b>652</b>	<b>1,761</b>	<b>563</b>	<b>446</b>	<b>222</b>	<b>(2,339)</b>	<b>1,305</b>

(1) For information on the reconciliation of the income statement of our operating segments and Corporate Center to the consolidated income statement of the Group, see "Item 5. Operating and Financial Review and Prospects—Operating Results—Results of Operations by Operating Segment".

The following tables set forth information relating to the balance sheet of the operating segments and the Corporate Center and adjustments as of December 31, 2022, December 31, 2021 and December 31, 2020:

	As of December 31, 2022						
	Spain	Mexico	Turkey	South America	Rest of Business	Total Operating Segments	Corporate Center and Adjustments (1)
	(In Millions of Euros)						
<b>Total Assets</b>	<b>427,193</b>	<b>143,405</b>	<b>66,043</b>	<b>62,067</b>	<b>49,952</b>	<b>748,660</b>	<b>(35,520)</b>
Cash, cash balances at central banks and other demand deposits	49,185	13,228	6,061	7,695	4,015	80,184	(428)
Financial assets at fair value (2)	126,413	40,356	5,203	10,563	5,090	187,626	(10,174)
Financial assets at amortized cost	204,588	84,465	51,621	40,755	40,425	421,854	207
Loans and advances to customers	174,031	71,754	37,443	38,526	37,375	359,128	(1,105)
<i>Of which:</i>							
Residential mortgages	68,691	14,573	1,122	6,651	1,032	92,069	
Consumer finance	14,026	10,101	5,746	7,965	527	38,365	
Other households	5,706	1,743	1,026	934	213	9,622	
Credit cards	2,528	7,245	4,825	2,779	8	17,385	
Loans to enterprises	68,258	32,507	23,890	18,761	35,033	178,448	
Loans to public sector	12,060	6,142	583	1,475	618	20,878	
<b>Total Liabilities</b>	<b>414,070</b>	<b>133,574</b>	<b>59,333</b>	<b>56,193</b>	<b>45,604</b>	<b>708,774</b>	<b>(46,248)</b>
Financial liabilities held for trading and designated at fair value through profit or loss	84,619	25,840	2,138	2,813	4,397	119,808	(13,617)
Financial liabilities at amortized cost - Customer deposits	220,471	77,750	46,339	40,042	9,827	394,430	(574)
<i>Of which:</i>							
Demand and savings deposits	198,131	64,582	24,794	26,125	3,561	317,194	
Time deposits	21,461	12,203	20,798	13,948	6,266	74,675	
<b>Total Equity</b>	<b>13,123</b>	<b>9,831</b>	<b>6,711</b>	<b>5,874</b>	<b>4,348</b>	<b>39,887</b>	<b>10,728</b>
<b>Assets under management</b>	<b>86,759</b>	<b>38,196</b>	<b>6,936</b>	<b>17,760</b>	<b>520</b>	<b>150,170</b>	
Mutual funds	63,786	35,614	3,731	5,804	—	108,935	
Pension funds	22,973	—	3,205	11,956	520	38,653	
Other placements	—	2,582	—	—	—	2,582	

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

(2) Financial assets at fair value includes: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.

As of December 31, 2021

	Spain	Mexico	Turkey	South America	Rest of Business	Total Operating Segments	Corporate Center and Adjustments (1)
	(In Millions of Euros)						
<b>Total Assets</b>	<b>413,477</b>	<b>118,106</b>	<b>56,245</b>	<b>56,124</b>	<b>40,314</b>	<b>684,266</b>	<b>(21,381)</b>
Cash, cash balances at central banks and other demand deposits	26,386	12,985	7,764	8,549	3,970	59,655	8,145
Financial assets at fair value (2)	145,544	35,126	5,289	7,175	5,684	198,817	(7,726)
Financial assets at amortized cost	199,663	65,311	41,544	37,747	30,299	374,564	(1,888)
Loans and advances to customers	171,097	55,809	31,414	34,608	26,949	319,877	(939)
<i>Of which:</i>							
Residential mortgages	70,891	11,254	1,672	6,376	1,132	91,325	
Consumer finance	12,823	7,702	4,935	7,097	521	33,078	
Loans	5,708	1,841	407	832	253	9,041	
Credit cards	2,356	5,493	2,814	2,268	7	12,938	
Loans to enterprises	64,017	24,536	20,549	16,639	24,580	150,320	
Loans to public sector	12,457	5,101	232	1,371	490	19,651	
<b>Total Liabilities</b>	<b>399,475</b>	<b>110,877</b>	<b>50,484</b>	<b>51,147</b>	<b>37,027</b>	<b>649,009</b>	<b>(34,885)</b>
Financial liabilities held for trading and designated at fair value through profit or loss	81,376	19,843	2,272	1,884	5,060	110,434	(9,616)
Financial liabilities at amortized cost - Customer deposits	206,663	64,003	38,341	36,340	6,266	351,613	(1,852)
<i>Of which:</i>							
Demand and savings deposits	187,800	53,172	22,106	26,751	3,787	293,616	
Time deposits	18,109	10,318	16,229	9,169	2,479	56,303	
<b>Total Equity</b>	<b>14,002</b>	<b>7,229</b>	<b>5,761</b>	<b>4,977</b>	<b>3,287</b>	<b>35,257</b>	<b>13,504</b>
<b>Assets under management</b>	<b>70,072</b>	<b>26,445</b>	<b>3,895</b>	<b>14,756</b>	<b>597</b>	<b>115,765</b>	
Mutual funds	44,574	24,250	1,722	4,261	—	74,807	
Pension funds	25,498	—	2,173	10,495	597	38,763	
Other placements	—	2,195	—	—	—	2,195	

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

(2) Financial assets at fair value includes: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.



As of December 31, 2020

	Spain	Mexico	Turkey	South America	Rest of Business	Total Operating Segments	Corporate Center and Adjustments (1)
(In Millions of Euros)							
<b>Total Assets</b>	<b>408,030</b>	<b>110,236</b>	<b>59,585</b>	<b>55,436</b>	<b>35,172</b>	<b>668,460</b>	<b>65,336</b>
Cash, cash balances at central banks and other demand deposits	38,356	9,161	5,477	7,127	6,121	66,243	(723)
Financial assets at fair value (2)	135,590	36,360	5,332	7,329	1,470	186,080	(4,447)
Financial assets at amortized cost	198,173	59,819	46,705	38,549	27,213	370,460	(2,792)
Loans and advances to customers	167,998	50,002	37,295	33,615	24,015	312,926	(1,779)
<i>Of which:</i>							
Residential mortgages	71,530	9,890	2,349	6,252	1,436	91,457	
Consumer finance	11,820	7,025	5,626	6,773	497	31,740	
Loans	5,859	1,629	630	974	183	9,274	
Credit cards	2,087	4,682	3,259	2,008	7	12,043	
Loans to enterprises	61,748	22,549	24,597	16,392	21,121	146,408	
Loans to public sector	12,468	4,670	178	1,319	794	19,429	
<b>Total Liabilities</b>	<b>394,724</b>	<b>103,529</b>	<b>53,415</b>	<b>50,660</b>	<b>32,133</b>	<b>634,462</b>	<b>49,315</b>
Financial liabilities held for trading and designated at fair value through profit or loss	71,542	23,801	2,336	1,326	849	99,854	(5,695)
Financial liabilities at amortized cost - Customer deposits	206,428	54,052	39,353	36,874	9,333	346,040	(3,379)
<i>Of which:</i>							
Demand and savings deposits	174,789	43,483	20,075	25,776	3,657	267,781	
Time deposits	31,019	10,444	19,270	11,042	5,676	77,452	
<b>Total Equity</b>	<b>13,306</b>	<b>6,707</b>	<b>6,170</b>	<b>4,776</b>	<b>3,039</b>	<b>33,998</b>	<b>16,022</b>
<b>Assets under management</b>	<b>62,707</b>	<b>22,524</b>	<b>3,425</b>	<b>13,722</b>	<b>569</b>	<b>102,947</b>	
Mutual funds	38,434	20,660	1,087	4,687	—	64,869	
Pension funds	24,273	—	2,337	9,035	569	36,215	
Other placements	—	1,863	—	—	—	1,863	

(1) Includes balance sheet intra-group adjustments between the Corporate Center and the operating segments.

(2) Financial assets at fair value includes: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”.

## Spain

This operating segment includes all of BBVA's banking and non-banking businesses in Spain, other than those included in the Corporate Center. The primary business units included in this operating segment are:

- **Spanish Retail Network:** including individual customers, private banking, small companies and businesses in the domestic market;
- **Corporate and Business Banking:** which manages small and medium sized enterprises ("SMEs"), companies and corporations, and public institutions;
- **Corporate and Investment Banking:** responsible for business with large corporations and multinational groups and the trading floor and distribution business in Spain; and
- **Other units:** which includes the insurance business unit in Spain (BBVA Seguros) as well as the Group's shareholding in the bancassurance joint venture with Allianz, Compañía de Seguros y Reaseguros, S.A. (see "*—History and Development of the Company—Capital Divestitures—2020*"), the Asset Management unit (which manages Spanish mutual funds and pension funds), lending to real estate developers and foreclosed real estate assets in Spain, as well as certain proprietary portfolios and certain funding and structural interest-rate positions of the euro balance sheet which are not included in the Corporate Center.

Cash, cash balances at central banks and other demand deposits as of December 31, 2022 amounted to €49,185 million, an 86.4% increase compared with the €26,386 million recorded as of December 31, 2021, mainly due to the increase in cash held at the Bank of Spain, with a view, in part, to reinforcing the Group's cash position.

Financial assets at fair value of this operating segment (which includes the following portfolios: "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income") amounted to €126,413 million as of December 31, 2022, a 13.1% decrease from the €145,544 million recorded as of December 31, 2021, mainly as a result of the decrease in loans to credit institutions (through reverse repurchase agreements) and the sale of equity instruments during the second half of 2022 recorded under the "Financial assets held for trading" portfolio, partially offset by the increase in the fair value of trading derivatives due to the positive impact of changes in exchange rates on foreign currency positions.

Financial assets at amortized cost of this operating segment as of December 31, 2022 amounted to €204,588 million, a 2.5% increase compared with the €199,663 million recorded as of December 31, 2021. Within this heading, loans and advances to customers amounted to €174,031 million as of December 31, 2022, an increase of 1.7% from the €171,097 million recorded as of December 31, 2021, mainly as a result of the increase in loans to enterprises, especially to SMEs, and consumer loans (including credit card loans), partially offset by a slight decrease in the volume of mortgage loans, in part due to increased prices in a high interest rate environment.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of December 31, 2022 amounted to €84,619 million, a 4.0% increase compared with the €81,376 million recorded as of December 31, 2021, mainly due to an increase in deposits from credit institutions (through repurchase agreements) and, to a lesser extent, an increase in the value of exchange rate derivatives, each recorded under the "Financial liabilities held for trading" portfolio.

Customer deposits at amortized cost of this operating segment as of December 31, 2022 amounted to €220,471 million, a 6.7% increase compared with the €206,663 million recorded as of December 31, 2021, mainly due to the increase in demand deposits within the retail portfolio, as a result of the customers' preference to hold liquid assets in the prevailing uncertain environment.

Off-balance sheet funds of this operating segment (which includes "Mutual funds" and "Pension funds") as of December 31, 2022 amounted to €86,759 million, a 23.8% increase compared with the €70,072 million as of December 31, 2021, mainly due to the changes in the calculation of Mutual funds in 2022 (as the direct investment by customers in additional investment funds has been included), partially offset by the customers' preference to hold liquid assets in the prevailing uncertain environment.

This operating segment's non-performing loan ratio (defined as non-performing loans divided by total credit risk and calculated as the sum of impaired loans and advances to customers, impaired guarantees to customers and other impaired commitments divided by the sum of loans and advances to customers, guarantees to customers and other commitments) decreased to 3.9% as of December 31, 2022 from 4.2% as of December 31, 2021, mainly as a result of the sale of certain loan portfolios, which led to a decrease in impaired loans, and higher recoveries. Further, there were limited additions to the Stage 3 asset category in 2022. This operating segment's non-performing loan coverage ratio (defined as allowance for credit losses divided by non-performing loans and calculated as loss allowances on loans and advances divided by the sum of impaired loans and advances to customers, impaired guarantees to customers and other impaired commitments) was broadly stable at 61% as of December 31, 2022 and 62% as of December 31, 2021.

## Mexico

The Mexico operating segment includes the banking, insurance and asset management business conducted in Mexico by BBVA Mexico. It also includes BBVA Mexico's agency in Houston.

The Mexican peso appreciated 11.0% against the euro as of December 31, 2022 compared with December 31, 2021, positively affecting the business activity of the Mexico operating segment as of December 31, 2022 expressed in euros. See *"Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates"*.

Cash, cash balances at central banks and other demand deposits as of December 31, 2022 amounted to €13,228 million, a 1.9% increase compared with the €12,985 million recorded as of December 31, 2021, mainly due to the appreciation of the Mexican peso against the euro, offset in part by decreases in other demand deposits, which have shifted towards higher profitability investments.

Financial assets at fair value of this operating segment (which includes the following portfolios: "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets at fair value through other comprehensive income") as of December 31, 2022 amounted to €40,356 million, a 14.9% increase from the €35,126 million recorded as of December 31, 2021, mainly due to the appreciation of the Mexican peso against the euro and the increases in the value of exchange rate derivatives, in particular in the trading portfolio.

Financial assets at amortized cost of this operating segment as of December 31, 2022 amounted to €84,465 million, a 29.3% increase compared with the €65,311 million recorded as of December 31, 2021. Within this heading, loans and advances to customers of this operating segment as of December 31, 2022 amounted to €71,754 million, a 28.6% increase compared with the €55,809 million recorded as of December 31, 2021, mainly attributable to the positive performance of loans to enterprises, given the commercial efforts to gain and retain customers, and the retail portfolio (credit cards loans, consumer loans and SMEs), and, to a lesser extent, mortgage loans, supported by the appreciation of the Mexican peso against the euro.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of December 31, 2022 amounted to €25,840 million, a 30.2% increase compared with the €19,843 million recorded as of December 31, 2021, mainly as a result of increases in the value of exchange rate derivatives and repurchase agreements from the Mexican Central Bank ("**BANXICO**") and the appreciation of the Mexican peso against the euro.

Customer deposits at amortized cost of this operating segment as of December 31, 2022 amounted to €77,750 million, a 21.5% increase compared with the €64,003 million recorded as of December 31, 2021, primarily due to the appreciation of the Mexican peso against the euro and increases in the volume of demand deposits and, to a lesser extent, time deposits.

Off-balance sheet funds of this operating segment (which includes "Mutual funds" and "Other placements") as of December 31, 2022 amounted to €38,196 million, a 44.4% increase compared with the €26,445 million as of December 31, 2021, mainly as a result of the changes in the calculation of Mutual funds in 2022 (as the direct investment by customers in additional investment funds has been included), the appreciation of the Mexican peso against the euro and the existing trend partially shifting from time deposits towards higher profitability investments, which continues to boost mutual funds, supported by an improved product offer that includes funds linked to Environmental, Social and Governance ("**ESG**") factors.

This operating segment's non-performing loan ratio (as defined herein) decreased to 2.5% as of December 31, 2022 from 3.2% as of December 31, 2021, mainly due to an increase in lending activity, in particular, corporate loans and retail loans, lower Stage 3 entries and higher recoveries from the wholesale loan portfolio. As a result thereof, this operating segment's non-performing loan coverage ratio (as defined herein) increased to 129% as of December 31, 2022 from 106% as of December 31, 2021, supported by the higher reserves.

## Turkey

This operating segment comprises the activities carried out by Garanti BBVA as an integrated financial services group operating in the banking, insurance and asset management business in Turkey, including corporate, commercial, SME, payment systems, retail, private and investment banking, together with its subsidiaries in pension and life insurance, leasing, factoring, brokerage and asset management, as well as its international subsidiaries in Romania and the Netherlands.

On May 18, 2022, BBVA closed its voluntary takeover bid for the entire share capital of Garanti BBVA, which resulted in BBVA increasing its stake in Garanti BBVA from 49.85% to 85.97%. See “*Presentation of Financial Information—Voluntary Takeover Bid for the Entire Share Capital of Türkiye Garanti Bankası A.Ş.*”.

The Turkish lira depreciated 23.7% against the euro as of December 31, 2022 compared to December 31, 2021, adversely affecting the business activity of the Turkey operating segment as of December 31, 2022 expressed in euros. See “*Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates*”.

Since the first half of 2022, the Turkish economy is considered to be hyperinflationary as defined by IAS 29. See “*Presentation of Financial Information—Designation of Turkey as a Hyperinflationary Economy*” for information on the impact of hyperinflation accounting.

Cash, cash balances at central banks and other demand deposits as of December 31, 2022 amounted to €6,061 million, a 21.9% decrease compared with the €7,764 million recorded as of December 31, 2021, mainly due to the depreciation of the Turkish lira against the euro.

Financial assets at fair value of this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of December 31, 2022 amounted to €5,203 million, a 1.6% decrease from the €5,289 million recorded as of December 31, 2021, mainly due to the depreciation of the Turkish lira against the euro, partially offset by increases in the value of exchange rate derivatives in foreign currency positions.

Financial assets at amortized cost of this operating segment as of December 31, 2022 amounted to €51,621 million, a 24.3% increase compared with the €41,544 million recorded as of December 31, 2021. Within this heading, loans and advances to customers of this operating segment as of December 31, 2022 amounted to €37,443 million, a 19.2% increase compared with the €31,414 million recorded as of December 31, 2021, mainly due to the increase (in local currency) in Turkish lira-denominated loans to enterprises and credit card loans, partially offset by the depreciation of the Turkish lira against the euro.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of December 31, 2022 amounted to €2,138 million, a 5.9% decrease compared with the €2,272 million recorded as of December 31, 2021, mainly due to the depreciation of the Turkish lira against the euro, partially offset by increases in the value of exchange rate derivatives in foreign currency positions.

Customer deposits at amortized cost of this operating segment as of December 31, 2022 amounted to €46,339 million, a 20.9% increase compared with the €38,341 million recorded as of December 31, 2021, mainly due to the increase in time deposits and demand deposits, both denominated in Turkish lira, as a result mainly of the measures announced by the Turkish authorities to protect deposits denominated in Turkish lira from the exchange rate volatility, in order to boost confidence in the local currency, promote the conversion of foreign currency deposits into local currency deposits and prevent further dollarization of deposits (see “—*Supervision and Regulation—Principal Markets—Turkey*” and “—*Competition—Turkey*”), partially offset by the depreciation of the Turkish lira against the euro. In local currency, deposits were positively affected by the high inflation environment.

Off-balance sheet funds of this operating segment (which includes “Mutual funds” and “Pension funds”) as of December 31, 2022 amounted to €6,936 million, a 78.1% increase compared with the €3,895 million as of December 31, 2021, mainly due to increases in mutual funds as a result of the shift towards higher profitability investments, partially offset by the depreciation of the Turkish lira against the euro.

The non-performing loan ratio (as defined herein) of this operating segment decreased to 5.1% as of December 31, 2022 from 7.1% as of December 31, 2021, mainly as a result of (i) higher recoveries and the change in the staging of a large customer from Stage 3 to Stage 2 in the wholesale loan portfolio; (ii) the sale of certain retail loan portfolios during the first half of 2022 (which led to a slight decrease in impaired loans); and (iii) increased activity (in particular, consumer and credit card loans in Turkish lira). As a result thereof, this operating segment’s non-performing loan coverage ratio (as defined herein) increased to 90% as of December 31, 2022 from 75% as of December 31, 2021.



## South America

The South America operating segment includes the Group's banking, finance, insurance and asset management business mainly in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela. It also includes representative offices in Sao Paulo (Brazil) and in Santiago (Chile).

The main business units included in the South America operating segment are:

- **Retail and Corporate Banking:** includes banks in Argentina, Colombia, Peru, Uruguay and Venezuela.
- **Insurance:** includes insurance businesses in Argentina, Colombia and Venezuela.

The sale of BBVA Paraguay closed in January 2021. See “—History and Development of the Company—Capital Divestitures—2021”.

As of December 31, 2022, the Peruvian sol appreciated against the euro by 11.0% compared to December 31, 2021. On the other hand, the Colombian peso and the Argentine peso depreciated against the euro by 12.1% and 38.3%, respectively. Overall, changes in exchanges rates have adversely affected the business activity of the South America operating segment as of December 31, 2022 expressed in euros. See “Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

As of and for the years ended December 31, 2022, 2021 and 2020, the Argentine and Venezuelan economies were considered to be hyperinflationary as defined by IAS 29 (see “Presentation of Financial Information—Changes in Accounting Policies—Hyperinflationary economies - IAS 29” and Note 2.2.19 to our Consolidated Financial Statements).

Cash, cash balances at central banks and other demand deposits as of December 31, 2022 amounted to €7,695 million, a 10.0% decrease compared with the €8,549 million recorded as of December 31, 2021, mainly due to a decrease in cash and cash equivalents held at most of the central banks within this operating segment.

Financial assets at fair value for this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of December 31, 2022 amounted to €10,563 million, a 47.2% increase compared with the €7,175 million recorded as of December 31, 2021, mainly due to the increase in sovereign debt securities recorded under “Financial assets at fair value through other comprehensive income”, partially offset by the depreciation of the Colombian peso and the Argentine peso.

Financial assets at amortized cost of this operating segment as of December 31, 2022 amounted to €40,755 million, an 8.0% increase compared with the €37,747 million recorded as of December 31, 2021. Within this heading, loans and advances to customers of this operating segment as of December 31, 2022 amounted to €38,526 million, an 11.3% increase compared with the €34,608 million recorded as of December 31, 2021, mainly as a result of the increase in the retail portfolio and in loans to enterprises, with increases in credit card loans and consumer loans in Argentina and Colombia (in each case, in local currency), partially offset by the depreciation of the Colombian peso and the Argentine peso.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of December 31, 2022 amounted to €2,813 million, a 49.4% increase compared with the €1,884 million recorded as of December 31, 2021, mainly due to the positive impact of changes in the valuation of exchange rate derivatives on foreign currency positions, in particular, in Argentina, partially offset by the depreciation of the Colombian peso and the Argentine peso.

Customer deposits at amortized cost of this operating segment as of December 31, 2022 amounted to €40,042 million, a 10.2% increase compared with the €36,340 million recorded as of December 31, 2021, mainly as a result of the increase in time deposits in Argentina, and, to a lesser extent, in Colombia, in each case in the retail portfolio, partially offset by the depreciation of the Colombian peso and the Argentine peso. In local currency, deposits were positively affected by the high inflation environment.

Off-balance sheet funds of this operating segment (which includes “Mutual funds” and “Pension funds”) as of December 31, 2022 amounted to €17,760 million, a 20.4% increase compared with the €14,756 million as of December 31, 2021, mainly due to the changes in the calculation of Mutual funds in 2022 (as the direct investment by customers in additional investment funds in Colombia and Peru has been included) and the increases in pension funds in Bolivia, partially offset by the depreciation of the Colombian peso and the Argentine peso.

The non-performing loan ratio (as defined herein) of this operating segment as of December 31, 2022 decreased to 4.1% from 4.5% as of December 31, 2021, mainly as a result of the increased activity in the commercial and retail portfolios in Argentina and Colombia and a better overall recovery ratio, partially offset by the Stage 3 new entries resulting from the update in the definition of credit impaired asset implemented in Chile in 2022 and lower recoveries than the prior year in Chile. This operating segment's non-performing loan coverage ratio (as defined herein) increased to 101% as of December 31, 2022 from 99% as of December 31, 2021.

### **Rest of Business**

This operating segment mainly includes the wholesale activity carried out by the Group in Europe (excluding Spain), the United States and (through BBVA branches located therein) Asia.

The U.S. dollar appreciated 6.2% against the euro as of December 31, 2022 compared to December 31, 2021, positively affecting the business activity of the Rest of Business operating segment as of December 31, 2022 expressed in euros. See *“Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”*.

Cash, cash balances at central banks and other demand deposits as of December 31, 2022 amounted to €4,015 million, a 1.1% increase compared with the €3,970 million recorded as of December 31, 2021.

Financial assets at fair value for this operating segment (which includes the following portfolios: “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss”, “Financial assets designated at fair value through profit or loss” and “Financial assets at fair value through other comprehensive income”) as of December 31, 2022 amounted to €5,090 million, a 10.4% decrease compared with the €5,684 million recorded as of December 31, 2021, mainly due to the decreased activity of BBVA Securities Inc., our broker-dealer in the United States, which led to a decrease in loans and advances recorded under “Financial assets held for trading”, partially offset by the appreciation of the U.S. dollar against the euro.

Financial assets at amortized cost of this operating segment as of December 31, 2022 amounted to €40,425 million, a 33.4% increase compared with the €30,299 million recorded as of December 31, 2021. Within this heading, loans and advances to customers of this operating segment as of December 31, 2022 amounted to €37,375 million, a 38.7% increase compared with the €26,949 million recorded as of December 31, 2021, mainly due to increased activity in the branches located in New York and Europe and, to a lesser extent, the appreciation of the U.S. dollar against the euro.

Financial liabilities held for trading and designated at fair value through profit or loss of this operating segment as of December 31, 2022 amounted to €4,397 million, a 13.1% decrease compared with the €5,060 million recorded as of December 31, 2021, mainly due to a decrease in the activity of the broker-dealer BBVA Securities Inc., partially offset by the appreciation of the U.S. dollar against the euro.

Customer deposits at amortized cost of this operating segment as of December 31, 2022 amounted to €9,827 million, a 56.8% increase compared with the €6,266 million recorded as of December 31, 2021, mainly as a result of the increase in time deposits from wholesale customers at the New York branch and in Europe.

Off-balance sheet pension funds in this operating segment as of December 31, 2022 amounted to €520 million, a 12.9% decrease compared with the €597 million recorded as of December 31, 2021, mainly as a result of decreases in pension funds in Europe.

The non-performing loan ratio (as defined herein) of this operating segment as of December 31, 2022 decreased to 0.4% from 0.7% as of December 31, 2021, mainly driven by increased loan activity. This operating segment's non-performing loan coverage ratio (as defined herein) increased to 131% as of December 31, 2022 from 116% as of December 31, 2021.

### **Insurance Activity**

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main products offered by the insurance subsidiaries are life insurance to cover the risk of death and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in order to develop the non-life insurance business in Spain, excluding the health insurance business. On December 14, 2020, once the required authorizations had been obtained, BBVA completed the transaction and announced the transfer to Allianz, Compañía de Seguros y Reaseguros, S.A. of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A.





The Group offers, in general, two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and collective insurance, which is taken out by employers to cover their commitments to their employees.

See Note 23 to our Consolidated Financial Statements for additional information on our insurance activity.

## Monetary Policy

The integration of Spain into the European Monetary Union (“**EMU**”) on January 1, 1999 implied the yielding of monetary policy sovereignty to the Eurosystem. The “Eurosystem” is composed of the ECB and the national central banks of the 19 member countries that form the EMU.

The Eurosystem determines and executes the policy for the single monetary union of the 19 member countries of the EMU. The Eurosystem collaborates with the central banks of member countries to take advantage of the experience of the central banks in each of its national markets. The basic tasks carried out by the Eurosystem include:

- defining and implementing the single monetary policy of the EMU;
- conducting foreign exchange operations in accordance with the set exchange policy;
- lending to national monetary financial institutions in collateralized operations;
- holding and managing the official foreign reserves of the member states; and
- promoting the smooth operation of the payment systems.

In addition, the Treaty on the EU (“**EU Treaty**”) establishes a series of rules designed to safeguard the independence of the system, in its institutional as well as its administrative functions.

## Supervision and Regulation

This section discusses the most significant supervision and regulatory matters applicable to us as a bank organized under the laws of Spain, our principal market, and as a result of activities we undertake in the European Union. Further below, this section also includes information regarding supervision and regulatory matters applicable to our operations in Mexico, Turkey and the United States.

The Bank’s “home” supervisor is the European Central Bank (“**ECB**”) at the European level and the Bank of Spain at the national level, both authorities being part of the Single Supervisory Mechanism (“**SSM**”). The BBVA Group is also subject to supervision by a wide variety of other local authorities given the Bank’s global presence, which are considered to be “host” supervisors given the Bank’s foreign origin. These include authorities in countries such as the United States (the Federal Reserve Bank of New York (“**FRBNY**”) has the primary supervisory responsibility for the Bank’s New York branch, with input from other Federal and State authorities that have supervisory responsibilities for various BBVA entities operating in the United States), Mexico, Turkey and the whole of BBVA’s footprint in South America.

Following the 2008 global financial crisis, European politicians took action to stabilize the region’s banking sector, due to a period of turbulence and doubts regarding its sustainability. This action culminated in the launch of the European Banking Union (“**EBU**”). The EBU can be viewed as a house with different building blocks. The EBU’s foundation includes the single rulebook (the “**Single Rulebook**”), which was the first step to harmonize banking rules in the European Union and includes landmark pieces of legislation such as the Capital Requirements Regulation, the Capital Requirements Directive and the Bank Recovery and Resolution Directive, among others.

The first pillar of the EBU relates to supervision and includes the SSM, which unified banking supervision in the European Union. This responsibility was placed under the ECB, which follows a strict policy of separation and confidentiality in order to ensure the independence of banking supervision and monetary policy. The SSM works in very close coordination with the national competent authorities (“**NCAs**”). As a result, the joint supervisory teams (“**JSTs**”) that are responsible for the daily supervision of the most significant banks (one JST per bank) are composed of employees from the ECB and, in the case of BBVA, from the Bank of Spain. This arrangement enables supervision to be distant enough in order to avoid any potential conflicts of interest, while also benefiting from local expertise on a particular country’s intricacies. In addition, each JST member rotates every three years. Furthermore, the SSM has pushed for more internationally diverse JSTs and teams conducting on-site inspections, including assigning Heads of Mission of a different nationality than the bank’s country of origin and by having some members of the inspection team from a different EU country.

The second pillar of the EBU relates to resolution mechanisms and includes the Single Resolution Mechanism (“**SRM**”), for which the SRB was created. The SRB, located in Brussels, works closely with the National Resolution Authorities (“**NRAs**”), and, in the case of Spain, the Bank of Spain and the Fund for Orderly Banking Restructuring (“**FROB**”), to ensure the orderly resolution of failing banks with minimum impact on the real economy, the financial system and the public finances of the participating EU member states and other countries.



The role of the SRB is proactive. Instead of waiting for resolution cases, the SRB focuses on resolution planning and preparation with a forward-looking mindset to avoid the negative impacts of a bank failure on the economy and financial stability of the participating EU member states and other countries. Accordingly, one of the key tasks of the SRB and NRAs is to draft resolution plans for the banks under its remit. These plans are prepared jointly by the SRB and NRAs through internal resolution teams (“**IRTs**”). The IRTs are composed of staff from the SRB and the NRAs and are headed by coordinators appointed from the SRB’s senior staff.

Banking resolution, previously not prioritized by regulatory authorities, became crucial following the 2008 financial crisis and the need to inject substantial taxpayer funds into financial institutions. The idea that underlies banking resolution is that a “bail-in” is preferable to a “bail-out”. A “bail-out” occurs when outside investors, such as a government, rescue a bank by injecting money to help make debt payments. In the past, such as during the 2008 financial crisis, “bail-outs” helped save banks from failing, with taxpayers assuming the risks associated with their inability to make debt payments. On the other hand, a “bail-in” occurs when a bank’s creditors (in addition to its shareholders) are forced to bear some of the burden by having some or all of their debt written off. See “—*Capital Requirements, MREL and Resolution*” below.

In order to permit the execution of a bail-in, banks are required to hold on their balance sheet a minimum volume of liabilities that could be bailed-in without operational or legal issues in the event of resolution. This is the rationale behind the minimum requirement for own funds and eligible liabilities (“**MREL**”).

Within the framework of the SRM, the Single Resolution Fund (“**SRF**”) was also developed. This is a fund composed of contributions from credit institutions and certain investment firms in the 19 participating countries within the EBU. The SRF may be used only under specific circumstances in banking resolution, such as to guarantee the assets or liabilities of an institution under resolution or make contributions to a bridge institution or asset management vehicle. The SRF can be used only to ensure the effective application of resolution tools but not to absorb the losses of an institution or for a recapitalization.

The first and second pillars of the EBU are highly interlinked. Prior to entering into a resolution process, a bank must be considered by the SSM as failing or likely to fail, which occurs when there is no other option to restore its viability (such as applying the bank’s recovery plan) within the available time frame.

The third and final pillar of the EBU, which is still under discussion, is the European Deposit Insurance Scheme (“**EDIS**”). The EDIS would enable the insurance of deposits regardless of the country of origin of the bank, thus creating a fully harmonized banking union. However, there remain political obstacles to the creation of the EDIS which have not yet been resolved. In 2019, a High Level Working Group on EDIS was created and charged with presenting a roadmap to start political negotiations. At the national level, BBVA is currently subject to the Deposit Guarantee Fund of Credit Institutions, which operates under the guidance of the Bank of Spain.

In the aftermath of the 2008 global financial crisis, important reforms were adopted at the international level, namely the Basel III capital reforms (as defined below), which have been translated into relevant legislation at the European and national level. In May 2019, the European Council adopted a banking package which included new versions of some of the regulations and directives that are part of the Single Rulebook. More concretely, this package included the CRR II, the CRD V Directive, the SRM Regulation II and the BRRD II (each as defined below). This package incorporated some of the most recent internationally-agreed reforms mentioned above, including measures such as a new leverage ratio requirement for all institutions, a revised “Pillar 2” (as described below) framework, additional supervisory powers in the area of money laundering and enhanced MREL subordination rules for global systemically important institutions (“**G-SIIs**”) and other top-tier banks.

As a result of the foregoing, banks in the EBU face increasingly intense supervisory scrutiny. However, the reforms discussed above have resulted in structurally important advances as asset quality, capital and liquidity levels in the European banking sector have greatly improved since they were adopted. Another important component of this progress has been the Supervisory Review and Examination Process (“**SREP**”). The SREP is an annual exercise that determines a bank’s capital requirements, on a “Pillar 2” basis, as well as the qualitative requirements that the bank must address in the following year. This exercise takes four different elements of a bank into account: (a) business model and profitability, (b) capital, (c) liquidity and (d) governance and risk management.

In addition, any work done during the year related to on-site inspections, deep dives, thematic reviews, internal model investigations and other ad hoc requests (e.g., targeted review) feeds into the SREP. The SREP culminates with a supervisory dialogue at the end of the year, where a preliminary review of the bank is presented. In addition, prior to the beginning of each year, the SSM presents a Supervisory Examination Program (“**SEP**”) which details the inspections, high-level meetings and potential visits to group subsidiaries that are forecasted to occur throughout the year. The process for creating a SEP for each entity begins with defining the SSM’s risk dashboard and the classification of risks according to their probability of occurring and probable magnitude of impact, which then translates into the SSM’s priorities for the following year.

Another important tool that the SSM possesses to supervise large European banking groups is the Supervisory Colleges. For those banks for which the SSM acts as the consolidated “home” supervisor, the SSM together with the relevant NCA organizes an event where all of the banking group’s “host” supervisors are gathered at a roundtable and where they discuss the current state of affairs of the bank in the different relevant jurisdictions. The SRB follows a similar approach, organizing Resolution Colleges with the banking group’s “host” resolution authorities.

The SSM also performs comprehensive assessments, together with the NCAs, over the banks it directly supervises. These are performed either regularly (at periodic intervals) or on an ad hoc basis (e.g., when an EU member state requests to be part of the EBU). These comprehensive assessments include two parts: (a) asset quality reviews of the banks’ exposures and (b) stress testing of the banks’ balance sheets under different scenarios. Furthermore, the EBA also organizes and performs an EU-wide stress test in coordination with the ECB. This test, which occurs every two years, does not confer a pass or fail result but instead contributes to determining “Pillar 2” guidance. While “Pillar 2” guidance is a non-binding capital requirement, the EBA nonetheless expects compliance with it. In those years in which there is no EBA stress test, the SSM organizes a more specific stress test concerning a particular topic, such as the impact of interest rate risk on the banking book or liquidity.

In 2022, the ECB carried out the first stress test on climate-related risks (“CST”). The output of the stress test exercise was integrated into the SREP using a qualitative approach. No direct capital impact via the Pillar 2 Guidance (“P2G”) has been envisaged. ECB has considered this stress test to be a learning exercise for banks and supervisors alike. The aims were to identify vulnerabilities, industry best practices and the challenges faced by banks. The exercise also helped enhance data availability and quality, and has allowed supervisors to better understand the stress-testing frameworks banks use to gauge climate risk. Additionally the ECB conducted an assessment (thematic review) of the level of implementation of the ECB Guidelines on Climate Change Risk which aim to drive supervised institutions into considering climate-related and environmental risks within their business strategies, governance and risk management frameworks and push entities into becoming more transparent in their climate-related and environmental disclosures.

In 2023, there will be an EU-wide stress test which will reflect the ongoing progress that EU banks are making in strengthening their capital positions and will assess EU banks’ resilience to an adverse economic shock. The sample for the 2023 EU-wide stress test has been enlarged compared to previous exercises. The banks participating in the 2023 exercise include the Group. The EU-wide stress test will be conducted on a sample of 70 EU banks, including 57 from countries which are members of the SSM, covering roughly 75% of total banking sector assets in the EU and Norway. Compared to the previous EU-wide stress tests, the 2023 exercise covers an additional 20 banks. The results are expected to be published by the end of July 2023.

The macro-prudential aspect of supervision is also increasingly gaining relevance, including through specific thematic reviews undertaken by the SSM on certain portfolios (e.g., real estate or shipping) and the creation of new authorities and review boards. At the European level, these include the European Systemic Risk Board (“ESRB”), which is responsible for monitoring macro-risks at the European level. The ESRB also develops the adverse scenarios to be used in the EU-wide stress test. In addition, in 2019 the Spanish Government created the Macro-prudential Authority Financial Stability Council, which is chaired by the Minister of Economy and Business and vice-chaired by the Governor of the Bank of Spain, and includes the Deputy Governor of the Bank of Spain, who is responsible for banking supervision, among its members.

The foregoing illustrates how much the regulatory and supervisory landscape has changed in the decade following the 2008 financial crisis, due in large part to the Basel Committee on Banking Supervision (the “**Basel Committee**”), an international, standard-setting forum, which established important reforms at a global level. Some of these reforms have been adopted in regulations at the European level.

The following is a discussion of certain of these and other regulations that are applicable to BBVA and certain related requirements.

### ***Liquidity Requirements – Minimum Reserve Ratio***

The legal framework for the minimum reserve ratio is set out in Regulation (EC) No. 2818/98 of the ECB of December 1, 1998 on the application of minimum reserves (ECB/1998/15). The reserve coefficient for overnight deposits, deposits with agreed maturity or period of notice up to two years, debt certificates with maturity up to two years and money market paper is 1%. There is no required reserve coefficient for deposits with agreed maturity or period of notice over two years, repurchase agreements and debt certificates with maturity over two years.

According to the Delegated Regulation (EU) 2015/61 issued by the European Commission (EC) of October 10, 2014, the liquidity coverage ratio came into force in Europe on October 1, 2015, with an initial 60% minimum requirement, which was progressively increased (phased-in) up to 100% in 2018.



## ***Capital Requirements, MREL and Resolution***

In December 2010, the Basel Committee proposed a number of fundamental reforms to the regulatory capital framework for internationally active banks (the “**Basel III capital reforms**”). The Basel III capital reforms raised the quantity and quality of capital required to be held by a financial institution with an emphasis on CET1 capital.

As a Spanish credit institution, the Bank is subject to Directive 2013/36/EU of the European Parliament and of the Council of June 26, 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC, and repealing Directives 2006/48/EC and 2006/49/EC (as amended, replaced or supplemented from time to time, the “**CRD IV Directive**”), through which the EU began implementing the Basel III capital reforms. The core regulation regarding the solvency of credit institutions is Regulation (EU) No. 575/2013 of the European Parliament and of the Council of June 26, 2013 on prudential requirements for credit institutions and investment firms, and amending Regulation (EU) No. 648/2012 (as amended, replaced or supplemented from time to time, the “**CRR I**” and, together with the CRD IV Directive and any measures implementing the CRD IV Directive or CRR I which may from time to time be applicable in Spain, “**CRD IV**”), which is complemented by several binding regulatory technical standards, all of which are directly applicable in all EU Member States, without the need for national implementation measures. The implementation of the CRD IV Directive into Spanish law took place through Royal Decree-Law 14/2013, of November 29, Law 10/2014, of June 26, on the organization, supervision and solvency of credit institutions (“**Law 10/2014**”), Royal Decree 84/2015, of February 13 (“**Royal Decree 84/2015**”), Bank of Spain Circular 2/2014 of January 31, and Bank of Spain Circular 2/2016, of February 2 (the “**Bank of Spain Circular 2/2016**”).

On June 7, 2019, the following amendments to CRD IV and Directive 2014/59/EU of the European Parliament and of the Council of May 15, 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms (“**BRRD I**”) and Regulation (EU) No. 806/2014 of the European Parliament and of the Council of July 15, 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund (the “**SRM Regulation I**”) were published:

- Directive 2019/878/EU of the European Parliament and of the Council of May 20, 2019 (as amended, replaced or supplemented from time to time, the “**CRD V Directive**”) amending the CRD IV Directive (the CRD IV Directive as so amended by the CRD V Directive and as amended, replaced or supplemented from time to time, the “**CRD Directive**”);
- Directive 2019/879/EU of the European Parliament and of the Council of May 20, 2019 (as amended, replaced or supplemented from time to time, “**BRRD II**”) amending, among other things, BRRD I as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms (BRRD I as so amended by BRRD II and as amended, replaced or supplemented from time to time, the “**BRRD**”);
- Regulation (EU) No. 876/2019 of the European Parliament and of the Council of May 20, 2019 (as amended, replaced or supplemented from time to time, “**CRR II**” and, together with the CRD V Directive, “**CRD V**”) amending CRR I as regards the leverage ratio, the net stable funding ratio, requirements on own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) 648/2012 (CRR I as so amended by CRR II and as amended, superseded or supplemented from time to time, the “**CRR**”); and
- Regulation (EU) No. 877/2019 of the European Parliament and of the Council of May 20, 2019 (as amended, replaced or supplemented from time to time, the “**SRM Regulation II**”) amending the SRM Regulation I as regards the loss-absorbing and recapitalization capacity of credit institutions and investment firms (SRM Regulation I as so amended by SRM Regulation II and as amended, replaced or supplemented from time to time, the “**SRM Regulation**”) (CRD V, together with BRRD II and the SRM Regulation II, the “**EU Banking Reforms**”).

CRD IV, among other things, established a “Pillar 1” minimum capital requirement and increased the level of capital required through the “combined capital buffer requirement” that institutions must comply with from 2016 onwards. The “combined capital buffer requirement” introduced five new capital buffers: (i) the capital conservation buffer, (ii) the G-SIB buffer, (iii) the institution-specific counter-cyclical capital buffer, (iv) the D-SIB buffer and (v) the systemic risk buffer (a buffer to prevent systemic or macroprudential risks). The “combined capital buffer requirement” applies in addition to the minimum “Pillar 1” capital requirements and must be satisfied with additional CET1 capital to that provided to meet the “Pillar 1” minimum capital requirement.

The G-SIB buffer is applicable to the institutions included in the list of G-SIBs, which is updated annually by the FSB. The Bank was excluded from this list with effect as from January 1, 2017, so, unless otherwise indicated by the FSB (or the Bank of Spain) in the future, the Bank will no longer be required to maintain the G-SIB buffer.

As of the date of this Annual Report, the Bank of Spain considers the Bank to be a D-SIB at a consolidated level. The Bank is required to maintain a fully-loaded D-SIB buffer of a CET1 ratio of 0.75% on a consolidated basis in 2023.

In December 2015, the Bank of Spain agreed to set the counter cyclical capital buffer applicable to credit exposures in Spain at 0% from January 1, 2016. This percentage is reviewed quarterly. The Bank of Spain agreed on December 14, 2022 to maintain the counter cyclical capital buffer applicable to credit exposures in Spain at 0% for the first quarter of 2023. As of the date of this Annual Report, the counter cyclical capital buffer applicable to the Group stands at 0.01%.

Additionally, Article 104 of the CRD Directive, as implemented by Article 68 of Law 10/2014, and similarly Article 16 of Council Regulation (EU) No. 1024/2013 of October 15, conferring specific tasks on the ECB concerning policies relating to the prudential supervision of credit institutions (the “**SSM Regulation**”), also contemplates the possibility that the supervisory authorities may require credit institutions to meet capital requirements exceeding the “Pillar 1” minimum capital requirements and the “combined capital buffer requirement” by establishing “Pillar 2” capital requirements (which, with respect to other requirements, are above the “Pillar 1” requirements and below the “combined capital buffer requirement”).

Furthermore, the ECB is required, under Regulation (EU) No. 468/2014 of the ECB of April 16, 2014 establishing the framework for cooperation within the Single Supervisory Mechanism (“**SSM**”) between the ECB and national competent authorities and with national designated authorities (the “**SSM Framework Regulation**”), to carry out a SREP for the Bank and the Group at least on an annual basis.

On July 19, 2018, the EBA published its final guidelines intended to further enhance risk management by institutions and the convergence of supervision with respect to the SREP. These guidelines focus on stress testing, particularly to determine “Pillar 2” capital guidance and the level of interest rate risk. As of July 23, 2020, the EBA published further guidelines on the 2020 SREP in light of the crisis generated by COVID-19. Additionally, the EBA published further draft amended guidelines regarding the implementation of changes introduced by the CRD V Directive on March 18, 2022, repealing the EBA Guidelines of December 19, 2014 and the updated guidelines of July 19, 2018, with effect from January 1, 2023.

In response to the COVID-19 pandemic, the ECB announced on March 12, 2020 that it would allow banks to partially use AT1 and Tier 2 instruments to meet the “Pillar 2” requirement, being this measure introduced by CRD V. In particular, the composition of the capital instruments to meet the “Pillar 2” requirement, shall include 56.25% of CET1 capital and 75% of Tier 1 capital, at a minimum.

Consequently, all additional “Pillar 2” own funds requirements that the ECB may impose on the Bank and/or the Group under the SREP will require the Bank and/or the Group to maintain capital levels higher than the “Pillar 1” minimum capital requirement.

As a result of the most recent SREP carried out by the ECB, announced on December 15, 2022, BBVA must maintain, at a consolidated level, as from January 1, 2023, a CET1 ratio of 8.75% and a total capital ratio of 13.00%. The consolidated overall capital requirement includes: (i) the “Pillar 1” minimum capital requirement of 4.50%; (ii) the minimum capital requirement of “Pillar 2” of 1.71% (of which at least 0.96% must be met with CET1), of which 0.21% (0.12% must be met with CET1) is determined on the basis of the ECB’s prudential provisioning expectation, which as of January 1, 2023 will no longer be treated as a deduction from CET1; (iii) the capital conservation buffer (2.5% of CET1); (iv) the capital buffer for Other Systemically Important Institutions (O-SIIs) (0.75% of CET1); and (v) the capital buffer for Countercyclical Risk (0.04% of CET1). Likewise, BBVA must maintain, on an individual level, a CET1 ratio of 7.89% and a total capital ratio of 12.05%. These ratios include a Pillar 2 requirement at the individual level of 1.5%, of which at least 0.84% shall be met with CET1.

For further information on the countercyclical capital buffer and the total capital requirements applicable to the BBVA Group, see Note 32 to our Consolidated Financial Statements.

In accordance with Article 48 of Law 10/2014, Article 73 of Royal Decree 84/2015 and Rule 24 of Bank of Spain Circular 2/2016, any institution not meeting its “combined capital buffer requirement” is required to calculate its MDA as stipulated in such legislation. Should that requirement not be met and until the MDA has been calculated and communicated to the Bank of Spain, the relevant institution shall not make any: (i) distributions relating to CET1 capital; (ii) payments related to variable remuneration or discretionary pension benefits; and (iii) distributions linked to AT1 instruments (“**discretionary payments**”), and once the MDA has been calculated and communicated to the Bank of Spain, the discretionary payments will be subject to the limit of the calculated MDA.





Additionally, pursuant to Article 48 of Law 10/2014, the adoption by the Bank of Spain of the measures provided by Articles 68.2.h) and 68.2.i) of Law 10/2014, aimed at strengthening own funds and limiting or prohibiting the distribution of dividends, respectively, will also entail the requirement to determine the MDA and to restrict discretionary payments to such MDA. In accordance with the EU Banking Reforms, the calculation of the MDA and the restrictions described in the preceding paragraph while such calculation is pending, shall also be triggered by a breach of the combined buffer requirement when considered in addition to its MREL requirement (see “*Item 3. Key Information—Risk Factors—Regulatory, Tax, Compliance and Reporting Risks—Increasingly onerous capital and liquidity requirements may have a material adverse effect on the Group’s business, financial condition and results of operations*”) or a breach of the minimum leverage ratio requirement. CRD V also distinguishes between “Pillar 2” capital requirements and “Pillar 2” capital guidance, only the former being regarded as mandatory requirements. Notwithstanding the foregoing, CRD V provides that, besides other measures, supervisory authorities are entitled to impose further “Pillar 2” capital requirements when an institution repeatedly fails to follow the “Pillar 2” capital guidance previously imposed.

Additionally, CRR II sets a binding leverage ratio requirement of 3% of Tier 1 capital that is added to the own funds requirements and to the requirements based on an entity’s RWAs. In particular, any breach of this leverage ratio would entail the need to determine the MDA and the related consequences.

Furthermore, on December 7, 2017 the BCBS announced the end of the Basel III reforms (informally referred to as Basel IV). These reforms include changes to the risk weightings applied to the different assets and measures to enhance the sensitivity to risk in those weightings and impose limits on the use of internal ratings-based approaches to ensure a minimum level of conservatism in the use of such approaches and enhance comparability among banks in which such internal ratings-based approaches are used. This reform will also (i) modify the calculation of the Operational Risk, which could have a negative impact on the capital of the Group; and (ii) limit the use of internal risk models, with a minimum capital requirement of RWAs calculated using only the standardized approaches. The application of this reform in Europe is still underway and there is no certainty on its final rules and the date of implementation.

In addition, the ECB has announced that a targeted review of internal models (“**TRIM**”) is being conducted on the internal models used by banks subject to its supervision to calculate their RWAs, in order to reduce inconsistencies and unjustified variability in these internal models throughout the European Union. Any final results of the TRIM could imply a change in the internal models used by banks and, at the same time, increases or decreases in the capital needs of banks, including the Bank.

### ***Resolution***

The BRRD (which has been implemented in Spain through Law 11/2015 and RD 1012/2015) and the SRM Regulation are designed to provide the authorities with mechanisms and instruments to intervene sufficiently early and rapidly in failing or likely to fail credit institutions or investment firms (each, an Entity) in order to ensure the continuity of the Entity’s critical financial and economic functions, while minimizing the impact of its non-feasibility on the economic and financial system. The BRRD further provides that a Member State may only use additional financial stabilization instruments to provide extraordinary public financial support as a last resort, once the following resolution instruments have been evaluated and used to the fullest extent possible while maintaining financial stability.

In accordance with the provisions of Article 20 of Law 11/2015, an Entity will be considered as failing or likely to fail in any of the following situations: (i) when the Entity significantly fails, or may reasonably be expected to significantly fail in the near future, to comply with the solvency requirements or other requirements necessary to maintain its authorization; (ii) when the Entity’s enforceable liabilities exceeds its assets, or it is reasonably foreseeable that they will exceed them in the near future; (iii) when the Entity is unable, or it is reasonably foreseeable that it will not be able, to meet its enforceable obligations in a timely manner; or (iv) when the Entity needs extraordinary public financial support (except in limited circumstances). The decision as to whether the Entity is failing or likely to fail may depend on a number of factors which may be outside of that Entity’s control.

In line with the provisions of the BRRD, Law 11/2015 contains four resolution tools which may be used individually or in any combination, when the Relevant Spanish Resolution Authority considers that (a) an Entity is non-viable or is failing or likely to fail, (b) there is no reasonable prospect of any other measures that would prevent the failure of such Entity within a reasonable period of time and (c) resolution is necessary or advisable, rather than the winding up of the Entity through ordinary insolvency proceedings, for reasons of public interest.

The four resolution instruments are (i) the sale of the Entity's business, which enables the resolution authorities to transfer, under market conditions, all or part of the business of the Entity being resolved; (ii) bridge institution, which enables resolution authorities to transfer all or part of the business of the Entity to a "bridge institution" (an entity created for this purpose that is wholly or partially in public control); (iii) asset separation, which enables resolution authorities to transfer certain categories of assets (normally impaired or otherwise problematic) to one or more asset management vehicles to allow them to be managed with a view to maximizing their value through eventual sale or orderly wind-down (this can be used together with another resolution tool only); and (iv) the "**Bail-in Tool**". Any exercise of the Bail-in Tool by the Relevant Spanish Resolution Authority may include the write down and/or conversion into equity or other securities or obligations (which equity, securities and obligations could also be subject to any future application of the Bail-in Tool) of certain unsecured debt claims of an institution.

In the event that an Entity is in a resolution situation, the Bail-in Tool is understood to mean any write-down, conversion, transfer, modification, or suspension power existing from time to time under: (i) any law, regulation, rule or requirement applicable from time to time in Spain, relating to the transposition or development of the BRRD (as amended, replaced or supplemented from time to time), including, but not limited to (a) Law 11/2015, (b) RD 1012/2015; and (c) the SRM Regulation, each as amended, replaced or supplemented from time to time; or (ii) any other law, regulation, rule or requirement applicable from time to time in Spain pursuant to which (a) obligations or liabilities of banks, investment firms or other financial institutions or their affiliates can be reduced, cancelled, modified, transferred or converted into shares, other securities, or other obligations of such persons or any other person (or suspended for a temporary period or permanently) or (b) any right in a contract governing such obligations may be deemed to have been exercised.

In accordance with the provisions of Article 48 of Law 11/2015 (without prejudice to any exclusions that may be applied by the Relevant Spanish Resolution Authority in accordance with Article 43 of Law 11/2015), in the event of any application of the Bail-in Tool, any resulting write-down or conversion by the Relevant Spanish Resolution Authority will be carried out in the following sequence: (i) CET1 items; (ii) the principal amount of Additional Tier 1 capital instruments; (iii) the principal amount of Tier 2 capital instruments; (iv) the principal amount of other subordinated claims other than Additional Tier 1 capital or Tier 2 capital; and (v) the principal or outstanding amount of the remaining eligible liabilities in the order of the hierarchy of claims in normal insolvency proceedings (with senior non-preferred claims (*créditos ordinarios no preferentes*) subject to the Bail-in Tool after any subordinated claims (*créditos subordinados*) of the Bank but before the other senior claims of the Bank).

In addition to the Bail-in Tool, the BRRD, Law 11/2015 and the SRM Regulation provide for resolution authorities to have the further power to permanently write-down or convert into equity capital instruments (and, pursuant to BRRD II and the SRM Regulation II, certain internal eligible liabilities and instruments) at the point of non-viability ("**Non-Viability Loss Absorption**" and, together with the Bail-in Tool, the "**Spanish Bail-in Power**") of an Entity. Any write-down or conversion must follow the same insolvency hierarchy as described above. The point of non-viability of an Entity is the point at which the Relevant Spanish Resolution Authority determines that the Entity meets the conditions for resolution or will no longer be viable unless the relevant capital instruments are written down or converted into equity or extraordinary public support is to be provided and without such support the Relevant Spanish Resolution Authority determines that the institution would no longer be viable. The point of non-viability of a group is the point at which the group infringes or there are objective elements to support a determination that the group, in the near future, will infringe its consolidated solvency requirements in a way that would justify action by the Relevant Spanish Resolution Authority in accordance with article 38.3 of Law 11/2015. Non-Viability Loss Absorption may be imposed prior to or in combination with any exercise of the Bail-in Tool or any other resolution tool or power (where the conditions for resolution referred to above are met) or in combination with such exercise in respect of all eligible liabilities.

In addition, the EBA has published certain technical regulation standards and technical implementation standards to be adopted by the European Commission, in addition to other guidelines. These standards and guidelines could potentially be relevant in determining when or how a Relevant Spanish Resolution Authority may exercise the Bail-in Tool and/or impose a Non-Viability Loss Absorption. These include guidelines on the treatment of shareholders when applying the Bail-in Tool or Non-Viability Loss Absorption, as well as on the rate for converting debt into shares or other securities or debentures in the application of the Bail-in Tool and/or Non-Viability Loss Absorption.

To the extent that any resulting treatment of a holder of the Bank's securities pursuant to the exercise of the Bail-in Tool is less favorable than would have been the case under such hierarchy in normal insolvency proceedings, a holder of such affected securities would have a right to compensation under the BRRD and the SRM Regulation based on an independent valuation of the institution, in accordance with Article 10 of RD 1012/2015 and the SRM Regulation, together with any other compensation provided for in any Applicable Banking Regulations (as defined below) including, inter alia, compensation in accordance with Article 36.5 of Law 11/2015. However, if the treatment of a creditor following a Non-Viability Loss Absorption is less favorable than it would have been under ordinary insolvency proceedings, it is uncertain whether said creditor would be entitled to the compensation provided for in the BRRD and the SRM Regulation.



Applicable Banking Regulations means at any time the laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then applicable to the Bank and/or the Group including, inter alia, the CRD Directive, CRR, BRRD, the SRM Regulation and those laws, regulations, requirements, guidelines and policies relating to capital adequacy, resolution and/or solvency then in effect in Spain (whether or not such regulations, requirements, guidelines or policies have the force of law and whether or not they are applied generally or specifically to the Bank and/or the Group).

Relevant Spanish Resolution Authority means the FROB, the SRB, the Bank of Spain, the Spanish Securities Market Commission or any other entity with the authority to exercise any of the resolution tools and powers contained in Law 11/2015 and the SRM Regulation from time to time.

Law 11/2015 means Law 11/2015, of June 18, on the recovery and resolution of credit institutions and investment firms, as amended, replaced or supplemented from time to time, including as amended by Royal Decree Law 7/2021 of 27 April on the transposition of European Union directives in matters of credit institutions, among others.

### *MREL*

The BRRD prescribes that banks shall hold a minimum level of own funds and eligible liabilities in relation to RWAs known as MREL. According to the Commission Delegated Regulation (EU) 2016/1450 of May 23, 2016, supplementing BRRD I with regard to regulatory technical standards specifying the criteria relating to the methodology for setting the minimum requirement for own funds and eligible liabilities, the level of own funds and eligible liabilities required under MREL will be set by the resolution authority, in agreement with the competent authority, for each bank (and/or group) based on, among other things, the criteria set forth in Article 45 of the BRRD, including the systemic importance of the institution. Eligible liabilities may be senior or subordinated, provided that, among other requirements, they have a remaining maturity of at least one year and, if governed by a non-EU law, they must be able to be written down or converted by the resolution authority of a member state under that law or through contractual provisions.

If the Relevant Spanish Resolution Authority considers that there may be any obstacles to resolvability by the Bank and/or the Group, a higher MREL could be imposed.

The EU Banking Reforms provide that the breach by a bank of its MREL should be addressed by the competent authorities through their powers to address or remove obstacles to resolution, the exercise of their supervisory powers and their power to impose early intervention measures, administrative sanctions and other administrative measures. If there were a deficit in the level of an entity's eligible own funds and liabilities, and that entity's own funds were contributing to meeting the "combined capital buffer requirement," these own funds would automatically be deemed to count toward meeting the MREL of said entity and would cease to count for purposes of meeting the "combined capital buffer requirement", which could lead the entity to fail to comply with its "combined capital buffer requirement". This could result in the need to calculate the MDA and the resolution authority would have the power (but not the obligation) to impose restrictions on the making of discretionary payments. Therefore, the Bank will have to fully comply with its "combined capital buffer requirement", in addition to its MREL, to ensure that it can make discretionary payments.

In addition, in accordance with the EBA guidelines on the assumptions of triggering the use of early intervention measures of May 8, 2015, a significant deterioration in the amount of eligible liabilities and own funds held by an entity in order to comply with its MREL could place an entity in a situation where the conditions for early intervention are met, which could entail the application of early intervention measures by the competent resolution authority, which in the Spanish case are detailed in Articles 9 and 10 of Law 11/2015, including the intervention or provisional replacement of administrators.

The EU Banking Reforms further include, as part of MREL, a new subordination requirement of eligible instruments for G-SIBs and "top tier" banks (including the Bank) that will be determined according to their systemic importance, involving a minimum "Pillar 1" subordination requirement. This "Pillar 1" subordination requirement must be satisfied with own funds and other eligible MREL instruments (which MREL instruments may not for these purposes be senior debt instruments and only MREL instruments constituting "non-preferred" senior debt and other subordinated liabilities will be eligible for compliance with the subordination requirement). For "top tier" banks such as the Bank, this "Pillar 1" subordination requirement has been determined as the highest of 13.5% of the Bank's RWAs and 5% of its leverage exposure. Resolution authorities may also impose further "Pillar 2" subordination requirements, which would be determined on a case-by-case basis but at a minimum level equal to the lower of 8% of a bank's total liabilities and own funds and 27% of its RWAs (both including MREL Pillar 1 and Pillar 2).

On March 8, 2022, BBVA announced that it had received a communication from the Bank of Spain of its new MREL requirement, as determined by the SRB, repealing and superseding the previous MREL requirement that was communicated in May 2021. In accordance with this new communication, BBVA has to maintain as from January 1, 2022, a volume of own funds and eligible liabilities equal to 21.46% of the total RWAs of its resolution group (the “**MREL in RWAs**”), of which 13.5% of the total RWAs of BBVA’s resolution group has to be fulfilled with subordinated instruments (the “**MREL in RWAs subordination requirement**”). The MREL in RWAs and the MREL in RWAs subordination requirement do not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, is currently 3.26% (setting the MREL in RWAs including the combined capital buffer requirement at 24.72% and the MREL in RWAs subordination requirement including the combined capital buffer requirement at 16.76%). As of December 31, 2022, the own funds and eligible liabilities of the resolution group amounted to 26.45% of its RWAs, and the subordinated own funds and eligible liabilities amounted to 21.74%.

In addition, BBVA had to maintain, as from January 1, 2022, an amount of own funds and eligible liabilities in terms of the total exposure considered for calculating the leverage ratio equal to 7.50% (the “**MREL in LR**”) of which 5.84% in terms of the total exposure considered for calculating the leverage ratio shall be satisfied with subordinated instruments (the “**MREL in LR subordination requirement**”).

As of December 31, 2022, the resolution group’s own funds and eligible liabilities and its subordinated own funds and eligible liabilities represented, respectively, 11.14% and 9.16% of the total exposure taken into account for the calculation of the leverage ratio. As from January 1, 2024, the minimum ratios to be met are the same as for 2022, except for the MREL in LR subordination requirement.

The resolution group consists of BBVA and its subsidiaries belonging to the same European resolution group and, as of December 31, 2022 (the currently applicable reference date), the RWAs of the resolution group amounted to €206,987 million and the total exposure considered for calculating the leverage ratio amounted to €491,430 million. As of the date of this Annual Report, no MREL Pillar 2 requirement has been imposed on BBVA and BBVA complies with the MREL in RWAs, the MREL in RWAs subordination requirement, the MREL in LR and the MREL in LR subordination requirement.

### ***Single Resolution Fund***

The SRF was established by Regulation (EU) No 806/2014 (“**SRM Regulation**”). Where necessary, the SRF may be used to ensure the efficient application of resolution tools and the exercise of the resolution powers conferred to the SRB by the SRM Regulation.

The SRF is composed of contributions from credit institutions and certain investment firms in the participating Member States within the Banking Union.

SRF will be gradually built up during the first eight years (2016-2023) and shall reach the target level of at least 1% of the amount of covered deposits of all credit institutions within the Banking Union by December 31, 2023.

Within the resolution scheme, the SRF may be used only to the extent necessary to ensure the effective application of the resolution tools, as last resort, in particular:

- To guarantee the assets or the liabilities of the institution under resolution;
- To make loans to or to purchase assets of the institution under resolution;
- To make contributions to a bridge institution and an asset management vehicle;
- To make a contribution to the institution under resolution in lieu of the write-down or conversion of liabilities of certain creditors under specific conditions;
- To pay compensation to shareholders or creditors who incurred greater losses than under normal insolvency proceedings.

The Intergovernmental Agreement (“**IGA**”) acknowledges that situations may exist where the means available in the Single Resolution Fund (Fund) are not sufficient to undertake a particular resolution action, and where the ex-post contributions that should be raised in order to cover the necessary additional amounts are not immediately accessible.

In December 2013, ECOFIN Ministers agreed to put in place a system by which bridge financing would be available as a last resort. The arrangements for the transitional period should be operational by the time the Fund was established.



In this scenario, the Eurogroup decided in 2017 to expand the ESM role to serve as a backstop for the SRF. While the new features of the expanded role for the ESM were agreed by 2019, it was not until late 2020 that the euro area finance ministers agreed to proceed with the reform of the ESM and was later signed by Member States (represented by their ambassadors to the EU) on January 27. The backstop to the SRF was expected to be operational at the beginning of 2022, but the ratification process was not completed. As of the date of this Annual Report, the treaty is pending ratification by Italy and Croatia (which recently joined the Eurozone).

Once the ratification process is completed, the ESM will be able to provide support for up to €68 billion (in the form of credit lines). If this financial assistance is requested, the SRF will pay back the ESM loan with funds obtained from banks' contributions (in a period of three years, with the possibility to extend it to five years).

## **Capital Management**

### *Basel Capital Accord - Economic Capital*

The Group's capital management is performed at both the regulatory and economic levels. Regulatory capital management is based on the analysis of the capital base and the capital ratios (core capital, Tier 1, etc.) using the BIS Framework rules and the CRR. See Note 32 to our Consolidated Financial Statements.

The aim of our capital management is to achieve a capital structure that is as efficient as possible in terms of both cost and compliance with the requirements of regulators, ratings agencies and investors. Active capital management includes securitizations, sales of assets, and preferred and subordinated issues of equity and hybrid instruments. Various actions have been taken during the last years in connection with our capital management and in order to comply with various capital requirements applicable to us related to various actions regarding asset sales. In addition, we may make securities issuances or undertake new asset sales in the future, which could involve outright sales of businesses or reductions in interests held by us, which could be material and could be undertaken at less than their respective book values, resulting in material losses thereon, in connection with our capital management and in order to comply with capital requirements or otherwise. The Bank has obtained the Bank of Spain's and ECB's approvals with respect to its internal model of capital estimation concerning certain portfolios.

Following the European supervisory and regulatory focus on reducing the variability of own funds requirements (via the TRIM and EBA Repair Programme respectively), the Bank is currently reviewing its IRB models to ensure adherence to the evolving regulatory requirements. Although the final impact of this review is not yet known, it could result in an increase in the capital needs of BBVA.

From an economic standpoint, capital management seeks to optimize value creation for the Group and its different business units. The Group allocates economic capital ("CER") commensurate with the risks incurred by each business. This is based on the concept of unexpected loss at a certain level of statistical confidence, depending on the Group's targets in terms of capital adequacy. The CER calculation combines credit risk, market risk (including structural risk associated with the balance sheet and equity positions), operational risk, model risk, business risk, reputational risk and technical risks in the case of insurance companies.

Shareholders' equity, as calculated under the BIS Framework rules, is an important metric for the Group. For the purpose of allocating capital to operating segments, the Group focuses on both economic and regulatory capital. The purpose is to ensure that the businesses are run considering both the risk-sensitive perspective and the regulation requirement. These are designed to provide an equitable basis for assigning capital and ensure adequate capital management across the Group.

### *Concentration of Risk*

In accordance with Article 392 of Regulation (EU) 2019/876 ("CRR II"), an institution's exposure to a client or a group of connected clients shall be considered a large exposure where the value of the exposure is equal to or exceeds 10% of its Tier 1 capital.

Additionally, according to Article 395 of Regulation (EU) 2019/876 ("CRR II") an institution shall not incur an exposure, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to a client or a group of connected clients the value of which exceeds 25% of its Tier 1 capital. Where that client is an institution or where a group of connected clients includes one or more institutions, that value shall not exceed 25% of the institution's Tier 1 capital or €150 million, whichever is higher, provided that the sum of exposure values, after taking into account the effect of the credit risk mitigation in accordance with Articles 399 to 403, to all connected clients that are not institutions does not exceed 25% of the institution's Tier 1 capital.

Where the amount of €150 million is higher than 25% of the institution's Tier 1 capital, the value of the exposure, after having taken into account the effect of credit risk mitigation in accordance with Articles 399 to 403 of this Regulation, shall not exceed a reasonable limit in terms of that institution's Tier 1 capital. That limit shall be determined by the institution in accordance with the policies and procedures referred to in Article 81 of Directive 2013/36/EU in order to address and control concentration risk. That limit shall not exceed 100% of the institution's Tier 1 capital.

#### *Legal and Other Restricted Reserves*

We are subject to the legal and other restricted reserves requirements applicable to Spanish companies. Please see “—*Capital Requirements, MREL and Resolution*”.

#### ***Impairment of Financial Assets***

Historically, the definition of credit-impaired asset under IFRS 9 used by the Group has been substantially consistent with the definition of default for internal credit risk management, which is the definition used for regulatory purposes. In 2021, the Group updated its definition of default for internal credit risk management purposes to conform to that set forth in the EBA Guidelines, in compliance with article 178 of Regulation (EU) No 575/2013 (CRR). As a result thereof, the Group deemed it appropriate to update the definition of credit-impaired asset (Stage 3), considering it a change in accounting estimate, so that such definition continues to be substantially consistent with the definition of default used for internal credit risk management.

The Group estimated that the update in the definition of credit-impaired asset (Stage 3) led to an increase of €1,262 million in impaired financial assets as of December 31, 2021. The impact of this change on expected credit losses was not considered to be significant, since most of the affected transactions were previously classified within Stage 2 and, consequently, their credit risk coverage already corresponded to the expected credit losses throughout the expected lifetime of the transactions. For a discussion of applicable accounting standards related to loss allowances on financial assets and the method for calculating expected credit loss, see Note 2.2.1 to our Consolidated Financial Statements. See also “—*Selected Statistical Information—ASSETS—Impaired loans*” and “*Item 5. Operating and Financial Review and Prospects—Operating Results*”.

#### ***Dividends***

A bank may generally dedicate all of its net profits and its distributable reserves to the payment of dividends. In no event may dividends be paid from non-distributable reserves. For additional information see “*Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividends*”.

Since January 1, 2016, according to CRD IV, those credit entities required to calculate their MDA are subject to restrictions on discretionary payments, which include, among others, dividend payments. See “—*Capital Requirements, MREL and Resolution*”.

Although banks are not legally required to seek prior approval from the Bank of Spain or the ECB before declaring dividends (distributions of share premium account is subject to prior approval), we inform each of them on a voluntary basis upon the declaration of a dividend.

Our Bylaws allow for dividends to be paid in cash or in kind as determined by shareholders' resolution.

#### ***Investment Ratio***

In the past, the Spanish government used the investment ratio to allocate funds among specific sectors or investments. As part of the liberalization of the Spanish economy, it was gradually reduced to a rate of zero percent as of December 31, 1992. However, the law that established the ratio has not been abolished and the government could re-impose the ratio, subject to applicable EU requirements.

#### ***Principal Markets***

The following is a summary of certain laws and regulations applicable to BBVA's operations in Spain, Mexico, Turkey and the United States.

For information on certain measures that the governments of the main countries where the BBVA Group operates have taken to limit the effects of the COVID-19 pandemic (including measures which have affected the BBVA Group's lending activity and credit risk-taking), as well as on the measures adopted by the BBVA Group to support its customers pursuant to initiatives required or supported by the relevant governments, see “*Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—The COVID-19 Pandemic*”.





## *Spain*

BBVA's operations in Spain are subject to European Union-wide and Spanish national regulations. Spain has a broad regulatory framework designed to ensure consumer protection and enhance transparency. Finance and deposits products are subject to both general consumer and product-specific laws which, in certain circumstances, differentiate between consumers and non-consumers.

The provision of payment accounts and services in Spain is subject to various regulations, most of which transpose European legislation, such as Directive (EU) 2015/2366 (“**PSD 2**”) and Directive (EU) 2014/92. Such regulations lay down minimum information requirements for providers of payment accounts and services as well as certain transparency provisions with regard to fees. A significant development in relation to the implementation of PSD 2 is a requirement to allow third parties access to accounts to provide account information and payment initiation services, provided they have a customer's consent.

Regarding loans, there are separate regulations applying to consumer loans and residential loans which are, in both cases, mainly derived from European legislation, including Directive (EU) 2008/48 (relating to credit agreements for consumers) and Directive (EU) 2014/17 (relating to credit agreements for residential immovable property). In 2019, Law 5/2019, of March 15, regulating real estate credit agreements (“**Law 5/2019**”) was passed. It applies to individuals, whether or not they are consumers, and sets limits on default interest, early maturity and early repayment fees, and provides a comprehensive framework of pre-contractual information provisions. Law 5/2019 also requires that a notarial act shall be granted prior to signing a residential credit agreement in which the notary verifies that the bank has fulfilled all of its legal pre-contractual information obligations and that the borrower has understood all the clauses contained in the European Standard Information Sheet (“**ESIS**”).

The regulatory framework also includes specific regulations designed to protect the most vulnerable customers, such as the requirement for banks to offer basic accounts to customers without access to ordinary bank accounts. Basic accounts may be free of charge or have a maximum monthly cost of three euros. In the area of mortgage lending, there is a Code of Good Practices regulated by Royal Decree Law 6/2012 to be adhered to by financial entities to facilitate the refinancing of mortgage debt by debtors who suffer extraordinary difficulties in meeting their payment obligations including features such as dation in payment as a refinance measure (for information on certain recent changes to the Code of Good Practices, see “—*COVID-19 regulation and other regulation designed to protect vulnerable clients*” below).

In 2020, extensive regulation about revolving credit was approved by Order ETD/699/2020, of July 24, regulating revolving credit and amending Order ECO/697/2004, of March 11, on the Central Risk Information Office, Order EHA/1718/2010, of June 11, regulating and controlling the advertising of banking services and products and Order EHA/2899/2011, of October 28, on transparency and protection of customers of banking services. This regulation sets out, among others, new provisions on creditworthiness assessment and transparency requirements for revolving credit. In particular, lenders shall assess whether customers could repay amounts equal to at least 25% of the credit on an annual basis. Additionally, in 2022 Circular 3/2022 of March 30 of the Bank of Spain, amending, among others, Circular 5/2012 of June 27 of the Bank of Spain, and implementing Order ETD/699/2020 in relation to revolving credit information was passed. Regarding European cross-border payments, Regulation 2019/518 introduced two amendments to Regulation 924/2009: (i) the extension of the equality of charges principle to non-euro Member States; and (ii) new rules on the transparency of charges regarding currency conversions for payments at the point of sale or at ATM machines, as well as for credit transfers. The main changes introduced by this regulation entered into force in December 2019 and April 2020 and some obligations of information, related to electronic communications, came into force in April 2021.

In relation to payment services, Order ECE/1263/2019 of December 26, on transparency of conditions and information requirements applicable to payment services, entered into force on July 1, 2020. This Order establishes the information requirements applicable to payment transactions and is mandatory for both parties if the customer is a consumer or a micro-enterprise.

Additionally, Circular 4/2020, of June 26, of the Bank of Spain on advertising products and banking services came into force on October 15, 2020. This Circular sets out a specific regime for advertising of banking products and services in audiovisual, radio or digital media and social networks. According to Circular 4/2020, a commercial communication policy shall be approved by the management body and internal records of all advertising campaigns shall be kept.

Spanish Securities Market Commission (Comisión Nacional del Mercado de Valores or “**CNMV**”) Circular 2/2020, of October 28, on the advertising of investment products and services, complemented and developed Order EHA/1717/2010, of June 11, on the regulation and control of advertising of investment services and products, of the Ministry of Economy and Finance.

In addition, Spanish Act 7/2020 for the digital transformation of the financial system was adopted. This law regulates the controlled testing environment (“regulatory sandboxes”) that are designed to facilitate the development and implementation of innovative technology in the financial system, while providing supervisory coverage and aiming to respect the principle of non-discrimination.

Moreover, Spanish Act 6/2020, regulating certain aspects of electronic trust services, was adopted. This law seeks to adapt Spanish legislation to certain aspects of Regulation (EU) 910/2014 regarding electronic identification and trust services for electronic transactions.

#### New Proposed Financial Customer Defense Authority

In 2022, the legislative procedure to pass the regulation establishing an independent administrative authority (the “**Authority**”) for the defense of financial customers began. It is currently pending approval by Congress.

The Authority will have faculties to hear and adopt binding resolutions, with respect to financial entities only, in connection with claims of financial customers or potential customers (i) not exceeding 20,000 euros, regarding breaches of conduct regulations (included voluntary codes of good practices) and abusive clauses; or (ii) with an undetermined amount (this will need to be further developed by subsequent regulation). The Authority's resolution will not be binding when the amount of the claim is equal to or greater than 20,000 euros or is related good practices. In relation to abusive clauses, the Authority will decide on the existence of abusive clauses if these have been previously declared as such by the Supreme Court and the Court of Justice of the European Union (“**CJEU**”) and a final ruling has been registered with the Spanish registry of general terms and conditions of contracting.

The Authority shall resolve complaints from individuals and companies, including potential customers. Resolutions may be appealed, if binding, before the contentious-administrative courts and, if not binding, by the client before the civil courts in Spain.

With respect to claims of an economic nature, the resolution may order the refund of amounts determined to be unduly charged, plus interest for late payment. With respect to other claims, the resolution may establish a compensation of an amount ranging from 100 to 2,000 euros. In addition, guidelines for compensation will be established. The fee per claim amounts to 250 euros and must be paid by the financial institutions, irrespective of whether the Authority's decision is favorable or unfavorable to the claimant.

The Authority may impose penalties for non-compliance with its resolutions (from 500,000 to 2,000,000 euros). Additionally, sanctions could be imposed on managers and directors (from 250,000 to 1,000,000 euros).

#### COVID-19 Regulation and Other Regulation Designed to Protect Vulnerable Clients

COVID-19 led to the adoption of Royal Decree Law 5/2021, which introduced the following measures: (i) a Code of Good Practices passed by the Council of Ministers Agreement on May 11, 2021, (ii) the regime for the collection of credits with guarantees of the ICO (Instituto de Crédito Oficial, a state-owned credit institution) (also developed subsequently by the abovementioned Council of Ministers Agreement) and (iii) extension of the exemption from the debtor's duty to request the declaration of insolvency proceedings until December 31, 2021. This period was initially extended until June 30, 2022 by Royal Decree Law 27/2021 extending measures to support the recovery, and further extended as an additional measure of the Code of Good Practices by the Council of Ministers, approving the agreement to establish the possibility of term extensions of ICO financing given to self-employed and companies after the expiry of the Temporary Framework of state support approved by the European Commission (see “*Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—The COVID-19 pandemic—Measures adopted in light of the COVID-19 pandemic*”).

Royal Decree Law 5/2021 envisages three levels of measures in relation to ICO guaranteed loans to strengthen corporate solvency: (i) the extension of the maturity of guaranteed loans, (ii) the conversion of guaranteed loans into shareholder ones, maintaining the ICO guarantee and (iii) transfers of funds to the self-employed and companies to reduce the guaranteed financing. The aim of these measures is to strengthen the solvency of those companies and self-employed workers who, despite having viable businesses, have seen their financial situation worsened as a result of the COVID-19 crisis.

In addition, in Spain, Royal Decree-Law 19/2022, of November 22, was published, introducing a set of measures to reinforce the protection of vulnerable mortgage debtors, given the rise in interest rates and inflation. Among others, the Royal Decree-Law introduces a new Code of Good Practices on a transitional basis for the restructuring of the mortgage debt of middle-class mortgagors at risk of vulnerability due to rising interest rates and adopts other measures to make subrogation easier for any consumer, or to convert variable rate loans to fixed rate, as well as to encourage competition in the mortgage loan market. BBVA has adhered to the new Code of Good Practices with effect from January 1, 2023.

### Insolvency Law

In 2022 Law 16/2022 of September 5 on the reform of the consolidated text of the Insolvency Law (Law 16/2022) was passed. Law 16/2022 transposes Directive (EU) 2019/1023 of the European Parliament and of the Council of June 20, 2019 on frameworks for preventive restructuring, debt waivers and disqualifications, and on measures to increase the efficiency of restructuring, insolvency and debt waiver procedures. The new insolvency legal framework provides for (i) the creation of a new state of insolvency (“the likelihood of insolvency”), prior to imminent and actual insolvency, which enables access to certain pre-bankruptcy institutions, (ii) the removal of out-of-court payment agreements and refinancing agreements, introducing instead “Restructuring Plans” and (iii) the new “Special procedure for micro-enterprises” applicable to debtors, whether natural or legal persons, that meet certain characteristics.

### Real Estate Regulation

Regarding real estate, the Spanish government and the governments of several autonomous regions of Spain have taken measures to improve access to housing by either supporting public housing or protecting mortgage owners and/or home renters.

This includes measures in the areas of leases, subsidized housing and uninhabited housing. For example, in Navarra, a penalty regime was approved, which introduces (i) the obligation to offer subsidized rent prior to the beginning of the foreclosure, dation in payment or agreement of compensation or transfer of the property due to non-payment of the mortgage loan, as well as (ii) a right of first refusal in favor of the Government of Navarra in certain cases of transfer of housing.

### Mortgage Market

On November 2, 2021, RDL 24/2021 was approved, transposing several European Union directives, including Directive (EU) 2019/2162 of the European Parliament and of the Council of November 27, 2019, on the issuance and public supervision of covered bonds and amending Directives 2009/65/EC and 2014/59/EU. This RDL simplifies the Spanish legal regime of the mortgage market, repealing in full the content of Law 2/1981, of March 25, on the regulation of the mortgage market.

### Investment Services

Several European Union’s sustainability initiatives are expected to strongly impact the asset management and retail investment services business during 2023. Firstly, asset managers must complete the templates of ESG disclosures set out by the delegated act supplementing the EU Sustainable Finance Disclosure Regulation (“**SFDR**”). At an entity level, this means that asset managers shall start reporting the principal adverse impacts of their investments based on numerous ESG indicators whose availability may be still limited in certain cases; at a product level, this means that asset managers shall complete the required precontractual documentation, and provide the relevant web and periodic information regarding light and dark green funds in accordance with new stringent disclosure requirements. Moreover, as a complement to the modifications of MiFID II approved in 2021, during 2023 the European Securities and Markets Authority (“**ESMA**”) shall publish an update of the guidelines on the suitability requirements, which shall detail how clients’ sustainability preferences are to be obtained and assessed. In order to accomplish the aforementioned changes successfully, the availability of increased ESG data is viewed as essential, which is expected, at least partly, to occur once the delegated acts developing the Taxonomy Regulation and the new Corporate Sustainability Reporting Directive (“**CSRD**”) are fully operative.

Also in the asset management sector, Law 11/2021, of July 9, 2021, on measures to prevent and combat tax fraud, impose new requirements for Spanish SICAVs (public limited companies whose object is to invest in financial assets). For this reason, the majority of the Spanish SICAVs managed by the Group were liquidated in 2022. In 2023, the shareholders of such SICAV will have to reinvest the proceeds in other assets.

In terms of financial services legislation, Regulation (EU) 1286/2014 (the “**PRIIPs Regulation**”) which became applicable on January 1, 2018 for packaged retail and insurance-based investment products (“**PRIIPs**”) except UCITS (Undertakings for the Collective Investment in Transferable Securities), will be applicable also for UCITS from December 31, 2022. The PRIIPs Regulation requires product manufacturers to create and maintain key information documents (“**KIDs**”) and will require to adapt all the KIDs for UCITS to the PRIIPs Regulation. Also in the financial services field, the European Union has passed the Directive 2021/338 which amends MiFID II. Such amendment is focused on the reduction of potential administrative burdens in the context of the provision of financial services. The Directive should be implemented by Member States by November 28, 2021 and be applicable from February 28, 2022. However, Spain has not implemented these changes into national legislation yet. The expectation is that the amendment of the Spanish securities markets law will be made during the first half of 2023. Additional changes to MiFID II, of a more complex nature, are expected for the next few years and public authorities have made a consultation process in order to obtain feedback from the public. This amendment of MiFID II could have an impact on the entities but its implementation is not expected for the next year.

The European Union has also been very active in terms of adopting legislation to preserve financial stability. In this regard, the BBVA Group has been subject to initial margin requirements under Regulation (EU) 648/2012, regarding OTC derivatives, central counterparties and trade repositories, since September 2019, as well as similar legislation in other geographical areas. In addition, BBVA Group entities classified as financial counterparties are required to post and receive initial margins when dealing with other in-scope entities.

### Pension Funds

Regarding the pension funds sector, the government is promoting a profound modification of the regulation of the private pension system aimed at boosting occupational retirement institutions and penalizing individual pension plans. This modification has resulted in the following: (i) first, in a reduction of the contribution limits in private social security schemes: the maximum contribution has been reduced, from €8,000 to €1,500 per year; and (ii) second, the enactment of Law 12/2022, of June 30, regulating public-promoted occupational retirement institutions and simplified pension plans. That law seeks to boost the occupational retirement institutions by creating a new category which would be publicly promoted. The management and depositary entities of such new institutions shall be appointed after a public bidding process. These new institutions shall be further regulated in 2023.

### Benchmarks

Another initiative in which both the public and private sectors have been fully involved during the last few years is the interbank offered rates (“**IBORs**”) reform led by the Financial Stability Board. BBVA has set up an internal working group to analyze the potential impact of IBORs reform and actions to be taken in relation thereto. In this regard, changes have been made to legacy contracts (mainly those linked to LIBOR and EONIA) and in the templates for new agreements in order to avoid or reduce the exposure to IBORs. The official discontinuation date for LIBORs exUSD (GBP, CHF, EUR, JPY), LIBOR USD 1-week and 2-month indices was December 31, 2021, and for EONIA was January 3, 2022. However, the Financial Conduct Authority (FCA) and the European Commission have established a legal safeguard in the event that there are some operations that could not be migrated before such discontinuation dates. See Note 7.3.4 to our Consolidated Financial Statements for additional information.

### Temporary Tax

On December 28, 2022, the Law for the establishment of the temporary tax on credit institutions and financial credit establishments was published in the Official State Gazette.

This law establishes an obligation to pay a non-taxable equity benefit of public nature during the years 2023 and 2024 to those credit institutions that operate in Spain whose aggregated amount of interest income and fee and commission income generated, corresponding to the year 2019, equals or exceeds €800 million.

The amount of the benefit to be paid will be the result of applying the percentage of 4.8% to the sum of the net interest income and fee and commission income and expense derived from the activity carried out in Spain, as shown in the income statement of the tax consolidation group to which the credit institutions belongs, corresponding to the calendar year prior to the year in which the obligation to pay arose. The payment obligation arises on the first day of the calendar year of fiscal years 2023 and 2024.

The estimated impact for 2023 is €225 million and has been recorded on January 1, 2023 in the heading "Other operating expense" of the consolidated income statement. As dictated by the law, within the 20 first days of February 2023, BBVA has made a payment corresponding to 50% of the estimated impact for 2023.

## Prevention of Money Laundering and Terrorist Financing

Directive (EU) 2015/849 of the European Parliament and of the Council of 20 May 2015 on the prevention of the use of the financial system for the purposes of money laundering or terrorist financing aims to prevent the use of the Union's financial system for the purposes of money laundering and terrorist financing.

Spanish Law 10/2010 of April 28 transposes Directive (EU) 2015/849 and establishes obligations in respect of preventing money laundering and terrorist financing, including applicable due diligence, internal controls and reporting obligations to obliged entities. Credit institutions, including BBVA, are part of the entities that are subject to such regulation.

On July 20, 2021, the European Commission presented an ambitious package of legislative proposals to strengthen the EU's anti-money laundering and countering the financing of terrorism rules. The legislative package is being discussed by the European Parliament and Council as part of its legislative process.

## Data Protection Regulation

Regulation (EU) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data ("GDPR") aims to achieve effective protection of personal data by providing natural persons in all EU member states with the same level of legally enforceable rights and obligations regarding personal data and imposing responsibilities on data controllers and processors to ensure consistent monitoring of the processing of personal data. Organic Law 3/2018, of December 5, on the protection of personal data and guarantee of digital rights implemented the GDPR into law in Spain.

For BBVA, the GDPR has affected directly the way we manage internal and external processes. Due to the incremental use of new technologies in almost any process carried out by the Group, where personal data of individuals are usually involved, we have had to introduce multiple changes. The GDPR's accountability requirements to comply with data protection principles and to be able to demonstrate such compliance, has led to an increased uptake of implementing and revising our privacy management processes, from the way in which consent is obtained from the client, to the implementation of processes to put into effect new rights.

GDPR introduces a risk-based approach to data processing (the higher the risk associated with the data processing, the higher the standard for the evidence to be submitted in order to prove compliance with the GDPR), including the preparation of Data Protection Impact Assessments for each high-risk data processing activity, "privacy by design" requirements (where data protection is integrated in the technology when created) and the legitimate interest balancing test (to weigh the reasons a business holds personal data against the data rights of an individual). This seeks to ensure appropriate risk-based prioritization of mitigations and controls and a more effective data management program based on actual risk.

Further, GDPR obligations and requirements to notify breaches to authorities and individuals under different circumstances meant that BBVA had to review and enhance our existing data security measures and programs and also to update BBVA's breach response plans and notification procedures, while training staff and management.

One of the main concerns for BBVA has been cross border transfers to service providers located in jurisdictions that are deemed to afford less protection than the protection afforded in the EU, including the United States. In July 2020, the Court of Justice of the European Union (CJEU) judgment in the Schrems II case made transfers of personal data from the EU to the U.S. on the basis of the EU-US Privacy Shield Decision illegal. Such Decision had, since July 2016, allowed the free transfer of data to companies certified in the United States under the Privacy Shield. The CJEU ruling resulted in BBVA dramatically scaling back the use of U.S.-based services. In December 2022, the European Commission launched the process to adopt an adequacy decision for the new EU-US Data Privacy Framework, which is intended to address the concerns raised by the CJEU in its Schrems II decision. The adoption process involves obtaining an opinion from the European Data Protection Board and the green light from a committee composed of representatives of EU Member States. In addition, the European Parliament has a right of scrutiny over adequacy decisions.

## *Mexico*

BBVA's operations in Mexico are highly regulated. The Mexican regulatory framework for financial and banking activities aims to ensure the stability of the financial system and combat money laundering, as well as to provide consumer protection and transparency in the provision of financial services.

The provision of financial and deposit products is mainly regulated in the Banking Law and provisions issued by the National Banking and Securities Commission (Comisión Nacional Bancaria y de Valores or "CNBV") and BANXICO, where CNBV issues prudential regulation and BANXICO regulates banking transactions, including financial and deposit products. In addition, the Financial Services Transparency and Regulation Law contains provisions regarding transparency and consumer protection.

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The regulatory framework for capital markets includes specific regulations designed to develop the stock market in an equitable, efficient and transparent manner, protect the interests of investors and promote competition, as well as to minimize systemic risk.

Regarding asset management, regulation encourages the creation and development of investment companies and promotes the strengthening and the decentralization of the stock market by facilitating the access of small and medium investors. It also establishes the rules for the organization and operation of investment funds, the intermediation of their shares in the stock market, as well as the organization and operation of the people who provide asset management services.

During 2022, the CNBV issued regulations to modify contingency plans requirements in order to strengthen banks' financial position in the case of events affecting their liquidity and solvency.

Also, the National Commission for the Protection and Defense of the Users of Financial Services (Comisión Nacional para la Protección y Defensa de los Usuarios de Servicios Financieros or “**CONDUSEF**”) issued new provisions in 2022 that consolidate all the registration obligations applicable to financial institutions, establish new reporting obligations and debt collection requirements and restrictions. Such provisions became effective in January 2023.

Additionally, the Congress is discussing an amendment to the Banking Law regarding the procedures banks must follow with respect to funds outstanding in accounts that remain inactive for a six-year period. Currently, the rights over amounts not exceeding approximately 29,000 Mexican pesos (approximately US\$1,450) expire in favor of the public charity (resources granted by the government that provide functional support to vulnerable sectors). The main proposed changes entail: (i) increasing the latter amount to approximately 52,000 Mexican pesos (approximately US\$2,600), and (ii) that any other amounts exceeding the latter shall expire in favor of and be furnished to the public security (government's efforts towards safeguarding the integrity and rights of persons, among others). The proposed amendment is currently under discussion considering comments from the Mexican Banking Association that seek to protect the investors' rights by providing a mechanism that entitles clients (or their beneficiaries) to claim their financial resources, regardless of whether such resources have already been furnished to the public charity or public security. Such amendment would modify the procedures banks must follow with respect to the resources abandoned in client accounts, which may have an operational impact on BBVA's operations in Mexico.

In December 2020, the Federal Economic Competition Commission (Comisión Federal de Competencia Económica or “**COFECE**”) published a preliminary opinion on its investigation regarding the card payments' market identifying four potential barriers to competition that prevent the entry and increase costs for new market participants that hinder innovation and investment and increase merchant acquisition costs. Among other measures, COFECE could order that banks divest at least 51% of their stakes in card payment clearing houses (Prosa and E-Global), and the preliminary opinion recommends that BANXICO and the CNBV eliminate regulatory obstacles and issue regulations to ensure competition. During 2021, stakeholders presented arguments and evidence to counter the Commission's concerns. The lack of appointed Commissioners required to issue a resolution led to a suspension of the process. Recently, new Commissioners have been appointed allowing the Commission to lift the suspension and continue the process, and a final decision is expected by mid-March 2023. Separately, in October 2022, COFECE announced that in April 2022 it had started an investigation regarding collusion practices in credit card transactions with deferred monthly payments at zero interest rate. The investigation could extend up to October 2024. As of the date of this Annual Report, BBVA has not been notified or otherwise required to participate or provide any information in the context of this investigation.

For additional information on certain recent legal and market developments, see “—*Competition—Mexico*”.

### *Turkey*

BBVA's operations in Turkey are subject to regulation by Turkish national authorities. Apart from fundamental legal rules and product/service-specific legal regulations, the most basic regulation for the sector is the Banking Law No. 5411. The purpose of this law is to regulate the principles and procedures for ensuring confidence and stability in financial markets, the efficient functioning of the credit system and the protection of the rights and interests of depositors.

In general, the rules applicable to products and services that banks in Turkey offer to consumers are more stringent than rules applicable with respect to commercial and corporate banking customers. Besides general consumer protection regulations, there are specific regulations of the Banking Regulation and Supervision Agency (“**BRSA**”) on banking consumers. In 2021, the regulations that were introduced in 2020 authorizing the Central Bank of the Republic of Turkey (“**CBRT**”) to impose restrictions regarding certain fees and commissions that may be charged to customers were amended. On September 23, 2022, the Procedures and Principles Regarding Fees to be Collected by Banks from Commercial Customers entered into force (through Communiqué No. 2020/4 and further amendments), establishing maximum limits with respect to loan allocation and loan disbursement fees.



At the beginning of the COVID-19 pandemic, in April 2020, BRSA issued a recommendation to protect the value of the Turkish lira through ensuring that the customers who are granted cash loans, do not use the loan amounts for buying foreign currency or gold, opening time deposit accounts, investing in securities or repurchase agreements and transferring such funds abroad other than with an export purpose. Furthermore, to protect Turkish lira-denominated deposits from volatility in exchange rates, the Communiqué on Supporting the Conversion of Turkish Lira Deposits and Participation Accounts (No: 2021/14) regulating the Foreign Currency Protected Turkish Lira Deposit Account product was amended in 2022. Accordingly, domestic legal entities could open Turkish Lira Deposit and Participation Accounts with their existing balances in banks between December 31, 2021 and June 30, 2022. This date range was extended through December 31, 2023 as per the Presidential Decree dated December 17, 2022 on Amending the Communiqué on Supporting the Conversion of Turkish Lira Deposits and Participation Accounts.

Since November 2020, the CBRT establishes the interest applicable to credit cards, which is also applied to overdraft accounts, on the last fifth business day of each month. Floating interest rates can be applied to Turkish lira deposits with a maturity of three months or more, and to foreign currency deposits with a maturity of more than six months. Pursuant to CBRT legislation, banks are free to determine the interest rates on deposits and loans. However, the yearly interest rate on current deposit accounts may not exceed 0.25%, significantly below the inflation rate (85.51% in November 2022).

The deadline of certain obligations of payment institutions was extended with the recent amendments made in November 2022 to the Regulation on Payment Services and Electronic Money Issuance and Payment Service Providers and to the Communiqué on Information Systems of Payment and Electronic Money Institutions and Data Sharing Services of Payment Service Providers in Payment Services Area. Compliance date of certain articles both in the Regulation and in the Communiqué were extended until February 28, 2023.

The Regulation on the Disclosure of Confidential Information drafted by the BRSA entered into force on July 1, 2022, governing the confidentiality and non-disclosure of confidential client information under article 73/3 of Banking Law numbered 5411. Accordingly, confidential bank and client data shall not be disclosed to third parties (except to certain parties identified in the legislation) and its use shall be strictly limited to the purposes specified under the legislation. Furthermore, in August 2022, the BRSA published the Circular on the Implementation of the Regulation on the Disclosure of Confidential Information (No. 2022/1) which provides clarification on the scope of the definition of “common customer”, the disclosures to be made to the main shareholder and controlling shareholder and the disclosure of sensitive personal data.

The Regulation on the Operation Principles of Digital Banks and Service Model Banking entered into force in January 2022 and throughout this year several digital banking licenses were granted, pursuant to the relevant regulation that was enacted by BRSA last year. In this respect, in November 2022, a circular draft in relation to the criteria required for identity verification and transaction security through electronic means was shared with banks to obtain their comments thereto. In August 2022, another circular was published by BRSA as per the Regulation on the Disclosure of Confidential Information and, within this scope, certain concepts were elaborated alongside with some principles with regard to disclosures to the main shareholder and disclosures of personal data of a special nature.

A regulation amending the Regulation on Consumer Loan Agreements was published on September 23, 2022. Changes regarding the required preliminary information to be provided to borrowers and the mandatory content of the fixed term consumer loan agreement entered into force on January 1, 2023, while other changes entered into force on October 1, 2022. As a result of the amendments made to the Consumer Loan Agreements Regulation, the scope of the information required to be in the information form given to the consumers with respect to the relevant loan was expanded. Further, the loan-related insurances can be entered into only if the consumer accepts and demands it.

In 2022, the CBRT unveiled its “liraization” strategy, which is an integrated policy framework seeking to stabilize the Turkish lira, including by permanently increasing the weight of the Turkish lira in both assets and liabilities of the banking system. On June 10, 2022, the CBRT published the Communiqué on Amending the Communiqué on Reserve Requirements for the purpose of increasing the reserve requirement ratio for Turkish lira-denominated commercial cash loans from 10% to 20% with a view to supporting financial stability, and published the Communiqué on Maintenance of Turkish Lira Denominated Securities for Foreign Currency Liabilities, which requires banks to maintain additional Turkish lira long-term fixed-rate securities for foreign currency deposits/participation, as a complementary step to other measures intended to increase the weight of the Turkish lira fixed-rate securities in the collateral pool. On August 20, 2022, the CBRT announced amendments to the reserve requirement practice, including an increase of the reserve requirement from 20% to 30% to enhance the efficiency of the practice. On October 18, 2022, the CBRT announced that the securities maintenance ratio would be set at 5%. On December 31, 2022, other financial institutions (in addition to banks) were included within the scope of the legislation. The securities maintenance requirement have been extended until December 29, 2023. The CBRT continues to issue letters and instructions to further clarify the implementation of these requirements on a regular basis.



Garanti BBVA is required to conduct its investment banking business in accordance with the Turkish Capital Market Law and various related regulations issued by Capital Market Board of Turkey. As a commercial bank, Garanti BBVA has a license to carry out the following activities: (i) receipt and transmission of orders in relation to capital market instruments, (ii) execution of orders in relation to capital market instruments (except shares and derivative instruments based on stock indices or stocks) in the name and account of the customer or in its own name and in the account of the customer, (iii) dealing for its own account (except for derivative instruments based on stock indices and stocks) and (iv) safekeeping and administration of capital market instruments in the name of the customer and portfolio custody service.

For additional information on certain recent legal and market developments, see “—*Competition—Turkey*”.

#### *United States*

BBVA’s operations in the United States were significantly reduced following the completion of the USA Sale (see “*Presentation of Financial Information—Sale of BBVA USA Bancshares, Inc.*”). BBVA’s remaining activities and operations in the United States are subject to extensive U.S. federal and state supervision and regulation, and in some cases, U.S. requirements may impose restrictions on BBVA’s global activities.

#### U.S. Bank Regulation

Although BBVA no longer has a U.S. bank subsidiary, because BBVA maintains a branch in the United States, BBVA continues to be a foreign banking organization and a bank holding company within the meaning of the U.S. Bank Holding Company Act of 1956, as amended (the “**BHC Act**”) and the International Banking Act of 1978, as amended (the “**IBA**”), and as a result, BBVA is subject to regulation and supervision by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”). BBVA has also elected to be treated as a financial holding company. To continue to be treated as a financial holding company, each of BBVA and BBVA Bancomer, S.A. must maintain certain regulatory capital ratios above minimum requirements and must be deemed to be “well-managed” for U.S. bank regulatory purposes.

As a bank holding company, BBVA’s direct and indirect activities and investments in the United States are limited to banking activities and certain non-banking activities that are “closely related to banking,” as determined by the Federal Reserve, and certain other activities permitted under the BHC Act and IBA. BBVA is required to obtain the prior approval of the Federal Reserve before acquiring, directly or indirectly, the ownership or control of more than 5% of any class of voting securities of any U.S. bank or bank holding company.

BBVA’s New York branch is supervised by the Federal Reserve through the Federal Reserve Bank of New York, as well as licensed and supervised by the New York State Department of Financial Services. BBVA Bancomer, S.A.’s agency office in Houston, Texas is a non-FDIC insured agency office of BBVA Bancomer, S.A., an indirect subsidiary of BBVA, which is licensed under the laws of the State of Texas and supervised by the Texas Department of Banking and the Federal Reserve. BBVA’s U.S. branches and agencies are subject to additional liquidity requirements.

Sections 23A and 23B of Federal Reserve Act and Regulation W place various qualitative and quantitative restrictions on transactions between BBVA’s U.S. branches and agencies and BBVA’s U.S. broker-dealer subsidiary with regard to extensions of credit, credit exposures arising from derivative transactions, and securities borrowing and lending transactions from the U.S. branches and agencies or engaging in certain other transactions involving the U.S. branches and agencies. Such transactions must be on terms that would ordinarily be offered to unaffiliated entities, must be secured by designated amounts of specified collateral, and are subject to quantitative limitations.

As of December 31, 2020, under the Federal Reserve’s rules, BBVA became a Category IV foreign banking organization for purposes of the Federal Reserve’s enhanced prudential standards rules. As a result of the USA Sale, BBVA’s combined U.S. assets decreased to less than \$100 billion, the threshold for treatment as a Category IV foreign banking organization. As of the beginning of the second quarter of 2022, BBVA has had less than \$100 billion in combined U.S. assets for each of the four most recent calendar quarters and therefore is no longer treated as a Category IV foreign banking organization. Despite this change in status, BBVA continues to be subject to Federal Reserve regulations related to its compliance with Spanish capital adequacy standards, risk management and governance requirements, and liquidity and capital stress testing requirements based on its worldwide total assets.

BBVA continues to be subject to U.S. resolution planning requirements following the USA Sale. Under Title I of the Dodd-Frank Act and implementing regulations issued by the Federal Reserve and the FDIC, BBVA must prepare and submit a plan for the orderly resolution of its U.S. subsidiaries and U.S. operations in the event of future material financial distress or failure (the “**Title I Resolution Plan**”). BBVA filed its most recent Title I Resolution Plan on July 1, 2022. Based on its worldwide total assets, BBVA is required to file a reduced Title I Resolution Plan once every three years.



BBVA also continues to be subject to the Volcker Rule following the USA Sale. The Volcker Rule prohibits a foreign bank that maintains a branch or agency in the United States, such as BBVA, and its affiliates from (1) engaging in “proprietary trading” and (2) investing in or sponsoring certain types of funds (covered funds) subject to certain limited exceptions. The Volcker Rule regulations contain certain exemptions, including for market-making, hedging, underwriting, trading in U.S. government and agency obligations, and permit certain ownership interests in certain types of funds to be retained. They also permit the offering and sponsoring of funds under certain conditions. In the case of non-U.S. banking entities, such as BBVA, there is also an exemption permitting activities conducted solely outside of the United States, provided that certain criteria are satisfied. The Volcker Rule regulations impose significant compliance and reporting obligations on banking entities. BBVA is of the view that the impact of the Volcker Rule is not material to its business operations.

### Derivatives

BBVA is provisionally registered as a “swap dealer” as defined in the Commodity Exchange Act and the regulations promulgated thereunder with the U.S. Commodity Futures Trading Commission (the “**CFTC**”), which subjects BBVA to regulation and supervision by the CFTC and the National Futures Association. In general, as a non-U.S. swap dealer, BBVA is not subject to all CFTC requirements, including certain business conduct standards, when entering into swaps with non-U.S. counterparties. In addition, subject to certain conditions, BBVA may comply with EU OTC derivatives requirements in lieu of certain CFTC requirements, including portfolio reconciliation, portfolio compression and trade confirmation requirements, pursuant to substituted compliance determinations issued by the CFTC.

BBVA’s worldwide swap activities are also subject to regulations adopted by the European Commission pursuant to the European Market Infrastructure Regulation (“**EMIR**”) and the EU’s Markets in Financial Instruments Directive (“**MiFID**”) and other European regulations and directives.

BBVA is not registered as a security-based swap dealer with the SEC.

### Anti-Money Laundering; Office of Foreign Assets Control

A major focus of U.S. governmental policy relating to financial institutions in recent years has been aimed at combatting money laundering and terrorist financing. Regulations applicable to BBVA and certain of its affiliates impose obligations to maintain appropriate policies, procedures, and controls to detect, prevent, and report money laundering and terrorist financing. In particular, the Bank Secrecy Act, as amended by Title III of the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (USA PATRIOT Act), requires financial institutions operating in the United States to, among other things, (a) give special attention to correspondent and payable-through bank accounts; (b) implement enhanced due diligence and “know your customer” standards for private banking and correspondent banking relationships; (c) scrutinize the beneficial ownership and activity of certain non-U.S., private banking and other high-risk customers (e.g., so-called politically exposed persons); and (d) develop and maintain anti-money laundering programs, customer identification procedures, and due diligence policies and controls to ensure the detection and reporting of money laundering and terrorist financing. Anti-money laundering compliance programs supplement compliance programs designed to comply with economic sanctions administered by the United States Department of the Treasury’s Office of Foreign Assets Control. Failure of a financial institution to maintain and implement adequate anti-money laundering and sanctions compliance programs could have serious legal and reputational consequences for the institution.

### Other Regulated U.S. Entities

BBVA’s direct U.S. broker-dealer subsidiary, BBVA Securities Inc. (“**BSI**”), is subject to regulation and supervision by the Securities and Exchange Commission (“**SEC**”) and the Financial Industry Regulatory Authority (“**FINRA**”) with respect to its securities activities, as well as various U.S. state regulatory authorities. In addition, the securities underwriting and dealing activities of BSI are subject to regulation and supervision by the Federal Reserve.

The activities of BBVA’s U.S. investment adviser affiliates are regulated and supervised by the SEC.

BBVA’s U.S. insurance agency affiliate is subject to regulation and supervision by various U.S. state insurance regulatory authorities.

### ***Disclosure of Iranian Activities under Section 13(r) of the Exchange Act***

The BBVA Group discloses the following information pursuant to Section 13(r) of the Exchange Act, which requires an issuer to disclose whether it or any of its affiliates knowingly engaged in certain activities, transactions or dealings relating to Iran or with natural persons or entities designated by the U.S. government under specified executive orders, including activities not prohibited by U.S. law and conducted outside the United States by non-U.S. affiliates in compliance with local law. In order to comply with this requirement, the Company has requested relevant information from its affiliates globally.

The BBVA Group has the following activities, transactions and dealings with Iran requiring disclosure:

*Iranian embassy-related activity.* On a continuing basis, Banco Bilbao Vizcaya Argentaria, S.A. maintains a bank account in Spain for one employee of the Iranian embassy in Spain. This employee is a Spanish citizen. BBVA Mexico opened an account for the Iranian embassy in Mexico in March 2022, which was closed in May 2022. Estimated gross revenues for the year ended December 31, 2022, from embassy-related activity, which include fees and/or commissions, totaled \$62.54 (\$59.31 for Spain and \$3.24 for Mexico). The BBVA Group does not allocate direct costs to fees and commissions and therefore has not disclosed a separate profit measure.

### **C. Organizational Structure**

For information on the composition of the BBVA Group as of December 31, 2022, see Note 1.1 to our Consolidated Financial Statements.

The companies comprising the BBVA Group are principally domiciled in the following countries: Argentina, Belgium, Chile, Colombia, France, Germany, Italy, Mexico, Netherlands, Peru, Portugal, Romania, Spain, Switzerland, Turkey, United Kingdom, the United States of America and Uruguay. In addition, BBVA has an active presence in Asia.

Below is a simplified organizational chart of BBVA's most significant subsidiaries as of December 31, 2022.

Subsidiary	Country of Incorporation	Activity	BBVA Voting Power	BBVA Ownership	Total Assets (1)
			(In Percentages)		(In Millions of Euros)
BBVA MEXICO	MEXICO	Bank	100.00	100.00	125,080
GARANTI BBVA (2)	TURKEY	Bank	85.97	85.97	55,725
BBVA PERU	PERU	Bank	92.24 (3)	46.12	23,866
BBVA COLOMBIA S.A.	COLOMBIA	Bank	95.47	95.47	17,548
BBVA SEGUROS S.A. DE SEGUROS Y REASEGUROS	SPAIN	Insurance	99.96	99.96	14,663
BANCO BBVA ARGENTINA S.A.	ARGENTINA	Bank	66.55	66.55	10,095
BBVA SEGUROS MÉXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	Insurance	100.00	100.00	8,253
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	Insurance	100.00	100.00	7,192
GARANTIBANK BBVA INTERNATIONAL N.V. (2) (4)	THE NETHERLANDS	Bank	85.97	100.00	5,078
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.	URUGUAY	Bank	100.00	100.00	3,800

(1) Information for non-EU subsidiaries has been calculated using the prevailing exchange rates on December 31, 2022.

(2) On May 18, 2022, BBVA closed its voluntary takeover bid for the entire share capital of Garanti BBVA, which resulted in BBVA increasing its stake in Garanti BBVA from 49.85% to 85.97%. See "*Presentation of Financial Information—Voluntary Takeover Bid for the Entire Share Capital of Türkiye Garanti Bankası A.Ş.*".

(3) Subject to certain exceptions.

(4) BBVA owns 85.97% of Garanti BBVA, which in turn owns 100% of GarantiBank International N.V.

## D. Property, Plants and Equipment

We own or rent a substantial network of properties in Spain and abroad, including 1,886 branch offices in Spain and, principally through our various subsidiaries, 4,154 branch offices abroad as of December 31, 2022 (1,895 and 4,188, respectively, as of December 31, 2021). As of December 31, 2022, approximately 47% of our branches in Spain and 71% of our branches abroad were rented from third parties pursuant to leases that may be renewed by mutual agreement (69% and 72%, respectively, as of December 31, 2021). Year-on-year changes relate mainly to the closing of 480 branches (mostly rented) following the completion of the collective layoff procedure in Spain and the acquisition of Tree Inversiones Inmobiliarias, SOCIMI, S.A., which resulted in the acquisition of 662 branches which were previously rented by the Group. For additional information on property, plants and equipment, see Note 17 to our Consolidated Financial Statements.

## E. Selected Statistical Information

The following is a presentation of selected statistical information for the periods indicated. Where required under subpart 1400 of Regulation S-K, we have provided such selected statistical information separately for our domestic and foreign activities, pursuant to our determination, where applicable, that our foreign operations are significant according to Rule 9-05 of Regulation S-X. The allocation of assets and liabilities is based on the domicile of the Group entity at which the relevant asset or liability is accounted for. Domestic balances are those of Group entities domiciled in Spain, which reflect our domestic activities, and international balances are those of the Group entities domiciled outside of Spain, which reflect our foreign activities.

Interest income figures, when used, do not include interest income on non-accruing loans to the extent that cash payments have been received, as a result of the application of the interpretation issued by the IFRIC in its “IFRIC Update” of March 2019 regarding the collection of interest on impaired financial assets under IFRS 9 (Collection of interest on impaired financial assets). Loan fees are included in the computation of interest revenue. Interest income figures include “other income”, which amounted to €501 million, €686 million and €542 million for the years ended December 31, 2022, 2021 and 2020, respectively. For additional information on “interest and other income” see Note 37.1 to our Consolidated Financial Statements.

Year-on-year variations in the selected statistical information presented herein have been affected by the USA Sale, mainly as follows:

- *Average data.* As indicated in “*Presentation of Financial Information—Statistical and Financial Information*” and further below, average balance sheet information is based on the beginning and month-end balances in the relevant year. The assets and liabilities of the companies included within the scope of the USA Sale were reclassified to “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale”, respectively, upon the signing of the relevant share purchase agreement, which occurred on November 15, 2020. However, in order to present annual average data on a comparable basis, the beginning and month-end balances of the companies included within the scope of the USA Sale were not considered to calculate the average balances of all balance sheet items provided in this section for each of the years ended December 31, 2021 and 2020, and were included instead in the calculations of the average balances of “Non interest earning assets” and “Non interest bearing liabilities”, as applicable, until the completion of the USA Sale on June 1, 2021. The same approach was followed to calculate the respective “Interest” and “Average Yield” of balance sheet items. In particular, tables included under “—Average Balances and Rates”, “—Changes in Net Interest Income-Volume and Rate Analysis” and “—Interest Earning Assets—Margin and Spread” were prepared on this basis.
- *Year-end data.* All assets and liabilities of the companies included within the scope of the USA Sale were reclassified to “Non-current assets and disposal groups classified as held for sale” and “Liabilities included in disposal groups classified as held for sale”, respectively, in the consolidated balance sheet as of December 31, 2020. Accordingly, loans and advances and deposits as of such date (among other balance sheet information provided in this section as of such date) do not include the respective amounts of companies included within the scope of the USA Sale. The USA Sale was completed on June 1, 2021 and, therefore, BBVA no longer consolidated the related assets and liabilities as of December 31, 2021.

### *Average Balances and Rates*

The tables below set forth selected statistical information on our average balance sheets, which are based on the beginning and month-end balances in each year. We do not believe that monthly averages present trends materially different from those that would be presented by daily averages. We have not recalculated tax-exempt income on a tax-equivalent basis because the effect of doing so would not be significant.

**Average Balance Sheet - Assets and Interest from Interest Earning Assets**

	Year ended December 31, 2022			Year ended December 31, 2021			Year ended December 31, 2020		
	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield	Average Balance	Interest	Average Yield
	<b>(In Millions of Euros, Except Percentages)</b>								
<b>Total Assets (1)</b>	<b>701,709</b>	<b>31,432</b>	<b>4.48 %</b>	<b>678,563</b>	<b>23,015</b>	<b>3.39 %</b>	<b>727,014</b>	<b>22,389</b>	<b>3.08 %</b>
<b>Interest-earning assets</b>	<b>647,039</b>	<b>31,432</b>	<b>4.86 %</b>	<b>583,660</b>	<b>23,015</b>	<b>3.94 %</b>	<b>586,702</b>	<b>22,389</b>	<b>3.82 %</b>
Cash and balances with central banks and other demand deposits	70,719	362	0.51 %	52,475	41	0.08 %	45,889	46	0.10 %
<i>Domestic</i>	41,286	191	0.46 %	27,041	—	—	25,702	1	—
<i>Foreign</i>	29,432	171	0.58 %	25,434	41	0.16 %	20,187	45	0.22 %
Financial assets held for trading	68,297	2,777	4.07 %	60,046	1,534	2.56 %	58,893	1,500	2.55 %
<i>Domestic</i>	52,114	507	0.97 %	44,710	129	0.29 %	42,803	166	0.39 %
<i>Foreign</i>	16,182	2,270	14.03 %	15,336	1,406	9.17 %	16,090	1,334	8.29 %
Financial assets at fair value through other comprehensive income	61,248	3,316	5.41 %	69,167	2,263	3.27 %	60,605	1,827	3.01 %
<i>Domestic</i>	38,994	682	1.75 %	50,280	602	1.20 %	44,479	668	1.50 %
<i>Foreign</i>	22,254	2,634	11.84 %	18,887	1,661	8.80 %	16,126	1,159	7.19 %
Financial assets at amortized cost	404,265	24,160	5.98 %	366,751	18,328	5.00 %	373,098	18,263	4.89 %
<i>Domestic</i>	203,360	3,732	1.84 %	196,847	3,063	1.56 %	198,874	3,358	1.69 %
<i>Foreign</i>	200,905	20,428	10.17 %	169,904	15,265	8.98 %	174,224	14,905	8.55 %
Debt securities	38,953	719	1.84 %	35,615	704	1.98 %	34,810	740	2.12 %
<i>Domestic</i>	21,990	239	1.09 %	22,240	171	0.77 %	22,380	232	1.04 %
<i>Foreign</i>	16,963	480	2.83 %	13,375	534	3.99 %	12,430	507	4.08 %
Loans and advances	365,311	23,441	6.42 %	331,136	17,623	5.32 %	338,288	17,523	5.18 %
Central banks	5,601	372	6.64 %	5,541	462	8.35 %	4,734	161	3.40 %
<i>Domestic</i>	84	—	0.22 %	132	—	0.06 %	10	—	1.71 %
<i>Foreign</i>	5,517	372	6.74 %	5,409	462	8.55 %	4,723	161	3.40 %
Credit institutions	13,977	801	5.73 %	12,460	359	2.88 %	14,753	273	1.85 %
<i>Domestic</i>	7,350	130	1.76 %	6,276	11	0.18 %	7,676	12	0.15 %
<i>Foreign</i>	6,627	671	10.12 %	6,184	347	5.62 %	7,077	261	3.69 %
Government	20,526	805	3.92 %	19,360	491	2.53 %	21,190	548	2.59 %
<i>Domestic</i>	12,100	147	1.21 %	12,408	123	1.00 %	13,063	161	1.23 %
<i>Foreign</i>	8,426	659	7.82 %	6,952	367	5.28 %	8,127	387	4.77 %
Other financial corporations	12,093	453	3.75 %	9,466	288	3.05 %	10,020	276	2.76 %
<i>Domestic</i>	5,929	109	1.84 %	4,488	35	0.78 %	4,650	48	1.04 %
<i>Foreign</i>	6,164	344	5.58 %	4,978	253	5.09 %	5,370	228	4.24 %
Individuals	155,646	11,222	7.21 %	147,271	9,153	6.22 %	147,309	9,215	6.26 %
<i>Domestic</i>	93,660	1,868	1.99 %	93,585	1,667	1.78 %	93,972	1,812	1.93 %
Mortgages	71,354	817	1.14 %	73,806	642	0.87 %	74,645	772	1.03 %
Other	22,306	1,051	4.71 %	19,779	1,025	5.18 %	19,327	1,040	5.38 %
<i>Foreign</i>	61,987	9,354	15.09 %	53,686	7,486	13.94 %	53,337	7,402	13.88 %
Mortgages	22,733	1,865	8.20 %	19,990	1,730	8.66 %	18,340	1,640	8.94 %
Other	39,253	7,489	19.08 %	33,696	5,755	17.08 %	34,996	5,762	16.47 %
Non-financial corporations	157,467	9,788	6.22 %	137,038	6,870	5.01 %	140,282	7,050	5.03 %
<i>Domestic</i>	62,247	1,240	1.99 %	57,719	1,055	1.83 %	57,123	1,092	1.91 %
<i>Foreign</i>	95,221	8,549	8.98 %	79,319	5,815	7.33 %	83,159	5,958	7.16 %
Derivatives and other financial assets (2)	42,512	817	1.92 %	35,221	848	2.41 %	48,216	754	1.56 %
<i>Domestic</i>	31,434	304	0.97 %	27,055	516	1.91 %	38,789	484	1.25 %
<i>Foreign</i>	11,077	513	4.63 %	8,166	332	4.06 %	9,427	270	2.86 %
<b>Non interest earning assets (3)</b>	<b>54,669</b>	<b>—</b>	<b>—</b>	<b>94,902</b>	<b>—</b>	<b>—</b>	<b>140,312</b>	<b>—</b>	<b>—</b>

(1) Foreign activity represented 43.17% of the total average assets for the year ended December 31, 2022, 43.57% for the year ended December 31, 2021 and 47.25% for the year ended December 31, 2020.

(2) Includes “Derivatives - Hedge accounting”, “Derivatives - Held for trading” and “Financial assets designated at fair value through profit or loss”.



- (3) Includes “Insurance and reinsurance assets”, “Joint ventures and associates”, “Tangible assets”, “Intangible assets”, “Tax assets”, “Non-current assets and disposal groups held for sale”, “Non-trading financial assets mandatorily at fair value through profit or loss” and “Other assets”.

**Average Balance Sheet - Liabilities and Interest Paid on Interest Bearing Liabilities**

	Year ended December 31, 2022			Year ended December 31, 2021			Year ended December 31, 2020		
	Average Balance	Interest	Average Rate Paid	Average Balance	Interest	Average Rate Paid	Average Balance	Interest	Average Rate Paid
	<b>(In Millions of Euros, Except Percentages)</b>								
<b>Total liabilities (1)</b>	<b>701,709</b>	<b>12,279</b>	<b>1.75 %</b>	<b>678,563</b>	<b>8,329</b>	<b>1.23 %</b>	<b>727,014</b>	<b>7,797</b>	<b>1.07 %</b>
<b>Interest-bearing liabilities</b>	<b>622,151</b>	<b>12,279</b>	<b>1.97 %</b>	<b>567,132</b>	<b>8,329</b>	<b>1.47 %</b>	<b>572,092</b>	<b>7,797</b>	<b>1.36 %</b>
Financial liabilities held for trading	56,397	1,027	1.82 %	48,615	439	0.90 %	51,873	576	1.11 %
<i>Domestic</i>	43,096	314	0.73 %	36,675	50	0.14 %	40,675	90	0.22 %
<i>Foreign</i>	13,301	714	5.37 %	11,940	389	3.26 %	11,199	486	4.34 %
Financial liabilities at amortized cost	503,765	9,328	1.85 %	464,675	5,785	1.24 %	454,516	5,929	1.30 %
<i>Domestic</i>	307,964	1,595	0.52 %	294,410	858	0.29 %	285,476	1,098	0.38 %
<i>Foreign</i>	195,801	7,733	3.95 %	170,265	4,926	2.89 %	169,040	4,831	2.86 %
Debt certificates	54,687	1,473	2.69 %	55,963	1,194	2.13 %	61,834	1,448	2.34 %
<i>Domestic</i>	39,005	728	1.87 %	40,525	565	1.40 %	43,978	671	1.53 %
<i>Foreign</i>	15,682	745	4.75 %	15,438	629	4.07 %	17,856	777	4.35 %
Deposits	449,078	7,854	1.75 %	408,712	4,590	1.12 %	392,681	4,481	1.14 %
Central banks	49,586	417	0.84 %	49,262	69	0.14 %	39,542	106	0.27 %
<i>Domestic</i>	42,239	140	0.33 %	40,915	10	0.02 %	34,014	30	0.09 %
<i>Foreign</i>	7,347	277	3.77 %	8,347	59	0.71 %	5,528	76	1.37 %
Credit institutions	25,701	1,352	5.26 %	22,539	703	3.12 %	27,288	837	3.07 %
<i>Domestic</i>	17,479	274	1.57 %	15,221	19	0.12 %	18,565	63	0.34 %
<i>Foreign</i>	8,222	1,078	13.12 %	7,318	684	9.35 %	8,723	774	8.87 %
Government	22,830	1,296	5.68 %	18,106	621	3.43 %	17,013	541	3.18 %
<i>Domestic</i>	12,068	17	0.14 %	10,022	2	0.02 %	7,387	2	0.03 %
<i>Foreign</i>	10,762	1,279	11.89 %	8,084	619	7.65 %	9,626	539	5.60 %
Other financial corporations	20,435	543	2.66 %	19,740	287	1.45 %	20,569	312	1.52 %
<i>Domestic</i>	12,221	216	1.76 %	12,115	125	1.03 %	12,377	167	1.35 %
<i>Foreign</i>	8,214	328	3.99 %	7,625	162	2.13 %	8,192	145	1.77 %
Individuals	226,055	2,009	0.89 %	207,828	1,704	0.82 %	198,350	1,350	0.68 %
<i>Domestic</i>	144,168	132	0.09 %	137,554	129	0.09 %	131,585	150	0.11 %
<i>Foreign</i>	81,887	1,877	2.29 %	70,274	1,575	2.24 %	66,766	1,200	1.80 %
Non-financial corporations	104,471	2,237	2.14 %	91,237	1,207	1.32 %	89,918	1,335	1.49 %
<i>Domestic</i>	40,784	89	0.22 %	38,058	9	0.02 %	37,570	15	0.04 %
<i>Foreign</i>	63,687	2,148	3.37 %	53,180	1,198	2.25 %	52,348	1,321	2.52 %
Provisions	3,046	116	3.81 %	3,958	71	1.80 %	4,310	82	1.91 %
<i>Domestic</i>	2,908	56	1.94 %	3,780	20	0.53 %	4,095	27	0.67 %
<i>Foreign</i>	139	60	43.18 %	178	51	28.62 %	215	55	25.58 %
Derivatives and other financial liabilities (2)	58,942	1,808	3.07 %	49,884	2,034	4.08 %	61,394	1,209	1.97 %
<i>Domestic</i>	38,023	122	0.32 %	34,571	110	0.32 %	45,305	224	0.49 %
<i>Foreign</i>	20,919	1,686	8.06 %	15,313	1,924	12.56 %	16,088	985	6.12 %
<b>Non-interest bearing liabilities and Equity (3)</b>	<b>79,558</b>	<b>—</b>	<b>—</b>	<b>111,431</b>	<b>—</b>	<b>—</b>	<b>154,922</b>	<b>—</b>	<b>—</b>

- (1) Foreign activity represented 37.44% of the total average liabilities for the year ended December 31, 2022, 37.94% for the year ended December 31, 2021 and 41.03% for the year ended December 31, 2020.
- (2) Includes "Insurance and reinsurance liabilities", "Derivatives - Hedge accounting", "Financial liabilities held for trading" and "Financial liabilities designated at fair value through profit or loss".
- (3) Includes "Tax liabilities", "Liabilities included in disposal groups classified as held for sale" and "Other liabilities".

**Changes in Net Interest Income-Volume and Rate Analysis**

The following tables allocate changes in our net interest income between changes in volume and changes in rate for the year ended December 31, 2022 compared with the year ended December 31, 2021, and the year ended December 31, 2021 compared with the year ended December 31, 2020. Volume and rate variance have been calculated based on movements in average balances over the period and changes in interest rates on average interest-earning assets and average interest-bearing liabilities. The only out-of-period

items and adjustments excluded from such table are interest payments on loans which are made in a period other than the period in which they are due.

## 2022 / 2021

	Increase (Decrease) Due to Changes in		
	Volume (1)	Rate (2)	Net Change
	(In Millions of Euros)		
<b>Interest income</b>			
Cash and balances with central banks and other demand deposits	14	307	321
<i>Domestic</i>	—	191	191
<i>Foreign</i>	6	124	131
Financial assets held for trading	211	1,032	1,243
<i>Domestic</i>	21	357	378
<i>Foreign</i>	78	787	864
Financial assets at fair value through other comprehensive income	(259)	1,311	1,052
<i>Domestic</i>	(135)	214	79
<i>Foreign</i>	296	677	973
Financial assets at amortized cost	1,875	3,958	5,832
<i>Domestic</i>	101	567	669
<i>Foreign</i>	2,785	2,378	5,163
Debt securities	66	(52)	14
<i>Domestic</i>	(2)	70	68
<i>Foreign</i>	143	(197)	(54)
Loans and advances	1,819	3,999	5,818
Central banks	5	(96)	(91)
<i>Domestic</i>	—	—	—
<i>Foreign</i>	9	(100)	(91)
Credit institutions	44	398	442
<i>Domestic</i>	2	116	118
<i>Foreign</i>	25	299	323
Government	30	285	315
<i>Domestic</i>	(3)	26	23
<i>Foreign</i>	78	214	292
Other financial corporations	80	84	165
<i>Domestic</i>	11	63	74
<i>Foreign</i>	60	30	91
Individuals	521	1,548	2,069
<i>Domestic</i>	1	199	201
Mortgages	(21)	196	174
Other	23	3	26
<i>Foreign</i>	1,157	711	1,868
Mortgages	237	(103)	135
Other	920	814	1,734
Non-financial corporations	1,024	1,895	2,919
<i>Domestic</i>	83	102	185
<i>Foreign</i>	1,166	1,568	2,734
Derivatives and other financial assets	176	(206)	(31)
<i>Domestic</i>	84	(296)	(212)
<i>Foreign</i>	118	63	181
<b>Total income</b>	<b>785</b>	<b>7,633</b>	<b>8,418</b>

(1) The volume effect is calculated as the result of the average interest rate of the earlier period multiplied by the difference between the average balances of both periods.

(2) The rate effect is calculated as the result of the average balance of the earlier period multiplied by the difference between the average interest rates of both periods.



2022 / 2021

	Increase (Decrease) Due to Changes in		
	Volume (1)	Rate (2)	Net Change
	(In Millions of Euros)		
<b>Interest expense</b>			
Financial liabilities held for trading	70	519	589
<i>Domestic</i>	9	255	264
<i>Foreign</i>	44	281	325
Financial liabilities at amortized cost	487	3,056	3,543
<i>Domestic</i>	40	697	736
<i>Foreign</i>	739	2,068	2,807
Debt certificates	(27)	306	279
<i>Domestic</i>	(21)	184	163
<i>Foreign</i>	10	106	116
Deposits	453	2,811	3,264
Central banks	—	348	348
<i>Domestic</i>	—	130	130
<i>Foreign</i>	(7)	225	218
Credit institutions	99	551	649
<i>Domestic</i>	3	252	255
<i>Foreign</i>	85	309	394
Government	162	513	675
<i>Domestic</i>	—	14	14
<i>Foreign</i>	205	456	661
Other financial corporations	10	246	256
<i>Domestic</i>	1	90	91
<i>Foreign</i>	13	153	166
Individuals	149	156	305
<i>Domestic</i>	6	(4)	3
<i>Foreign</i>	260	42	303
Non-financial corporations	175	855	1,030
<i>Domestic</i>	1	80	80
<i>Foreign</i>	237	713	950
Provisions	(16)	61	45
<i>Domestic</i>	(5)	41	36
<i>Foreign</i>	(11)	20	9
Derivatives and other financial liabilities (3)	369	(596)	(226)
<i>Domestic</i>	11	—	11
<i>Foreign</i>	704	(942)	(238)
<b>Total expense</b>	<b>284</b>	<b>3,666</b>	<b>3,950</b>
<b>Net interest income</b>			<b>4,467</b>

- (1) The volume effect is calculated as the result of the average interest rate of the earlier period multiplied by the difference between the average balances of both periods.
- (2) The rate effect is calculated as the result of the average balance of the earlier period multiplied by the difference between the average interest rates of both periods.
- (3) Includes “Insurance and reinsurance liabilities”, “Derivatives - Hedge accounting”, “Financial liabilities held for trading” and “Financial liabilities designated at fair value through profit or loss”.

## 2021 / 2020

	Increase (Decrease) Due to Changes in		
	Volume (1)	Rate (2)	Net Change
	(In Millions of Euros)		
<b>Interest income</b>			
Cash and balances with central banks and other demand deposits	7	(11)	(5)
<i>Domestic</i>	—	—	—
<i>Foreign</i>	12	(16)	(4)
Financial assets held for trading	29	5	34
<i>Domestic</i>	7	(45)	(38)
<i>Foreign</i>	(63)	135	72
Financial assets at fair value through other comprehensive income	258	178	436
<i>Domestic</i>	87	(153)	(66)
<i>Foreign</i>	198	304	502
Financial assets at amortized cost	(311)	376	65
<i>Domestic</i>	(34)	(260)	(295)
<i>Foreign</i>	(370)	730	360
Debt securities	17	(52)	(35)
<i>Domestic</i>	(1)	(60)	(62)
<i>Foreign</i>	39	(12)	26
Loans and advances	(370)	471	100
Central banks	27	274	302
<i>Domestic</i>	2	(2)	—
<i>Foreign</i>	23	278	302
Credit institutions	(42)	129	86
<i>Domestic</i>	(2)	2	—
<i>Foreign</i>	(33)	119	86
Government	(47)	(10)	(57)
<i>Domestic</i>	(8)	(29)	(37)
<i>Foreign</i>	(56)	36	(20)
Other financial corporations	(15)	27	12
<i>Domestic</i>	(2)	(12)	(13)
<i>Foreign</i>	(17)	42	26
Individuals	(2)	(59)	(62)
<i>Domestic</i>	(7)	(138)	(145)
Mortgages	(9)	(121)	(130)
Other	1	(17)	(15)
<i>Foreign</i>	48	35	83
Mortgages	148	(493)	(346)
Other	(99)	528	429
Non-financial corporations	(163)	(18)	(181)
<i>Domestic</i>	11	(49)	(37)
<i>Foreign</i>	(275)	132	(143)
Derivatives and other financial assets	(203)	297	94
<i>Domestic</i>	(146)	179	32
<i>Foreign</i>	(36)	98	62
<b>Total income</b>	<b>(1,492)</b>	<b>2,118</b>	<b>626</b>

(1) The volume effect is calculated as the result of the average interest rate of the earlier period multiplied by the difference between the average balances of both periods.

(2) The rate effect is calculated as the result of the average balance of the earlier period multiplied by the difference between the average interest rates of both periods.





2021 / 2020

	Increase (Decrease) Due to Changes in		
	Volume (1)	Rate (2)	Net Change
	(In Millions of Euros)		
<b>Interest expense</b>			
Financial liabilities held for trading	(36)	(102)	(138)
<i>Domestic</i>	(9)	(32)	(41)
<i>Foreign</i>	32	(129)	(97)
Financial liabilities at amortized cost	133	(277)	(144)
<i>Domestic</i>	34	(273)	(239)
<i>Foreign</i>	35	60	95
Debt certificates	(137)	(116)	(253)
<i>Domestic</i>	(53)	(53)	(106)
<i>Foreign</i>	(105)	(42)	(148)
Deposits	183	(74)	109
Central banks	26	(63)	(37)
<i>Domestic</i>	6	(26)	(20)
<i>Foreign</i>	39	(56)	(17)
Credit institutions	(146)	12	(134)
<i>Domestic</i>	(11)	(33)	(44)
<i>Foreign</i>	(125)	35	(90)
Government	35	45	80
<i>Domestic</i>	1	(1)	—
<i>Foreign</i>	(86)	166	80
Other financial corporations	(13)	(13)	(25)
<i>Domestic</i>	(4)	(39)	(42)
<i>Foreign</i>	(10)	27	17
Individuals	64	290	354
<i>Domestic</i>	7	(28)	(21)
<i>Foreign</i>	63	312	375
Non-financial corporations	20	(148)	(129)
<i>Domestic</i>	—	(6)	(6)
<i>Foreign</i>	21	(144)	(123)
Provisions	(7)	(5)	(11)
<i>Domestic</i>	(2)	(5)	(7)
<i>Foreign</i>	(9)	5	(4)
Derivatives and other financial liabilities (3)	(227)	1,051	825
<i>Domestic</i>	(53)	(61)	(114)
<i>Foreign</i>	(47)	986	939
<b>Total expense</b>	<b>(520)</b>	<b>1,051</b>	<b>532</b>
<b>Net interest income</b>			<b>94</b>

- (1) The volume effect is calculated as the result of the average interest rate of the earlier period multiplied by the difference between the average balances of both periods.
- (2) The rate effect is calculated as the result of the average balance of the earlier period multiplied by the difference between the average interest rates of both periods.
- (3) Includes “Insurance and reinsurance liabilities”, “Derivatives - Hedge accounting”, “Financial liabilities held for trading” and “Financial liabilities designated at fair value through profit or loss”.

### ***Interest Earning Assets—Margin and Spread***

The following table analyzes the levels of our average interest earning assets and illustrates the comparative gross and net yields and spread obtained for each of the years indicated.

	<b>December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>(In Millions of Euros, Except Percentages)</b>		
Average interest earning assets	647,039	583,660	586,702
Gross yield (1)	4.9%	3.9%	3.8%
Net yield (2)	3.0%	2.5%	2.5%
Average effective rate paid on interest-bearing liabilities	2.0%	1.5%	1.4%
Spread (3)	2.9%	2.5%	2.5%

(1) “Gross yield” represents interest income divided by average interest-earning assets.

(2) “Net yield” represents net interest income divided by average interest-earning assets.

(3) “Spread” is the difference between “Gross yield” and the “Average effective rate paid on interest-bearing liabilities”.

## ASSETS

See the introduction to “—*Selected Statistical Information*” for information on the impact of the USA Sale on the information reported below.

### *Interest-Bearing Deposits in Other Banks*

As of December 31, 2022, interbank deposits (excluding deposits with central banks) represented 5.8% of our total assets. Of such interbank deposits, 19.2% were held outside of Spain and 80.8% in Spain. We believe that our deposits are generally placed with highly rated banks and have a lower risk than many loans we could make in Spain. However, such deposits are subject to the risk that the deposit banks may fail or the banking system of certain of the countries in which a portion of our deposits are made may face liquidity or other problems.

### *Securities Portfolio*

As of December 31, 2022, our total securities portfolio (consisting of investment securities and loans and advances) was carried on our consolidated balance sheet at a carrying amount (equivalent to its market or appraised value as of such date) of €129,743 million, representing 18.2% of our total assets. €21,983 million, or 16.9%, of our securities portfolio consisted of Spanish Treasury bonds and Treasury bills. The average yield during 2022 on the investment securities that BBVA held was 6.2%, compared with an average yield of approximately 1.2% earned on loans and advances in the portfolios “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss” and “Financial assets designated at fair value through profit or loss” during 2022. See Notes 10 and 13 to our Consolidated Financial Statements for additional information.

The first table in Note 13.3 to our Consolidated Financial Statements sets forth the fair value and the amortized cost of our debt securities recorded under “Financial assets at fair value through other comprehensive income” as of December 31, 2022, 2021 and 2020.

Note 14.2 to our Consolidated Financial Statements sets forth the fair value and the amortized cost of our debt securities recorded under “Financial assets at amortized cost” as of December 31, 2022, 2021 and 2020.

This information is not provided for debt securities recorded under “Financial assets held for trading”, “Non-trading financial assets mandatorily at fair value through profit or loss” and “Financial assets designated at fair value through profit or loss” since the amortized costs and fair values of these items are the same. See Note 8 to our Consolidated Financial Statements.

The second table in Note 13.3 to our Consolidated Financial Statements shows the fair value of debt securities recorded, as of December 31, 2022, 2021 and 2020, under “Financial assets at fair value through other comprehensive income” by rating categories defined by external rating agencies.

The second table in Note 14.2 to our Consolidated Financial Statements shows the fair value of debt securities recorded, as of December 31, 2022, 2021 and 2020, under “Financial assets at amortized cost”, by rating categories defined by external rating agencies.

Readers are directed to the tables and Notes referred to above for information regarding our securities portfolio.

For a discussion of our investments in joint ventures and associates, see Note 16 to our Consolidated Financial Statements. For a discussion of the manner in which we value our securities, see Notes 2.2.1 and 8 to our Consolidated Financial Statements.

The following table analyzes the maturities of our debt securities recorded under “Financial assets at fair value through other comprehensive income” and “Financial assets at amortized cost”, by type and geographical area, as of December 31, 2022.

	Maturity at One Year or Less		Maturity After One Year to Five Years		Maturity after Five Years to Ten Years		Maturity after Ten Years		Total
	Amount	Yield % (1)	Amount	Yield % (1)	Amount	Yield % (1)	Amount	Yield % (1)	Amount
(Millions of Euros, Except Percentages)									
<b>DEBT SECURITIES</b>									
<b>AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME PORTFOLIO</b>									
<b>Domestic</b>									
Spanish government and other government agencies debt securities	4,738	0.14	5,880	2.91	5,710	3.06	1,101	3.48	17,429
Other debt securities	229	1.90	969	1.54	82	2.72	69	3.67	1,350
<b>Total Domestic</b>	<b>4,967</b>	<b>0.22</b>	<b>6,850</b>	<b>2.72</b>	<b>5,792</b>	<b>3.06</b>	<b>1,170</b>	<b>3.49</b>	<b>18,779</b>
<b>Foreign</b>									
Mexico	1,592	6.95	7,910	6.27	919	3.11	389	4.87	10,810
Mexican government and other government agency debt securities	1,558	6.93	7,468	6.29	875	3.17	377	4.88	10,278
Other debt securities	33	7.91	442	5.90	44	1.92	12	4.48	532
The United States	1,433	2.43	1,778	2.75	1,681	2.34	129	5.17	5,020
U.S. Treasury and other government agencies debt securities	1,223	2.55	237	2.75	1,256	1.97	—	—	2,716
Other debt securities	210	1.77	1,541	2.75	424	3.45	129	5.17	2,304
Turkey	946	17.50	1,767	18.05	1,115	26.37	30	6.97	3,858
Turkey government and other government agencies debt securities	946	17.50	1,767	18.05	1,115	26.37	30	6.97	3,858
Other debt securities	—	—	—	—	—	—	—	—	—
Other countries	7,527	26.24	6,480	6.16	4,343	2.00	938	2.59	19,288
Securities of other foreign governments (2)	3,097	11.18	3,066	10.18	3,433	1.58	642	2.47	10,238
Other debt securities of other countries	4,429	36.78	3,414	2.56	910	3.57	296	2.83	9,050
<b>Total Foreign</b>	<b>11,498</b>	<b>19.89</b>	<b>17,934</b>	<b>7.04</b>	<b>8,058</b>	<b>5.57</b>	<b>1,486</b>	<b>3.50</b>	<b>38,977</b>
<b>TOTAL AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME PORTFOLIO</b>	<b>16,465</b>	<b>13.95</b>	<b>24,784</b>	<b>5.85</b>	<b>13,850</b>	<b>4.52</b>	<b>2,656</b>	<b>3.49</b>	<b>57,755</b>
<b>AT AMORTIZED COST PORTFOLIO</b>									
<b>Domestic</b>									
Spanish government and other government agencies debt securities	2,458	1.40	8,858	1.39	5,264	1.52	1,817	0.79	18,397
Other debt securities	2	2.05	105	1.14	—	—	37	1.13	144
<b>Total Domestic</b>	<b>2,460</b>	<b>1.40</b>	<b>8,964</b>	<b>1.39</b>	<b>5,264</b>	<b>1.52</b>	<b>1,853</b>	<b>0.80</b>	<b>18,541</b>
<b>Foreign</b>									
Mexico	333	4.06	3,646	5.77	765	2.88	5,999	2.98	10,743
Mexican government and other government agency debt securities	317	4.05	3,476	5.82	537	2.64	5,476	2.89	9,806
Other debt securities	15	4.33	170	4.84	229	3.45	523	3.87	937
The United States	8	0.02	2,214	1.11	—	—	190	3.45	2,412
U.S. Treasury and other government agencies debt securities	8	0.02	2,151	1.05	—	—	—	—	2,159
Other debt securities	—	—	56	2.94	—	—	—	—	56
Turkey	504	11.66	4,031	16.54	796	32.76	—	—	5,332
Turkey government and other government agencies debt securities	497	11.57	4,031	16.54	796	32.76	—	—	5,325
Other debt securities	7	18.10	—	—	—	—	—	—	7
Other countries	1,271	4.05	3,473	5.72	1,641	3.00	193	0.20	6,578
Securities of other foreign governments (2)	496	3.84	2,749	6.87	1,308	3.23	148	0.24	4,701
Other debt securities of other countries	775	4.18	723	1.34	333	2.09	45	0.05	1,877
<b>Total Foreign</b>	<b>2,116</b>	<b>5.85</b>	<b>13,364</b>	<b>8.23</b>	<b>3,203</b>	<b>10.37</b>	<b>6,382</b>	<b>2.91</b>	<b>25,065</b>
<b>TOTAL AT AMORTIZED COST PORTFOLIO</b>	<b>4,576</b>	<b>3.46</b>	<b>22,328</b>	<b>5.48</b>	<b>8,467</b>	<b>4.87</b>	<b>8,236</b>	<b>2.43</b>	<b>43,606</b>
<b>TOTAL DEBT SECURITIES</b>	<b>21,041</b>	<b>11.67</b>	<b>47,112</b>	<b>5.68</b>	<b>22,317</b>	<b>4.65</b>	<b>10,892</b>	<b>2.69</b>	<b>101,362</b>

(1) The weighted average yield for each range of maturity is calculated by dividing the annual interest income by the book value of the debt securities. Yields on tax-exempt obligations have not been computed on a tax-equivalent basis.

(2) Securities of other foreign governments mainly include investments made by our subsidiaries in securities issued by the governments of the countries where they operate.



## *Loans and Advances*

Diversification in our loan portfolio is our principal means of reducing the risk of loan losses. We also carefully monitor our loans to borrowers in sectors or countries experiencing liquidity problems. Our exposure to our five largest borrowers as of December 31, 2022 excluding government-related loans amounted to €7,433 million or approximately 2.0% of our total outstanding loans and advances to customers.

During the year ended December 31, 2022, the Group's loan activity has been affected by geopolitical and other challenges and uncertainties globally. See "Item 5. Operating and Financial Review and Prospects—Operating Results—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Macroeconomic and geopolitical conditions" and Note 7.2 to our Consolidated Financial Statements for information on the impact of these challenges and uncertainties on our financial condition and results of operations.

### *Loans and Advances to Customers*

As of December 31, 2022, our total loans and advances to customers amounted to €384,637 million, or 53.9% of total assets. Net of our loss allowances, total loans and advances to customers amounted to €373,400 million as of December 31, 2022, or 52.4% of our total assets, an increase from 50.5% of our total assets as of December 31, 2021. As of December 31, 2022 our total loans and advances to customers in Spain amounted to €170,315 million. Our total loans and advances to customers outside Spain amounted to €214,321 million as of December 31, 2022, up from €176,509 million as of December 31, 2021, mainly as a result of a higher volume of corporate loans (given the commercial efforts to gain and retain customers) and retail loans (credit cards loans, consumer loans and SMEs) in Mexico, and increases in loans to enterprises and credit card loans denominated in Turkish lira.

### *Loans by Geographical Area*

The following table shows our loans and advances to customers by geographical area as of the dates indicated:

	As of December 31,		
	2022	2021	2020
	(In Millions of Euros)		
<b>Domestic</b>	<b>170,315</b>	<b>169,625</b>	<b>166,905</b>
<b>Foreign</b>			
Western Europe	37,112	31,504	27,531
Mexico	75,294	58,757	54,663
Turkey	35,725	30,058	36,748
South America	44,107	39,518	37,192
Other (1)	22,084	16,672	12,819
<b>Total foreign</b>	<b>214,321</b>	<b>176,509</b>	<b>168,953</b>
<b>Total loans and advances (2)</b>	<b>384,637</b>	<b>346,134</b>	<b>335,858</b>
Loss allowances	(11,237)	(11,116)	(12,105)
<b>Total net lending (2)</b>	<b>373,400</b>	<b>335,018</b>	<b>323,753</b>

(1) Balances correspond mainly to the entities in the United States that were not included within the scope of the USA Sale.

(2) Includes loans and advances to customers included in the following headings: "Financial assets held for trading", "Non-trading financial assets mandatorily at fair value through profit or loss", "Financial assets designated at fair value through profit or loss" and "Financial assets at amortized cost", net of loss allowances.

### *Loans and Advances to Credit Institutions and Central Banks*

As of December 31, 2022, our total loans and advances to credit institutions and central banks amounted to €47,321 million, or 6.6% of total assets, of which total net loans and advances to credit institutions and central banks at amortized cost amounted to €20,431 million, or 2.9% of total assets.

### *Loans and Advances to Spanish Government and its Agencies*

Loans and advances outstanding to the Spanish government and its agencies amounted to €11,500 million, or 3.1% of our total loans and advances to customers as of December 31, 2022, compared with €11,904 million, or 3.6% of our total loans and advances to customers as of December 31, 2021. None of our loans to companies controlled by the Spanish government are guaranteed by the government and, accordingly, we apply normal credit criteria in extending credit to such entities. Moreover, we carefully monitor such loans because governmental policies necessarily affect such borrowers.

### *Loans to Associates and Jointly Controlled Companies*

As of December 31, 2022, total loans and advances by BBVA and its subsidiaries to associates and jointly controlled companies amounted to €1,842 million, compared with €2,031 million as of December 31, 2021.

## Maturity and Interest Sensitivity

The following table sets forth a breakdown by maturity of our total loans and advances to customers, including their fixed and variable rates, by type of customer as of December 31, 2022. The determination of maturities is based on contract terms.

	Maturity				Total	Maturity After One Year	
	Due In One Year or Less	Due After One Year Through Five Years	Due After Five Years Through Fifteen Years	Due After Fifteen Years		Fixed Rate	Variable Rate
(In Millions of Euros)							
<b>Domestic</b>							
Agriculture, forestry and fishing	502	637	253	40	1,432	709	221
Manufacturing, mining and quarrying, and other industrial activities	8,138	7,051	1,598	612	17,399	5,604	3,657
<i>Of which: manufacturing</i>	6,663	5,265	1,030	499	13,456	4,806	1,988
Construction	1,643	1,816	1,081	340	4,881	1,130	2,108
Wholesale and retail trade, transportation and storage, accommodation and food service activities	7,690	8,577	2,595	651	19,513	7,624	4,199
Information and communication	1,070	666	98	79	1,913	331	512
Financial and insurance activities	3,107	2,926	440	332	6,804	1,738	1,960
Real estate activities	628	1,882	1,654	108	4,272	1,736	1,908
Professional, scientific, technical, administrative and support service activities	1,455	2,061	515	125	4,156	1,627	1,074
Public administration and defense, education, human health and social work activities	3,099	6,268	3,201	69	12,637	5,983	3,555
Other service activities	12,372	24,362	34,213	24,791	95,738	32,912	50,454
<i>Of which:</i>							
<i>Households</i>	12,045	23,818	34,044	24,762	94,669	32,399	50,225
<i>For House Purchase</i>	4,034	14,081	29,416	24,315	71,847	19,063	48,750
<i>Credit for consumption</i>	5,075	7,035	3,254	60	15,425	10,121	229
<i>Other purposes</i>	2,935	2,702	1,374	386	7,397	3,215	1,247
<b>Total Domestic</b>	<b>39,703</b>	<b>56,245</b>	<b>45,648</b>	<b>27,148</b>	<b>168,745</b>	<b>59,394</b>	<b>69,647</b>
<b>Foreign</b>							
Agriculture, forestry and fishing	1,710	857	475	1	3,043	952	381
Manufacturing, mining and quarrying, and other industrial activities	27,130	15,945	5,267	67	48,409	5,264	16,015
<i>Of which: manufacturing</i>	18,955	9,439	2,712	21	31,127	4,087	8,085
Construction	1,722	991	667	88	3,468	448	1,299
Wholesale and retail trade, transportation and storage, accommodation and food service activities	14,603	10,830	5,035	48	30,516	7,791	8,122
Information and communication	2,913	2,369	263	39	5,584	736	1,935
Financial and insurance activities	8,854	3,399	1,099	92	13,444	1,511	3,078
Real estate activities	1,868	2,829	2,376	4	7,077	1,535	3,674
Professional, scientific, technical, administrative and support service activities	1,755	1,697	360	1	3,813	894	1,164
Public administration and defense, education, human health and social work activities	1,360	2,239	7,608	10	11,217	2,238	7,618
Other service activities	17,285	28,320	23,964	4,375	73,944	46,506	10,153
<i>Of which:</i>							
<i>Households</i>	13,943	27,806	23,753	4,359	69,861	46,186	9,733
<i>For House Purchase</i>	212	1,437	19,006	4,214	24,869	22,928	1,729
<i>Credit for consumption</i>	10,395	23,771	4,410	68	38,645	21,021	7,229
<i>Other purposes</i>	3,336	2,598	337	77	6,348	2,236	775
<b>Total Foreign</b>	<b>79,201</b>	<b>69,475</b>	<b>47,114</b>	<b>4,725</b>	<b>200,515</b>	<b>67,874</b>	<b>53,440</b>
<b>Total loans and advances (1)</b>	<b>118,904</b>	<b>125,721</b>	<b>92,763</b>	<b>31,872</b>	<b>369,260</b>	<b>127,269</b>	<b>123,087</b>

(1) Includes loans and advances to customers included in "Financial assets at amortized cost".





### **Loss allowances on Loans and Advances**

The following table provides information regarding the ratios of allowances for credit losses to total loans and net charge-offs to average loans for the periods indicated, in each case. For a discussion of accounting standards related to loss allowances on financial assets, see Note 2.2.1 to our Consolidated Financial Statements.

	<b>As of and for the year ended December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>(In Millions of Euros)</b>			
<b>Allowance for credit losses to total loans and advances at amortized cost outstanding</b>	<b>2.90 %</b>	<b>3.19 %</b>	<b>3.53 %</b>
Allowance for credit losses	11,291	11,142	12,141
<i>Domestic</i>	4,643	5,006	5,362
<i>Foreign</i>	6,648	6,136	6,779
Total loans outstanding	389,745	349,037	344,072
<i>Domestic</i>	186,642	182,822	181,029
<i>Foreign</i>	203,103	166,215	163,043
<b>Net loan charge-offs as a percentage of average loans and advances at amortized cost during the period</b>			
<b>Domestic (1)</b>	<b>0.26 %</b>	<b>0.41 %</b>	<b>0.33 %</b>
Non-financial corporations	0.30 %	0.69 %	0.60 %
<i>Net charge-offs during the period</i>	264	525	468
<i>Average loans outstanding</i>	87,524	76,028	77,575
Individuals	0.30 %	0.31 %	0.20 %
<i>Net charge-offs during the period</i>	288	299	193
<i>Average loans outstanding</i>	95,429	95,540	96,113
Other	0.01 %	0.01 %	0.02 %
<b>Foreign</b>	<b>1.20 %</b>	<b>1.66 %</b>	<b>1.65 %</b>
Non-financial corporations	0.56 %	0.96 %	1.00 %
<i>Net charge-offs during the period</i>	389	586	627
<i>Average loans outstanding</i>	69,943	61,010	62,708
Individuals	2.36 %	3.08 %	3.10 %
<i>Net charge-offs during the period</i>	1,424	1,594	1,589
<i>Average loans outstanding</i>	60,217	51,730	51,196
Other	—	—	—
<b>Total loan charge-offs as a percentage of average loans and advances at amortized cost during the period</b>	<b>0.65 %</b>	<b>0.91 %</b>	<b>0.85 %</b>
<i>Net charge-offs during the period</i>	<b>2,369</b>	<b>3,008</b>	<b>2,881</b>
<i>Average total loans and advances at amortized cost outstanding</i>	<b>365,311</b>	<b>331,136</b>	<b>338,288</b>

(1) Domestic loans charged off in 2022, 2021 and 2020 were mainly related to the real estate sector.

When the recovery of any recognized amount is considered to be remote, this amount is removed from the consolidated balance sheet, without prejudice to any actions taken by the consolidated entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.

Our total net charge-offs to average loans at amortized cost ratio amounted to 0.65% million for the year ended December 31, 2022, compared with 0.91% for the year ended December 31, 2021, mainly as a result of decreases in charge-offs in Mexico, and to a lesser extent, Spain and Turkey. The decrease was partially offset by a slight increase in charge-offs in South America.

The following factors, set out by region, were the main contributors to the decrease in the total net charge-offs to average loans ratio:

- Mexico: there was a decrease in the ratio mainly due to higher recoveries from the wholesale portfolio and increases in average outstanding loans to individuals (corporate loans and retail loans). The year 2021 was affected by a change in policy with respect to charge-offs in the SME portfolio, whereby the period for an asset to be charged-off was reduced, which

impacted, to a large extent, the ratio since the third quarter of 2021. In addition, higher charge-offs took place in 2021 as a result of the expiration of the vast majority of the payment deferrals adopted in connection with the COVID-19 pandemic.

- Spain: there was a decrease in the ratio mainly due to higher recoveries, limited additions to the Stage 3 assets category and increased lending activity, in particular, SMEs loans and consumer loans (including credit cards loans). During 2021, there was a significant transfer of assets which recovery was considered to be remote, to charge-offs.
- Turkey: there was a decrease in the ratio mainly due to higher recoveries and increased activity, in particular, loans to enterprises and credit card loans in Turkish lira.

The decrease in the total net charge-offs to average loans ratio was partially offset by:

- South America: there was a slight increase in the ratio, due to an increase in charge-offs in the non-financial corporations portfolio.

Our allowance for credit losses to total loans and advances at amortized cost decreased to 2.90% as of December 31, 2022 compared with 3.19% as of December 31, 2021, mainly as a result of the increase in total loans outstanding, in particular, corporate loans (given the commercial efforts to gain and retain customers) and retail loans (credit cards loans, consumer loans and SMEs) in Mexico, and increases in loans to enterprises and credit card loans denominated in Turkish lira, partially offset by a slight increase in allowance for credit losses (total allowance for credit losses) (see “—Impaired loans”).

### **Impaired Loans**

Loans are considered to be credit-impaired under IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the loan. The BBVA Group updated its definition of credit-impaired asset (Stage 3) in 2021. See “Presentation of Financial Information—Changes in Accounting Policies—New definition of default”.

Amounts collected in relation to impaired financial assets at amortized cost are first applied to the outstanding interest and any excess amount is used to reduce the unpaid principal. The approximate amount of interest on our impaired loans which was included in profit attributable to parent company in 2022, 2021 and 2020 was €257.6 million, €248.3 million, €249.1 million, respectively.

The following table provides information regarding our impaired loans to customers, central banks and credit institutions as of the dates indicated:

	<b>As of December 31,</b>		
	<b>2022</b>	<b>2021</b>	<b>2020</b>
	<b>(In Millions of Euros)</b>		
<b>Impaired loans</b>			
<b>Domestic</b>	<b>7,203</b>	<b>7,822</b>	<b>7,823</b>
Public sector	38	59	68
Other resident sector	7,166	7,762	7,755
<b>Foreign</b>	<b>6,290</b>	<b>6,836</b>	<b>6,855</b>
Public sector	1	3	8
Other non-resident sector	6,289	6,833	6,847
<b>Total impaired loans</b>	<b>13,493</b>	<b>14,657</b>	<b>14,678</b>
<b>Allowance for credit losses</b>	<b>(11,291)</b>	<b>(11,142)</b>	<b>(12,141)</b>
<b>Impaired loans net of allowance</b>	<b>2,202</b>	<b>3,516</b>	<b>2,537</b>
<b>Impaired loans as a percentage of loans and advances at amortized cost</b>	<b>3.46 %</b>	<b>4.20 %</b>	<b>4.42 %</b>
<b>Impaired loans (net of allowance) as a percentage of loans and advances at amortized cost</b>	<b>0.57 %</b>	<b>1.01 %</b>	<b>0.76 %</b>

Our total impaired loans amounted to €13,493 million as of December 31, 2022, a 7.9% decrease compared with €14,657 million as of December 31, 2021, as a result of the decrease in impaired loans in Spain and Turkey. The decreases in impaired loans in Spain were mostly driven by the sale of certain loan portfolios and, in Turkey, by the change in the staging of a large customer in the wholesale loan portfolio from Stage 3 to Stage 2 and the sale of certain retail loan portfolios during the first half of 2022.

Our allowance for credit losses includes loss reserve for impaired assets and loss reserve for unimpaired assets which present an expected credit loss. As of December 31, 2022, the allowance for credit losses amounted to €11,291 million, a 1.3% increase compared with the €11,142 million recorded as of December 31, 2021, mainly as a result of increased impairments in loans to individuals driven by the deteriorating macroeconomic environment, which is facing a downward revision of growth expectations in an inflationary environment. Further, in the year ended December 31, 2022 there were lower write-offs from the amortized cost portfolio.

## LIABILITIES

See the introduction to “—*Selected Statistical Information*” for information on the impact of the USA Sale of BBVA USA on the information reported below.

### Deposits

The principal components of our customer deposits recorded under “Financial liabilities at amortized cost” are domestic demand and savings deposits and foreign time deposits. The following tables provide information regarding the average amount of the following deposit categories recorded under “Financial liabilities at amortized cost” for the periods indicated:

	Average Balance for the Year Ended December 31,		
	2022	2021	2020
	(In Millions of Euros)		
Demand deposits	318,121	279,166	255,303
<i>Domestic</i>	201,232	182,675	167,320
<i>Foreign</i>	116,889	96,491	87,984
Time deposits	119,185	116,221	128,928
<i>Domestic</i>	63,198	66,684	71,162
<i>Foreign</i>	55,987	49,538	57,767
Other	11,772	13,325	8,450
<i>Domestic</i>	4,529	4,526	3,017
<i>Foreign</i>	7,243	8,798	5,433
<b>Total Domestic</b>	<b>268,959</b>	<b>253,885</b>	<b>241,498</b>
<b>Total Foreign</b>	<b>180,119</b>	<b>154,827</b>	<b>151,184</b>
<b>Total</b>	<b>449,078</b>	<b>408,712</b>	<b>392,681</b>

The amount of uninsured deposits recorded under “Financial liabilities at amortized cost” as of December 31, 2022, 2021 and 2020 amounted to €233,406 million, €211,994 million and €228,959 million, respectively. Uninsured deposits are the portion of deposit accounts that exceed each local deposit insurance limit and amounts in any other uninsured investment or deposit accounts that are classified as deposits and are not subject to any state deposit insurance regimes.

As of December 31, 2022, the maturity of our time deposits in uninsured accounts recorded under “Financial liabilities at amortized cost” is as follows:

	As of December 31, 2022		
	Domestic	Foreign	Total
	(In Millions of Euros)		
<i>Portion in excess of local deposit insurance limit</i>	6,888	34,942	41,829
<i>Other uninsured time deposits</i>	38,002	9,331	47,334
3 months or under	19,385	6,519	25,904
Over 3 to 6 months	17,003	463	17,466
Over 6 to 12 months	392	875	1,267
Over 12 months	1,222	1,476	2,697
<b>Total</b>	<b>44,890</b>	<b>44,273</b>	<b>89,163</b>

Large denomination deposits may be a less stable source of funds than demand and savings deposits because they are more sensitive to variations in interest rates. For an additional analysis of our deposits recorded under “Financial liabilities at amortized cost” as of December 31, 2022, 2021, and 2020, see Note 22 to our Consolidated Financial Statements.



### Short-term Borrowings

Securities sold under agreements to repurchase and promissory notes issued by us constituted the only categories of short-term borrowings that equaled or exceeded 30% of stockholders' equity as of December 31, 2022, 2021, and 2020.

The following table provides information about our total short-term borrowings for the years ended December 31, 2022, 2021, and 2020:

	As of and for the Year Ended December 31, 2022		As of and for the Year Ended December 31, 2021		As of and for the Year Ended December 31, 2020	
	Amount	Average rate	Amount	Average rate	Amount	Average rate
(In Millions of Euros, Except Percentages)						
<b>Securities sold under agreements to repurchase:</b>						
As of end of period	50,878	1.6 %	49,429	0.6 %	41,164	1.0 %
Average during period	49,933	1.5 %	48,507	0.7 %	47,721	1.1 %
<b>Bank promissory notes:</b>						
As of end of period	1,241	2.1 %	546	(0.4) %	1,454	0.1 %
Average during period	705	1.5 %	981	— %	1,094	0.1 %
<b>Bonds and subordinated debt:</b>						
As of end of period	10,768	2.7 %	10,936	2.1 %	10,546	1.3 %
Average during period	11,253	2.4 %	9,577	1.7 %	12,076	2.1 %
<b>Total short-term borrowings as of end of period (1)</b>	<b>62,887</b>	<b>1.7 %</b>	<b>60,911</b>	<b>0.9 %</b>	<b>53,164</b>	<b>1.0 %</b>

(1) Includes all repurchase agreements recorded under "Financial liabilities at amortized cost" and "Financial liabilities held for trading".

As of December 31, 2022, 2021 and 2020, the securities sold under agreements to repurchase were mainly Mexican and Spanish treasury bills and such agreements were entered into with other financial and credit institutions.

### Certain Ratios

The following table sets out certain ratios for the years ended December 31, 2022, 2021 and 2020:

	As of and for the year ended December 31,		
	2022	2021	2020
(In Percentages)			
Net interest margin (1)	2.73 %	2.16 %	2.01 %
Return on average total assets (2)	1.0 %	0.8 %	0.3 %
Return on average shareholders' funds (3)	14.1 %	10.4 %	2.9 %
Equity to assets ratio (4)	7.1 %	7.4 %	6.8 %

(1) Represents net interest income as a percentage of average total assets.

(2) Represents profit as a percentage of average total assets.

(3) Represents profit for the year as a percentage of average shareholders' funds for the year.

(4) Represents average total equity (net assets) over average total assets.

### EQUITY

#### Total equity

As of December 31, 2022, total equity amounted to €50,615 million, a 3.8% increase compared to the €48,760 million recorded as of December 31, 2021, mainly as a result of the increase in shareholders' funds, partially offset by the decrease in non-controlling interest.

#### Shareholders' funds

As of December 31, 2022, shareholders' funds amounted to €64,422 million, a 6.7% increase compared to the €60,383 million recorded as of December 31, 2021, primary due to the annual increase in profit and the effects of the VTB, which resulted in an increase in BBVA's stake in Garanti BBVA (from 49.85% to 85.97%), partially offset by the execution of the share buyback program and the distribution of dividends.





### *Accumulated other comprehensive income (loss)*

As of December 31, 2022, the accumulated other comprehensive loss amounted to €17,432 million, a 5.8% increase compared to the €16,476 million loss recorded as of December 31, 2021, mainly as a result of the impact of the application of IAS 29 and IAS 21 to Group companies located in Turkey. See “*Presentation of Financial Information—Designation of Turkey as a Hyperinflationary Economy*” for additional information.

### *Non-controlling interest*

As of December 31, 2022, non-controlling interest amounted to €3,624 million, a 25.3% decrease compared to €4,853 million recorded as of December 31, 2021, primary due to the effects of the VTB, which resulted in an increase in BBVA’s stake in Garanti BBVA (from 49.85% to 85.97%), partially offset by the impact of the application of IAS 29 and IAS 21 to Group companies located in Turkey. See “*Presentation of Financial Information—Designation of Turkey as a Hyperinflationary Economy*” for additional information.

## **F. Competition**

In recent years, the global financial services sector has undergone significant transformation in relation to the development of the Internet and mobile and other exponential technologies and the entrance of new players into activities previously provided in the main by financial institutions. Whereas commercial banks were previously almost the sole providers of the whole range of financial products, from credit to deposits, or payments and investment services, today, a set of non-bank digital providers compete (and cooperate) among each other and with banks in the provision of financial services. These new fintech providers can be startup firms that are specialized in a specific service or niche of the financial services market, or large digital players (known as BigTechs). BigTech companies such as Amazon, Facebook and Apple have also started to offer financial services (mainly, in relation to payments and credit) ancillary to their core business.

In this new competitive environment, banks and other players are calling for a level playing field that ensures fair competition among the different financial services providers. Regulations on consumer protection and the integrity of the financial system (such as anti-money laundering regulations or regulations for combating the financing of terrorism) are generally activity-specific and, therefore, meet the principle of a level playing field. However, with regards to financial stability, banking groups are subject to prudential regulations that have implications for most of their activities, including those in which they compete with non-bank players that are only subject to activity-specific regulations, at best, or not regulated at all. Therefore, the scope of the perimeter of prudential consolidation to which the prudential regulation and supervision in the European Union and elsewhere applies compromises the level playing field principle by requiring banking groups to apply banking-level controls to all subsidiaries, no matter their activities and actual risks involved. Restrictions on the activity of bank players, for instance as regards internal governance requirements, leave EU banks at a competitive disadvantage as regards cost, time-to-market or talent attraction compared to their competitors.

Existing loopholes in the regulatory framework are another cause of an uneven playing field between banks and non-bank players. Some new services or business models are not yet subject to existing regulations. In such cases, not only are potential risks to financial stability, consumer protection and the integrity of the financial system unaddressed, but asymmetries may arise between players since regulated providers often face obstacles that unregulated providers do not.

See also “*Item 3. Key Information—Risk Factors—Business Risks—The Group faces increasing competition and is exposed to a changing business model*”.

Another significant trend in the market is consolidation. Following the 2008 global financial crisis, a number of banks disappeared or were absorbed by other banks. In the wake of the COVID-19 crisis a number of mergers and acquisitions may take place between financial entities in the regions where the Group operates, as recently seen in Spain.

Additional information on certain market dynamics affecting the three main countries where we operate is provided below.

### *Spain*

The commercial banking sector in Spain has undergone significant consolidation since the 2008 global financial crisis. Following the merger of Caixabank and Bankia in 2021, Caixabank is the largest bank in Spain in terms of total assets. In addition, the merger between Unicaja and Liberbank, completed in June 2021, created the sixth largest bank in terms of loans in Spain as of December 2022. Caixabank and Banco Santander are BBVA’s main competitors in the Spanish market. The aggregate market share in terms of loans of the five largest banks in Spain was 77% as of December 2022.

We face strong competition in all of our principal areas of operations. After the protracted period of low interest rates, which adversely impacted interest income, the sharp rise in official and market interest rates in 2022 has resulted in



a more benign pricing environment for banks. However, Spanish banks have been generally cautious in increasing borrowing rates in order not to prompt any surge in default rates. Such approach and the fact that Spain has a mature credit market contribute to the fierce competitive environment in the Spanish banking system. In particular, in recent years, competition has been acutely intense in the credit market for lending to SMEs, where new credit interest rates fell from a weighted average of 5.5% between January 2012 and May 2014 to around 2.1% in 2021. Although interest rates on new loans to SMEs had increased to approximately 4.2% as of November 2022, spreads have shrunk as a result of the sharp rise in the reference rates. Following the outbreak of the COVID-19 crisis in the first quarter of 2020, public support measures were introduced in Spain, particularly in the form of public guarantees (ICO loans) on new loans to corporates and SMEs, and deferrals and payment holidays on certain loans. In total, ICO loans amounted to €140.6 billion, €107.1 billion of which had a public guarantee. This resulted in a temporary decrease in competition in the SME loans segment. However, competition levels have picked up since the program ended in June 2022. More broadly, the finalization of COVID-19 related public relief measures may result in the deterioration of the credit quality of certain borrowers, especially SMEs, which may result in higher loan-loss provisions by banks, particularly in the context of rising interest rates. Regarding the mortgage segment, the pandemic triggered changes in household preferences (larger houses, outside space, second houses) driving an increase in the demand for mortgages. As a result, after the long period of de-leveraging that preceded the pandemic, the portfolio of mortgages in Spain grew by 1.1% in 2021, though such growth had decelerated to 0.2% year-on-year as of November 2022, and there is increased competition in this segment.

In the aftermath of the 2008 global financial crisis, the necessity for a more balanced funding structure led to increased competition for deposits in Spain. While the low interest rate environment depressed remuneration on deposits, there has been an effective interest rate floor of zero on deposit rates, which never entered negative territory. We expect that competition among Spanish entities will lead to higher deposit rates, especially term deposit rates, as interest rates rise. Former Spanish savings banks and money market mutual funds provide strong competition for savings deposits and, in the case of savings banks, for other retail banking services. Credit cooperatives, which are principally active in rural areas where they provide savings and loan services and other related services such as the financing of agricultural machinery and supplies, also provide competition. The entry of “fintech companies” and online banks into the Spanish market for financial services has further increased competition, particularly in payment services. Insurance companies and other financial service firms also compete for customer funds. Former savings banks, insurance companies and other financial service firms are expanding the services they offer to consumers in Spain, that have traditionally been the domain of commercial banks. We face competition from other commercial banks, former savings banks and, to a lesser extent, credit cooperatives across all types of loans and deposits.

In Spain and in Europe, changes in banking regulation could have a significant potential impact on competition in the near future. The EU Directive on Investment Services permits all brokerage houses authorized to operate in other member states of the European Union to carry out investment services in Spain. Although the EU Directive is not specifically addressed to banks, it affects the activities of banks operating in Spain. Certain initiatives have also been implemented in order to facilitate the creation of a Pan-European financial market, such as the Single Euro Payments Area, which is a payment-integration initiative for simplification of bank transfers, direct debits and payment cards mainly within the European Union, and MiFID, complemented with the introduction of MiFID II in January 2018, which aims to create a European framework for investment services. In addition, further steps have been taken towards achieving a banking and capital markets union in Europe. The ECB assumed responsibility as the unique supervisor of the Eurozone banking sector in November 2014, responsible for the supervision of over 100 entities (including BBVA). Moreover, the foundations of a single resolution mechanism were laid with, among others, the appointment of the SRB and the adoption of the Bail-in Tool. For additional information, see “—Business Overview—Supervision and Regulation”.

### *Mexico*

As of December 31, 2022, the Mexican banking sector comprised 50 institutions, with no new entrants, failures or mergers during the year.

A year subsequent to announcing its intention to sell its retail business, CitiBanamex, the third largest bank of the system, is entering the final stages of its sales process. As of December 2022, two groups of bidders remained in the process as certain of the remaining banks (Santander, Banorte, Inbursa and Banco Azteca) withdrew their offers.

The first group of bidders is led by Banco Mifel (a small domestic bank with 0.82% of the total assets of banks in Mexico, led by the Head of the Mexican Banking Association) and joined by Blackrock (the world’s biggest fund manager by assets) and the U.S. private equity giant Apollo Global Management, among other investors. The second group of bidders is led by German Larrea, a Mexican mining executive, who is said to be backed by Carlos Slim and former CitiBanamex officials.

According to CitiBanamex CEO's remarks in December 2022, Citi would announce results of the sale in the first quarter of 2023, but indicated that an IPO on the Mexican stock exchange had not been ruled out. The sale of CitiBanamex is not expected to affect the stability of the sector as a whole, and might contribute to increased competitiveness once the relevant integration process is completed.

The seven largest banks of the system (the “**G7 group**”, that comprises BBVA Mexico, Santander, CitiBanamex, Banorte, HSBC, Scotia Bank and Inbursa) held 77.0% of the total assets of banks in Mexico as of December 31, 2022, an increase from 76.8% in December 2021. BBVA Mexico, the largest bank in the system, and Santander maintained their share in total assets (22.0% and 14.7% as of December 31, 2022), while Banamex increased its market share from 11.2 to 11.9%.

Regarding credit balances, the G7 group market share diminished slightly from 81.1% to 80.9%, but BBVA Mexico increased its participation in total credit balances from 23.6% to 24.3%. The G7 bank that gained the largest credit share was Banorte (from 9.9 to 14.3%). The meager recovery of credit activity observed in 2022 of other intermediaries may provide banks with further opportunities to capture new clients.

As for deposits, the G7 group market share declined (from 79.4% to 78.5%), with five of the G7 banks losing share (BBVA Mexico's fell from 23.0% to 22.5%). In the short-term, we expect funding costs to increase, as a result of increases in interest rates and as households deplete liquid resources accumulated throughout the pandemic. The foregoing may, in turn, trigger competition to attract savings.

Regulatory activity throughout 2022 moved on from pandemic remedial measures which had previously taken up much of the authorities' attention, and resulted in several adjustments and additions to the applicable framework. Perhaps the most significant had to do with the changes to the Interbank Electronic Payment System (“**SPEI**”) by BANXICO on March 2023. This amendment allows indirect participants and their clients access to said payment system in order to carry out electronic transfer of funds and CoDi (BANXICO's instant payments system) operations (which had trouble taking off and which activity levels remain well below Brazil's PiX). We expect changes to SPEI to bring more competition and increase the value propositions of non-bank financial actors, particularly those created under the Fintech Law (e-money institutions) and Sofomes (non-bank banks), which hitherto could not access the system.

Further, the modification of the recovery plan rules undertaken by the CNBV on September 2, 2022 requires banks to provide greater detail on their organizational changes, business links, the definition of roles and responsibilities with regards to recovery planning, internal and external communication strategies and minimum quantitative requirements, among others. The CNBV also adjusted, in June 2022, capital requirements for securitizations and introduced an external-ratings based capital framework which substituted the pre-existing standard approach. In addition, on May 13, 2022, its provisioning rules, specifically the parameters used in determining LGD (loss arising in the event of default) on the internal-ratings based approach for the commercial portfolio, moved from fixed percentages for senior unsecured positions and subordinated positions (until then with fixed values of 45% and 75%, respectively) to a more granular scheme based on the months elapsed since the classification of the relevant position in Stage 3.

In April 2022, BANXICO issued its rules for holding syndicated auctions of government securities in domestic currency, aligned with environmental, social and corporate governance (ESG) criteria.

On December 29, CONDUSEF, the financial ombudsman, issued a two-page standardized template for banks' and regulated Sofomes' credit card statements, which will be effective as of October 2024. It aims to aid cardholders in better understanding charges, improve decision-making, increase transparency and reduce over-indebtedness.

### *Turkey*

In Turkey, where we operate through Garanti BBVA, the three public deposit banks that operate in the country accounted for 39% of the total loans of financial institutions as of December 31, 2022, whereas private deposit banks (including Garanti BBVA) accounted for 47% (one point lower year-on-year as public banks' share in the credit market increased throughout 2022). Development banks and participation banks (banks that operate under the ethos of Islamic banking) together accounted for 14% of the total.

Interest rates were cut several times in the last quarter of 2021, which resulted in a sharp depreciation of the Turkish lira (76% in 2021) and a substantial increase in the inflation rate, which rose to 36.1% in 2021. The policy of reducing interest rates continued in 2022 as the inflation rate continued to increase, reaching a peak of 85.5% in October in such year, before reaching 64.3% at year-end.

In December 2021, the Turkish authorities announced several measures to protect Turkish lira (TL) deposits from the exchange rate volatility designed to boost confidence in the currency, promote the conversion of foreign currency deposits and participation funds into TL and prevent further dollarization of deposits. More specifically, a two-pillar mechanism to incentivize TL deposits was announced: first, to encourage resident households and firms to convert their foreign currency deposits and gold into TL term deposits, the Central Bank (CBRT) will directly compensate for any foreign exchange and gold price movements affecting bank accounts. Second, the Turkish Treasury will compensate resident households for the exchange rate impact on TL term deposits and the related income will not be subject to withholding tax. Such measures enabled the Turkish authorities to increase TL deposit inflows strongly throughout 2022, which contributed to the decline of the dollarization ratio from 64% in 2021 to 47% by the end of 2022.

Due to new regulations targeting credit to specific sectors, private banks grew in SME lending whereas public banks grew in the larger firm loan segment mainly in the second half of 2022. Consumer loans consisted mainly of general purpose loans and credit card loans. We believe that the additional credit guarantee fund scheme which entered into force, will likely enable banks to continue to boost credit, particularly in the form of SME loans. Furthermore, stricter regulations on the proportion of TL deposits have caused an increase in competition for deposits, resulting in increases in interest rates paid for deposits.

The CBRT recently published its Monetary Policy and Liraization Strategy for 2023 in which it underlined its commitment to continue pursuing higher TL deposit share obligations and higher exposure to Government securities for both the central bank and commercial banks. The CBRT expects the share of TL-denominated fixed-income and long-term securities in bank assets to reach 5% in 2023, and gradually climb to 10% in the short-to-medium term. The CBRT has set the liraization target for deposits to 60% for the first half of 2023. We expect the current policy framework of macro-prudential measures and restrictive financial regulations will be maintained through the date of the presidential elections in June 2023. Thereafter, regardless of the results of the elections, we anticipate there will be a gradual interest rate hike and a step-by-step reversal of the prevailing policies.

## **G. Cybersecurity and Fraud Management**

BBVA's Corporate Security Area is responsible for ensuring adequate information security management by establishing security policies, procedures and controls regarding the security of the Group's global infrastructures, digital channels and payment methods with a holistic and threat intelligence-led approach.

BBVA's security strategy resides on four fundamental pillars: cybersecurity, data protection, physical security and security in business processes and fraud management. A program has been designed for each of these pillars, with the aim to reduce the risks identified in the developed taxonomy. These programs, which consider security industry best practices established by internationally accepted security standards, are periodically reviewed to evaluate the progress and the effective impact on the mitigation of the risks the Group is exposed to.

During 2022, within the framework of the implementation of the security strategy, security measures have been reinforced with the aim to ensure an adequate protection of BBVA's information and the assets supporting business processes. The implementation of these measures has been carried out with a global perspective and an integral approach (considering not only technological aspects but also aspects related to the Group's staff, processes and security governance).

Measures adopted in 2022 included measures intended to: (i) ensure end-to-end protection of business processes, considering logical and physical security, privacy and fraud management, (ii) ensure compliance of the security and privacy by design principles; and (iii) improve client access control and authentication services related to online services, from a security and user experience perspective.

The main initiatives which have been or are being implemented globally or in certain countries to improve BBVA's security and client protection are the following:

- Use of facial biometrics for the remote and online onboarding of new clients, ensuring compliance with the legal requirements applicable.
- Use of biometrics for the completion of transactions through the BBVA app, with the aim of improving user experience and avoiding SIM duplication and smishing attacks.
- Reinforcement of the security measures implemented in business processes with a high risk of fraud, such as the implementation of dynamic Card Verification Value (CVV) for e-commerce purchases with Aqua cards in most of the countries where the BBVA Group operates.
- Enhancement of behavioral biometrics and malware protection to improve analytical capabilities and fraud detection capabilities in mobile channels.

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- Use of advanced analytics models to protect BBVA's clients' funds.
- Enhancement of the information provided to clients in the BBVA app to make them aware of the main risks they are exposed to, so that they can prevent or act against possible threats.

These new initiatives, as well as the implementation of strong customer authentication methods in e-commerce, the possibility to activate and shutdown cards from the BBVA app, the customized early warnings about real-time payments or transfers and the commercialization of our Aqua card (the first card without a printed card number or CVV) seek to improve BBVA's client protection. Our Aqua card has a dynamic CVV, which reinforces security and deters its possible fraudulent use.

Additionally, BBVA has continued carrying out training and awareness initiatives related to security and privacy, promoting training and awareness campaigns for BBVA's employees, clients and society in general, through the BBVA app, online channels and social networks. Some of the topics covered include protection of personal information, secure password management, device protection (laptops, smartphones, etc.), social engineering detection (phishing, smishing, vishing), malware and other technical attacks detection, detection of scams, security in online purchases and how to react in case of a security incident.

Other lines of action also include the adequate training of BBVA's Board members in the area of security and incident management, as well as the periodic performance of global and local simulation exercises in order to raise the level of training and awareness of the Board of Directors and certain key personnel and ensure an immediate and effective response in case of a security breach.

### **Cybersecurity**

Ensuring the effective protection of BBVA's assets and customers' data is vital for the Group.

During 2022 and 2021, the Group has detected an increase in the number of attacks, accentuated by the presence of organized crime groups specialized in the banking sector and working in a multi-country environment.

Furthermore, new risks and challenges for companies have emerged, such as related to security in teleworking, increases in attack surface, security in cloud services and management of risks related to third parties. Since the COVID-19 pandemic cybercriminals have increased the scope of social engineering attacks through email, SMS, instant messaging systems and social networks.

The Global Computer Emergency Response Team (CERT) is the Group's first line of detection and response to cyberattacks aimed at global users and the Group's infrastructure, combining information on cyber threats from our Threat Intelligence unit. The Global CERT, which is based in Madrid, operates 24x7 and provides services in all countries where the Group operates, under a scheme of managed security services, with operation lines dedicated to fraud and cybersecurity.

As cyberattacks evolve and become more sophisticated, the Group has strengthened its prevention and monitorization efforts. System monitoring capabilities have been reinforced, with particular attention to the critical assets that support business processes in order to prevent threats from materializing and, if necessary, to immediately identify and respond to any security incident that may occur. Incident prevention, detection and response capabilities have also been strengthened through the use of integrated information sources, improved analytical capabilities and automated platforms. Additionally, new Artificial Intelligence models are being developed with the aim to predict and prevent cyberattacks against the Bank infrastructure and to provide a more secure experience to BBVA's clients.

We believe that measures implemented by the Group have improved information security management from a preventive and proactive approach, based on the use of digital intelligence and advanced analytical capabilities. The main objective of these measures is to ensure an immediate and effective response to any security incident that occurs through the coordination of the different business and support areas involved, to reduce the possible negative impact and, if necessary, to report such incident in a timely manner to the relevant supervisory or regulatory authorities.

BBVA routinely reviews, reinforces and tests its security processes and procedures through simulation exercises in the areas of physical security and digital security. Specialized teams periodically perform security technical tests in order to detect and correct possible security vulnerabilities. These tests include technical tests of technological platforms as well as malicious users simulated attacks performed by the "red team". The outcome of such exercises is a fundamental part of a feedback process designed to improve the Group's cybersecurity strategies.

## **Data Protection**

The second pillar of the strategy is based on the adequate protection and management of data, which is a fundamental element of the data-centric strategy of the BBVA Group. The main initiatives in this area relate to the adoption of measures to ensure that BBVA's information assets are properly protected, limiting their use to their intended purposes and controlling access to them, considering the security guidelines established by the Group. All activities related to the data protection program are reviewed by the Data Protection Committee, where all relevant stakeholders of the Bank are represented.

## **Security in Business Processes and Fraud**

Cybersecurity efforts are frequently undertaken in close coordination with our fraud prevention efforts and there are considerable interactions and synergies between the relevant teams. As part of the efforts to monitor fraud evolution and to actively support the deployment of adequate anti-fraud policies and measures, the Fraud Management Working Group oversees the evolution of all external and internal fraud types in all countries where the Group operates. Its functions include: (i) actively monitoring fraud risks and mitigation plans; (ii) evaluating the impact thereof on the Group's business and customers; (iii) monitoring relevant fraud facts, events and trends; (iv) monitoring accrued fraud cases and losses; (v) carrying out internal and external benchmarking; and (vi) monitoring relevant fraud incidents in the financial industry.

BBVA maintains cybersecurity and fraud insurance policies in respect of each of its subsidiaries. These insurance policies are subject to certain loss limits, deductions and exclusions. We can provide no assurance that all losses related to a cybersecurity or fraud incident will be covered under our policies.

## **Security Governance**

With the aim of guaranteeing the effective implementation of the Group's security strategy, BBVA has established a security governance model. Among the bodies composing this governance model, there are Committees and working groups responsible for the approval and supervision of the execution of the information security strategy, in matters such as corporate security, information security and protection and fraud management. One of the main elements of this security governance model is the Technology and Cybersecurity Commission, attended by BBVA's Chairman and certain members of BBVA's Board of Directors. This Commission is responsible for the oversight of the Group's technological strategy and cybersecurity strategy and allows the Board of Directors to be informed of the main technological risks to which the Group is exposed, as well as current cybersecurity and technology trends and any relevant security event that can affect the BBVA Group.

Regarding business continuity, during 2022 and 2021 BBVA has included "resilience" as an integral part of its holistic approach. This change reflects the evolution from a model mainly oriented to guarantee the continuous provision of products and services in situations with high impact and low probability to a model where the organization has the ability to absorb and adapt to situations with an operative impact due to disruptions of different nature (such as pandemics, cyber incidents, natural disasters or technological failures). This transition has involved an intense activity of the Resilience Office that, together with the Group's Crisis Management Committees and Continuity Committees has had a relevant role in the management of the crisis caused by the COVID-19 pandemic.

## **ITEM 4A. UNRESOLVED STAFF COMMENTS**

None.

## **ITEM 5. OPERATING AND FINANCIAL REVIEW AND PROSPECTS**

### **Overview**

The BBVA Group is a customer-centric global financial services group founded in 1857. Internationally diversified and with strengths in the traditional banking businesses of retail banking, asset management and wholesale banking, the Group is committed to offering a compelling digital proposition focused on customer experience.

BBVA has a leadership position in the Spanish market, it is the largest financial institution in Mexico in terms of assets, it has leading franchises in South America and it is the majority shareholder in Garanti BBVA, Turkey's largest bank in terms of market capitalization. On May 18, 2022, BBVA closed its voluntary takeover bid for the entire share capital of Garanti BBVA, which resulted in BBVA increasing its stake in Garanti BBVA from 49.85% to 85.97%. See "*Presentation of Financial Information—Voluntary Takeover Bid for the Entire Share Capital of Türkiye Garanti Bankası A.Ş.*". Until the completion of the USA Sale in June 2021, BBVA also had leading franchises in the Sunbelt Region of the United States (see "*Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group*").



The purpose of the BBVA Group is to bring the age of opportunities to everyone, based on our customers' real needs, resting the institution in solid values: customer comes first, we think big and we are one team.

The BBVA Group operates in Spain through Banco Bilbao Vizcaya Argentaria, S.A., a private-law entity subject to the laws and regulations governing banking entities operating in Spain. It carries out its activity through branches and agencies across the country and abroad. In addition to the transactions it carries out directly, Banco Bilbao Vizcaya Argentaria, S.A. is the parent company of the BBVA Group, which includes a group of subsidiaries, joint ventures and associates performing a wide range of activities.

### **Critical Accounting Policies**

The Consolidated Financial Statements as of and for the years ended December 31, 2022, 2021 and 2020 were prepared by the Bank's directors in compliance with IFRS-IASB and in accordance with EU-IFRS required to be applied under the Bank of Spain's Circular 4/2017, and by applying the basis of consolidation, accounting policies and measurement bases described in Note 2 to the Consolidated Financial Statements, so that they present fairly the Group's total equity and financial position as of December 31, 2022, 2021 and 2020, and its results of operations and consolidated cash flows for the years ended December 31, 2022, 2021 and 2020. The Consolidated Financial Statements were prepared on the basis of the accounting records kept by the Bank and by each of the other Group companies and include the adjustments and reclassifications required to unify the accounting policies and measurement bases used by the Group. See Note 2.2 to our Consolidated Financial Statements.

In preparing the Consolidated Financial Statements, estimates were made by the Group and the consolidated companies in order to quantify certain of the assets, liabilities, income, expense and commitments reported herein. These estimates relate mainly to the following:

- The loss allowance of certain financial assets.
- The assumptions used to quantify certain provisions and for the actuarial calculation of the post-employment benefit liabilities and commitments.
- The useful life and impairment losses of tangible and intangible assets.
- The valuation of goodwill and price allocation of business combinations.
- The fair value of certain financial assets and liabilities, including financial assets measured at fair value classified as Level 2 and classified as Level 3, respectively.
- The recoverability of deferred tax assets.

Although these estimates were made on the basis of the best information available as of December 31, 2022, 2021 and 2020, respectively, events that take place in the future might make it necessary to revise these estimates (upwards or downwards), which revisions would be carried out prospectively in coming years. Any such changes would be recorded prospectively, recognizing the effects of the change in estimation in the corresponding consolidated financial statements.

Further, the greater macroeconomic and geopolitical uncertainties have resulted in greater complexity in developing reliable estimates and applying judgment. During 2022 there have been no other significant changes in the estimates made as of December 31, 2021 and 2020, with the exception of those indicated in the Consolidated Financial Statements.

Note 2 to our Consolidated Financial Statements contains a summary of our significant accounting policies. We consider certain of these policies to be particularly important due to their effect on the financial reporting of our financial condition and results of operations and because they require management to make difficult, complex or subjective judgments, some of which may relate to matters that are inherently uncertain. Our reported financial condition and results of operations are sensitive to accounting methods, assumptions and estimates that underlie the preparation of our Consolidated Financial Statements. The nature of critical accounting policies, the judgments and other uncertainties affecting application of those policies and the sensitivity of reported results to changes in conditions and assumptions are factors to be considered when reviewing our Consolidated Financial Statements and the discussion below.

We have identified the accounting policies enumerated below as critical to the understanding of our financial condition and results of operations, since the application of these policies requires significant management assumptions and estimates that could result in materially different amounts to be reported if the assumptions used or underlying circumstances were to change.

See Note 2.3 to our Consolidated Financial Statements for information on changes to IFRS or their interpretation that were not yet effective as of December 31, 2022.



## Financial instruments

### *Loss allowance of certain financial assets*

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

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

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

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

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

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

#### – *Stage 3 – impaired*

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

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

See also “*Presentation of Financial Information—Changes in Accounting Policies—New definition of default*” for information on the new definition of credit-impaired asset (Stage 3) used by the Group since 2021.

### *Fair value of financial instruments*

The fair value of an asset or a liability on a given date is taken to be the price that would be received upon the sale of an asset, or paid, upon the transfer of a liability in an orderly transaction between market participants at the measurement date. The most objective and common reference for the fair value of an asset or a liability is the price that would be paid for it on an organized, transparent and deep market (“**quoted price**” or “**market price**”).

If there is no market price for a given asset or liability, its fair value is estimated on the basis of the price established in recent transactions involving similar instruments and, in the absence thereof, by using mathematical measurement models sufficiently tried and trusted by the international financial community. Such estimates would 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 to the measurement models developed and the possible inaccuracies of the assumptions required by these models may signify that the fair value of an asset or liability thus estimated does not coincide exactly with the price for which the asset or liability could be purchased or sold on the date of its measurement.

See Notes 2.2.1 and 8 to our Consolidated Financial Statements, which contain a summary of our significant accounting policies.

### *Derivatives and other future transactions*

These instruments include outstanding foreign currency purchase and sale transactions, outstanding securities purchase and sale transactions, futures transactions relating to securities, exchange rates or interest rates, forward interest rate agreements, options relating to exchange rates, securities or interest rates and various types of financial swaps.

All derivatives are recognized on the balance sheet at fair value from the date of arrangement. If the fair value of a derivative is positive, it is recorded as an asset and if it is negative, it is recorded as a liability. Unless there is evidence to the contrary, it is understood that on the date of arrangement the fair value of the derivatives is equal to the transaction price. Changes in the fair value of derivatives after the date of arrangement are recognized in the heading “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net” in the consolidated income statement.

Specifically, the fair value of the standard financial derivatives included in the held for trading portfolios is equal to their daily quoted price. If, under exceptional circumstances, their quoted price cannot be established on a given date, these derivatives are measured using methods similar to those used to measure over-the-counter (“**OTC**”) derivatives.

The fair value of OTC derivatives is equal to the sum of the future cash flows arising from the instruments discounted at the measurement date (“present value” or “theoretical value”). These derivatives are measured using methods recognized by the financial markets, including the net present value method and option price calculation models.

Financial derivatives that have equity instruments as their underlying, whose fair value cannot be determined in a sufficiently objective manner and are settled by delivery of those instruments, are measured at cost, although the amortized cost criteria is not used when accounting for these instruments.

Financial derivatives designated as hedging items are included in the heading of the balance sheet “Derivatives - Hedge accounting”. These financial derivatives are valued at fair value.

See Note 2.2.1 to our Consolidated Financial Statements, which contains a summary of our significant accounting policies with respect to these instruments.

### ***Goodwill in consolidation***

Pursuant to IFRS 3, if the difference on the date of a business combination between the sum of the consideration transferred, the amount of all the non-controlling interests and the fair value of equity interest previously held in the acquired entity, on one hand, and the fair value of the assets acquired and liabilities assumed, on the other hand, is positive, it is recorded as goodwill on the asset side of the balance sheet. Goodwill represents the future economic benefits from assets that cannot be individually identified and separately recognized.

Goodwill is not amortized and is subject periodically to an impairment analysis. Any impaired goodwill is written off.

If the difference is negative, it is recognized directly in the income statement under the heading “Negative goodwill recognized in profit or loss”.

Goodwill is allocated to one or more cash-generating units, or CGUs, expected to benefit from the synergies arising from business combinations. See Note 2.2.7 to our Consolidated Financial Statements for the definition of CGU.

The CGUs to which goodwill has been allocated are tested for impairment based on the carrying amount of the unit including the allocated goodwill. Such testing is performed at least annually and whenever there is an indication of impairment.

For the purpose of determining the impairment of a CGU to which a part or all of goodwill has been allocated, the carrying amount of that CGU, adjusted by the theoretical amount of the goodwill attributable to the non-controlling interests, shall be compared to its recoverable amount (except where they are not valued at fair value). The resulting difference shall be apportioned by reducing, firstly, the carrying amount of the goodwill allocated to that unit and, secondly, if there are still impairment losses remaining to be recognized, the carrying amount of the rest of the assets. This shall be done by allocating the remaining difference in proportion to the carrying amount of each of the assets in the CGU. In any case, impairment losses on goodwill can never be reversed.

See Notes 2.2.6 and 2.2.7 to our Consolidated Financial Statements, which contain a summary of our significant accounting policies related to goodwill.

The results from each of these tests on the dates mentioned were as follows:

As of December 31, 2022, as a result of the CGUs assessment, the Group concluded there is no evidence of indicators of impairment that requires recognizing significant impairment losses in any of the CGUs where goodwill that the Group has recognized in the consolidated balance sheet is allocated.

As of December 31, 2021, as a result of the CGUs assessment, the Group concluded there was no evidence of indicators of impairment that required recognizing significant impairment losses in any of the CGUs where goodwill that the Group had recognized in the consolidated balance sheet was allocated.



As of March 31, 2020, we identified an indicator of impairment of goodwill in the United States CGU and, as a result of the goodwill impairment test performed, an impairment of €2,084 million was recognized in the United States CGU, which was mainly due to the negative impact of the macroeconomic scenario following the COVID-19 pandemic. This recognition did not affect the tangible book value or the solvency ratio of the BBVA Group. Since entering into the agreement for the USA Sale, the United States is no longer considered a CGU (see “*Presentation of Financial Information—Sale of BBVA USA Bancshares, Inc.*” and Note 18.1 to our Consolidated Financial Statements).

#### *Mexico CGU*

Most of the Group’s goodwill balance corresponds to the CGU in Mexico. The impairment test used the cash flow projections estimated by the Group’s management, based on the latest budgets available for the next four years. As of December 31, 2022, the Group used a growth rate of 6.3% (5.7% as of December 31, 2021 and December 31, 2020) to extrapolate the cash flows in perpetuity starting in the fifth year, based on the real GDP growth rate of Mexico, expected inflation and the potential growth of the banking sector in Mexico. The rate used to discount cash flows is the cost of capital assigned to the CGU, 12.7% as of December 31, 2022 (14.5% as of December 31, 2021 and 15.3% as of December 31, 2020).

As of December 31, 2022, if the discount rate had increased or decreased by 50 basis points, the recoverable amount would have decreased or increased by 7% and 8%, respectively (5% and 5%, respectively, as of December 31, 2021). If, as of December 31, 2022, the growth rate had increased or decreased by 50 basis points, the recoverable amount would have increased or decreased 5% and 5%, respectively (3% and 3%, respectively, as of December 31, 2021).

#### *Turkey CGU*

As a result of the designation of Turkey as a hyperinflationary economy in the first half of 2022 and the application of IAS 29 and IAS 21, the Group determined that the book value of the Turkish CGU exceeded the existing recoverable value as of December 31, 2021 and, thus, goodwill corresponding to the Turkey CGU was derecognized and other intangible assets assigned to the Turkish CGU were written off. See Note 2.2.19 to our Consolidated Financial Statements.

Prior to such derecognition, the Group carried out impairment tests using the cash flow projections estimated by the Group’s management, based on the latest budgets available for the next five years. As of December 31, 2021, the Group used a growth rate of 7.0% (the same rate was considered as of December 31, 2020) to extrapolate the cash flows in perpetuity starting in the fifth year, based on the real GDP growth rate of Turkey and expected inflation in Turkey. The rate used to discount cash flows is the cost of capital assigned to the CGU, 27.7% as of December 31, 2021 (21.0% as of December 31, 2020), which consists of the risk free rate plus a risk premium.

As of December 31, 2021 if the discount rate had increased or decreased by 50 basis points, the recoverable amount would have decreased or increased by €84 million and €88 million, respectively (€164 million and €175 million, respectively, as of December 31, 2020). If, as of December 31, 2021, the growth rate had increased or decreased by 50 basis points, the recoverable amount would have increased or decreased by €14 million and €13 million, respectively (€29 million and €26 million, respectively, as of December 31, 2020).

#### *United States CGU*

As mentioned above, since entering into the agreement for the USA Sale, the United States is no longer considered a CGU.

As of March 31, 2020, the Group used a growth rate of 3.0% to extrapolate the cash flows in perpetuity starting in the fifth year, based on the real GDP growth rate of the United States, the expected inflation and the potential growth of the banking sector in the United States. The GDP growth rate was lower than the historical average nominal GDP growth rate of the United States for the past 30 years and lower than the real GDP growth rate forecasted by the IMF. The rate used to discount cash flows was the cost of capital assigned to the CGU, 10.3% as of March 31, 2020, which consisted of the risk free rate plus a risk premium.

As of March 31, 2020 if the discount rate had increased or decreased by 50 basis points, the recoverable amount would have decreased or increased by €755 million and €869 million, respectively. If, as of March 31, 2020, the growth rate had increased or decreased by 50 basis points, the recoverable amount would have increased or decreased by €270 million and €235 million, respectively.

With the exception of the United States CGU discussed above, the recoverable amounts of all the CGUs were in excess of their carrying value as of December 31, 2022, December 31, 2021 and December 31, 2020.

### ***Insurance contracts***

The methods and techniques used to calculate the mathematical reserves for insurance contracts mainly involve the valuation of the estimated future cash flows, discounted at the technical interest rate for each contract. Changes in insurance mathematical reserves may occur in the future as a consequence of changes in interest rates and other key assumptions. See Notes 2.2.8 and 23 to our Consolidated Financial Statements, which contain a summary of our significant accounting policies and assumptions about our most significant insurance contracts.

### ***Post-employment benefits and other long term commitments to employees***

Pension and post-retirement benefit costs and credits are based on actuarial calculations. Inherent in these calculations are assumptions including discount rates, rate of salary increase and expected return on plan assets. Changes in pension and post-retirement costs may occur in the future as a consequence of changes in interest rates, expected return on assets or other assumptions. See Notes 2.2.11 and 25 to our Consolidated Financial Statements, which contain a summary of our significant accounting policies about pension and post-retirement benefit costs and credits.

### ***Tax assets and liabilities***

Expenses on corporate income tax applicable to the BBVA Group's Spanish entities and on similar income taxes applicable to consolidated foreign entities are recognized in the consolidated income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity. The total corporate income tax expense is calculated by aggregating the current tax arising from the application of the corresponding tax rate as per the tax base for the year (after deducting the tax credits or discounts allowable for tax purposes) and the change in deferred tax assets and liabilities recognized in the consolidated income statement.

Deferred tax assets and liabilities include temporary differences, defined as the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and tax loss and tax credit or discount carry forwards. These amounts are calculated by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled. See Notes 2.2.9 and 19 to our Consolidated Financial Statements, which contain a summary of our significant accounting policies about tax assets and liabilities.

## A. Operating Results

### Factors Affecting the Comparability of our Results of Operations and Financial Condition

#### *Trends in Exchange Rates*

We are exposed to foreign exchange rate risk in that our reporting currency is the euro, whereas certain of our subsidiaries and investees have different functional and accounting currencies, principally the Mexican peso, Turkish lira, Argentine peso, Colombian peso, Peruvian sol and U.S. dollar. For example, if these currencies depreciate against the euro, when the results of operations of our subsidiaries in the countries using these currencies are included in our consolidated financial statements, the euro value of their results declines, even if, in local currency terms, their results of operations and financial condition have remained the same. By contrast, the appreciation of these currencies against the euro would have a positive impact on the results of operations of our subsidiaries in the countries using these currencies when their results of operations are included in our consolidated financial statements. Accordingly, changes in exchange rates may limit the ability of our results of operations, stated in euro, to fully show the performance in local currency terms of our subsidiaries.

Except with respect to hyperinflationary economies, where all the components of the financial statements (including income statement items) of the relevant subsidiaries (in each case, for any period in which the relevant economy was considered to be hyperinflationary) are converted at the relevant period-end exchange rate, the assets and liabilities of our subsidiaries which maintain their accounts in currencies other than the euro have been converted to the euro at the period-end exchange rates for inclusion in our Consolidated Financial Statements, and income statement items have been converted at the average exchange rates for the period. See Note 2.2.19 to our Consolidated Financial Statements for information on the application of IAS 29 to hyperinflationary economies. The following table sets forth the exchange rates of the currencies of the main non-euro regions where we operate against the euro, expressed in local currency per €1.00 as averages for the years ended December 31, 2022, 2021 and 2020 and as period-end exchange rates as of December 31, 2022, 2021 and 2020 according to the European Central Bank (the “ECB”).

	Average Exchange Rates			Period-End Exchange Rates		
	Year ended December 31, 2022	Year ended December 31, 2021	Year ended December 31, 2020	As of December 31, 2022	As of December 31, 2021	As of December 31, 2020
Mexican peso	21.1889	23.9842	24.5301	20.8560	23.1438	24.4160
Turkish lira (1)		10.5067	8.0501	19.9649	15.2335	9.1131
U.S. dollar	1.0532	1.1827	1.1418	1.0666	1.1326	1.2271
Argentine peso				188.5144	116.3746	103.2543
Colombian peso	4,469.0788	4,427.3611	4,216.8126	5,130.5593	4,509.0618	4,212.0208
Peruvian sol	4.0309	4.5867	3.9923	4.0572	4.5045	4.4470

(1) With respect to 2022, income statement items have been converted at the exchange rate as of December 31, 2022. With respect to 2021, income statement items have been converted at the average exchange rates for the period.

During 2022, the Mexican peso, the U.S. dollar and the Peruvian sol appreciated against the euro in average terms compared with the average exchange rates in the prior year. On the other hand, the Colombian peso depreciated against the euro in average terms compared with the prior year. In terms of period-end exchange rates, the Mexican peso, the U.S. dollar and the Peruvian sol appreciated against the euro. On the other hand, the Turkish lira, the Argentine peso and the Colombian peso depreciated against the euro in terms of period-end exchange rates. The overall effect of changes in exchange rates was slightly negative for the period-on-period comparison of the Group’s income statement and balance sheet.

During 2021, foreign exchange markets were affected by the COVID-19 pandemic, which generally had an adverse impact on currencies of emerging economies. The Turkish lira, the U.S. dollar, the Argentine peso, the Colombian peso and the Peruvian sol depreciated against the euro in average terms compared with average exchange rates in the prior year. On the other hand, the Mexican peso appreciated against the euro in average terms. In terms of period-end exchange rates, the Turkish lira, the Argentine peso, the Colombian peso and the Peruvian sol depreciated against the euro. On the other hand, the Mexican peso and the U.S. dollar appreciated against the euro in terms of period-end exchange rates. The overall effect of changes in exchange rates was negative for the period-on-period comparison of the Group’s income statement and balance sheet.

When comparing two dates or periods in this annual report on Form 20-F we have sometimes excluded, where specifically indicated, the impact of changes in exchange rates by assuming constant exchange rates. In doing this, with respect to income statement amounts, we have used the average exchange rate for the more recent period for both periods and, with respect to balance sheet amounts, we have used the closing exchange rate of the more recent period for both period ends.





### ***Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.***

On November 15, 2021, BBVA announced a voluntary takeover bid (VTB) addressed to the holders of the 2,106,300,000 shares<sup>6</sup> of Garanti BBVA not controlled by BBVA, which represented 50.15% of Garanti BBVA's total share capital. BBVA submitted for authorization an application of VTB to the supervisor of the securities markets in Turkey (CMB) on November 18, 2021.

On March 31, 2022, CMB approved the relevant information memorandum and on the same day BBVA announced the start of the VTB acceptance period on April 4, 2022. On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA's share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390 million<sup>7</sup> including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired). The transaction has resulted in a capital gain of approximately €924 million (including the impacts after the application of IAS 29, see Note 2.2.19 to our Consolidated Financial Statements). An amount of €3,609 million has been recorded under the heading "Other reserves" and there was a reclassification to "Accumulated other comprehensive income (loss)" corresponding to the 36.12% acquired from "Minority interests" to "Accumulated other comprehensive income (loss)" of the parent company amounting to a loss of €2,685 million. The total derecognition associated with the transaction of the heading "Minority interests" considering "Other items" and "Accumulated other comprehensive income (loss)" amounted to a loss of €2,541 million. The percentage of total share capital of Garanti BBVA owned by BBVA (after the completion of the VTB on May 18) is 85.97%.

### ***Designation of Turkey as a Hyperinflationary Economy***

Since the first half of 2022, the Turkish economy is considered hyperinflationary, resulting in the Group having applied hyperinflation accounting in accordance with IAS 29 "Financial reporting in hyperinflationary economies" in respect thereof with effect from January 1, 2022 with respect to the financial statements of the BBVA Group's entities located in Turkey<sup>8</sup>. In addition, all the components of the financial statements of such entities (including income statement items) (in each case, for any period in which the Turkish economy was considered to be hyperinflationary) are converted at the relevant period-end exchange rate for inclusion in our Consolidated Financial Statements, and the resulting conversion differences are recorded within "Accumulated other comprehensive income (loss)" as stated in IAS 21. The net result derived from the application of IAS 29 and IAS 21 in Turkey for the year ended December 31, 2022 amounts to a loss of €2,711 million, of which €1,793 million is attributed to the parent company of the Group. This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €2,323 million and is recorded in the line "Other operating expense" in the consolidated income statement, partially offset by the positive impact of the revaluation of certain bonds linked to inflation, for a gross amount of €1,490 million, given that, under IAS 29, these types of bonds are considered protective assets. See Note 2.2.19 to our Consolidated Financial Statements for information on the application of IAS 29 and IAS 21 to hyperinflationary economies.

The first application of IAS 29 in the Turkish subsidiaries led to an increase in equity of €130 million as of January 1, 2022, and is mainly the result of the revaluation of tangible assets and inflation-linked bonds.

### ***Purchase of Tree Inversiones Inmobiliarias, SOCIMI, S.A.***

On June 15, 2022, BBVA completed the acquisition of Tree Inversiones Inmobiliarias, SOCIMI, S.A., a real estate vehicle, from Merlin Properties for an amount of €1,988 million. The transaction resulted in a €201 million loss (net of taxes) which has been recognized under the headings "Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" (€134 million loss) and "Tax expense or income related to profit or loss from continuing operations" (€67 million expense) of the BBVA Group and in the line item "Profit / (loss) from discontinued operations, net and Other" of the Spain operating segment (see Note 17 to our Consolidated Financial Statements).

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<sup>6</sup> All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

<sup>7</sup> Using the effective exchange rate of 16.14 Turkish lira per euro.

<sup>8</sup> IAS 29 does not apply to the operations outside Turkey of the Türkiye Garanti Bankası A.Ş. group of companies, and in particular to the financial statements of Garanti Bank S.A. in Romania and GarantiBank International N.V. in the Netherlands.

### ***Macroeconomic and geopolitical conditions***

The Group is sensitive to the deterioration of economic conditions or the alteration of the institutional environment of the countries in which it operates, and especially Spain, Mexico and Turkey. In addition to the significant macroeconomic problems triggered by the COVID-19 pandemic, the global economy is currently facing a number of extraordinary challenges. Russia's invasion of Ukraine has led to significant disruption, instability and volatility in global markets, as well as higher inflation (including by contributing to further increases in the prices of oil and gas, in particular in Spain and Turkey, and other commodities and further disrupting supply chains) and lower growth. The European Union, the United States and other governments have imposed significant sanctions and export controls against Russia and Russian interests and threatened additional sanctions and controls. For additional information on the deteriorating economic environment, see "*—Operating Environment*".

During the year ended December 31, 2022, the Group's business has been particularly affected by the increases in interest rates adopted by central banks in an attempt to tame inflation, which have contributed to positive increases in net interest income, offset in part by the rise in funding costs (in particular, in Mexico, South America and Spain). Increases in interest rates could adversely affect the Group in future periods by reducing the demand for credit, limiting its ability to generate credit for its clients and leading to an increase in the default rate of its counterparties or restructuring of its debt, which could cause the Group significant losses.

Further, the Group's results of operations have been affected by the record-high inflation in all countries in which BBVA operates, especially Turkey and South America. In particular, the Turkish economy has been considered hyperinflationary since the first half of 2022. See "*—Designation of Turkey as a Hyperinflationary Economy*". Inflation has led to higher expenses and its effects have been considered on the macroeconomic forecasts used to calculate expected credit losses of the BBVA Group for the year ended December 31, 2022. On the other hand, inflation-linked bonds in Turkey have positively contributed to the results of operations of the BBVA Group during the year ended December 31, 2022. Further, there can be no assurance that adverse developments in the Turkish economy and institutional and regulatory environment will not have a material adverse effect on the Group's business, financial condition and results of operations in Turkey. The Central Bank of Turkey has strengthened its macroprudential policy toolkit and revised the reserve requirement regulation. With this new regulation, reserve requirements, which used to apply to the liability side of balance sheets, also applies to the asset side of balance sheets, including Turkish lira-denominated commercial cash loans (subject to certain exceptions). See "*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Principal Markets—Turkey*".

### ***The COVID-19 pandemic***

The COVID-19 pandemic has adversely affected the world economy, and economic activity and conditions in the countries in which the Group operates.

The impact of the COVID-19 pandemic on the Group's results generally improved with the progressive lessening of restrictions and the reopening of its branches since the first half of 2021 and, in particular, had a greater impact on the Group's results for the years ended December 31, 2020 and 2021, than on the Group's results for the year ended December 31, 2022.

With the outbreak of the pandemic, the Group experienced a decline in its activity. Further, the COVID-19 pandemic and the ensuing deterioration of economic conditions led to an increase in loan losses from both companies and individuals, which was slowed down by the impact of government support measures, including bank payment deferrals, credit with public guarantee and direct aid measures. Among other challenges, the countries in which the Group operates have had to deal with supply disruptions and increasing inflationary pressures.

The Group has been and may continue to be affected by the measures or recommendations adopted by regulatory authorities in the banking sector as a result of the COVID-19 pandemic, including but not limited to, the variations in the modification of prudential requirements, restrictions on the distribution of dividends, changes to the terms of payment deferral measures for bank customers (such as those included in Royal Decree Law 11/2020 in Spain, as well as in the CECA-AEB agreement (as defined below) to which BBVA has adhered and which, among other things, allows loan debtors to extend maturities and defer interest payments), the implementation of credit programs supported by public guarantees for corporates, SMEs and self-employed individuals, changes in reference interest rates, as well as changes in the financial asset purchase programs and the availability of ECB funding.

For additional information on the measures adopted by the Group and the measures or recommendations adopted by regulatory authorities in the banking sector as a result of the COVID-19 pandemic, see "*—Measures adopted in light of the COVID-19 pandemic*" and "*—Pronouncements of regulatory bodies and supervisors regarding COVID-19*" below.

### *Measures adopted in light of the COVID-19 pandemic*

Since the beginning of the pandemic, the Group offered payment deferrals to its customers in all geographical areas in which it operates. These measures were driven both by government-led initiatives (typically reflected in local laws and regulation) and non-legally-imposed initiatives (based on sectorial or individual schemes), aimed at mitigating the effects of COVID-19. Generally, the payment of principal and/or interest has been deferred without there being lease modifications in accordance with IFRS 16 (see “*Presentation of Financial Information—Changes in Accounting Policies—IFRS 16 –Leases – COVID-19 modifications*”) and these deferrals were given for a period of less than one year to customers in all categories. The measures and recommendations adopted by regulatory authorities in the banking sector impacted the calculation of expected credit risk losses under IFRS 9 of the BBVA Group in 2020, by considering the economic situation caused by the COVID-19 pandemic as transitory. Further, the Group has granted loans to corporates, SMEs and self-employed individuals with government guarantees under State guarantee programs adopted as a result of COVID-19. See Note 7.2 to the Consolidated Financial Statements for information on the amount of loans with payment deferrals (both existing/unexpired and completed/expired) under EBA standards and those with financing granted with public guarantees at a Group level, as well as the number of customers which have benefited from such measures.

Deferrals support schemes (in terms of new deferrals) have expired in all geographical areas. Measures related to new government-guaranteed loans remained in force in Spain and Peru in 2022, and new government-guaranteed financing was also granted in Turkey, Colombia and Argentina. In addition, in Spain, Royal Decree-Law 19/2022, of November 22, was published, introducing a set of measures to reinforce the protection of vulnerable mortgage debtors, given the rise in interest rates and inflation. Among others, the Royal Decree-Law introduces a new Code of Good Practices on a transitional basis for the restructuring of the mortgage debt of middle-class mortgagors at risk due to rising interest rates and adopts other measures to make subrogation easier for any consumer, or to convert variable rate loans to fixed rate, as well as to encourage competition in the mortgage loan market. BBVA has adhered to the new Code of Good Practices with effect from January 1, 2023.

Further, in accordance with recommendation ECB/2020/19 issued by the ECB on March 27, 2020 on dividend distributions during the COVID-19 pandemic, the Board of Directors of BBVA resolved to modify for the financial year corresponding to 2020 the dividend policy of the Group, announced on February 1, 2017 by means of a Relevant Information filing with the CNMV, determining as new policy for 2020 not to pay any dividend amount corresponding to 2020 until the uncertainties caused by COVID-19 disappear and, in any case, not before the end of such fiscal year. On July 27, 2020, the ECB prolonged this recommendation until January 1, 2021 by adopting recommendation ECB/2020/35. On December 15, 2020 the ECB issued recommendation ECB/2020/62, repealing its recommendation of July 2020, and recommending that significant credit institutions (which would include the Group) exercise extreme prudence when deciding on or paying out dividends or carrying out share buy-backs aimed at remunerating shareholders. On July 23, 2021, the ECB issued recommendation 2021/31 repealing recommendation ECB/2020/62 as from September 30, 2021. Recommendation ECB/2021/31 establishes that the ECB will assess banks’ capital, dividend distribution and share buybacks plans on an individual basis in the context of the normal supervisory cycle, and repeals any further restrictions on dividends and share buybacks contained in recommendation ECB/2020/62. For additional information, see “*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Dividends*”.

### *Pronouncements of regulatory bodies and supervisors regarding COVID-19*

With the aim of mitigating the impact of COVID-19, various European and international bodies made pronouncements to be taken into account in the implementation of the accounting and prudential frameworks applicable to financial institutions. The Group has taken these pronouncements into consideration when preparing its Consolidated Financial Statements. In particular, the ECB and the EBA adopted relief measures regarding asset quality deterioration and non-performing loans. Further, Regulation (EU) 2020/873 of the European Parliament and of the Council of June 24, amending the CRR, as regards certain adjustments in response to the COVID-19 pandemic (the “**CRR Quick Fix**”), contained a number of adjustments to the CRR to facilitate lending by banks as a response to the COVID-19 crisis, which has impacted the calculation of the leverage ratio of the BBVA Group by including the effect of the temporary exemption of certain positions with central banks provided for in the CRR-Quick fix.

### ***Agreement on the Collective Layoff Procedure***

On June 8, 2021, BBVA reached an agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain on April 13, 2021, which would affect a maximum of 2,935 employees. The agreement also included the closing of 480 offices (all closed as of June 30, 2022). Ultimately, by the time the procedure was over, 2,899 employees had accepted the agreement and effectively departed BBVA. The cost of the process amounted to a €994 million expense before taxes for the year ended December 31, 2021 (€754 million corresponding to the collective layoff and €240 million to the closing of offices, respectively) which was recognized under the headings “Provisions or reversal of provisions and other results”, “Impairment or reversal of impairment on non-financial assets” and “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” of the BBVA Group and under the heading “Profit / (loss) from discontinued operations, net and Other” of the Corporate Center. See Note 24 to our Consolidated Financial Statements.

### ***USA Sale***

On June 1, 2021, after obtaining the relevant regulatory authorizations from the competent authorities, BBVA completed the USA Sale. The consideration received in cash by BBVA as a consequence of the USA Sale amounted to approximately \$11,500 million (the price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately €9,600 million (at an exchange rate of \$1.20 per euro).

The results obtained by BBVA USA Bancshares, Inc. were consolidated in the Group’s results during the first five months of 2021, until completion of the USA Sale on June 1, 2021, and for all of 2020 under “Profit / (loss) from discontinued operations, net”. The accounting for both the results generated by BBVA USA Bancshares, Inc. in the first five months of 2021 and the gain on sale at closing of the transaction resulted in a cumulative profit net of taxes of €280 million in the year ended December 31, 2021, which was recorded under the heading “Profit / (loss) from discontinued operations, net”, and in a positive impact on the BBVA Group’s Common Equity Tier 1 (fully loaded) ratio of approximately 294 basis points as of December 31, 2021. See Notes 3 and 21 to our Consolidated Financial Statements and “Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group”.

### ***Sale of the BBVA Group’s stake in Paraguay***

On January 22, 2021 and after obtaining the relevant regulatory authorizations from the competent authorities, BBVA completed the sale of 100% of the share capital in its subsidiary BBVA Paraguay to Banco GNB Paraguay S.A., an affiliate of Grupo Financiero Gilinski. The total amount received by BBVA amounted to approximately \$250 million (approximately €210 million) in cash. The transaction resulted in a loss of approximately €9 million net of taxes and has increased the Group’s CET1 (fully loaded) ratio by approximately 6 basis points in 2021.

### ***Agreement for the alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.***

On April 27, 2020, BBVA reached an agreement with Allianz, Compañía de Seguros y Reaseguros, S.A. to create a bancassurance joint venture in Spain including a long-term exclusive distribution agreement for the sale of non-life insurance products, excluding the health insurance business, through BBVA’s branch network in Spain.

On December 14, 2020, after obtaining the relevant regulatory approvals from the competent authorities, BBVA Seguros transferred to Allianz, Compañía de Seguros y Reaseguros, S.A., 50% of the share capital plus one share in BBVA Seguros Generales and completed the transaction. BBVA Seguros received a cash payment of €274 million. Prior to that, BBVA transferred its non-life insurance business in Spain, excluding the health insurance business, to BBVA Seguros Generales.

This transaction resulted in a profit net of taxes of approximately €304 million and increased the Group’s CET1 (fully loaded) ratio by 7 basis points for the year ended December 31, 2020. Allianz, Compañía de Seguros y Reaseguros, S.A. may need to make an additional payment to BBVA of up to €100 million if certain business goals and milestones are met.

## Operating Environment

Our results of operations are dependent, to a large extent, on the level of demand for our products and services (primarily loans and deposits but also intermediation of financial products such as sovereign or corporate debt) in the countries in which we operate. Demand for our products and services in those countries is affected by the performance of their respective economies in terms of Gross Domestic Product (“GDP”), as well as prevailing levels of employment, inflation and, particularly, interest rates. Typically, the demand for loans and saving products correlates positively with income, which correlates in turn with GDP, employment and corporate profits evolution. Interest rates have a direct impact on banking results as the banking activity mainly relies on the generation of positive interest margins by paying lower interest on liabilities, primarily deposits, than the interest received on assets, primarily loans. However, it should be noted that higher interest rates, all else being equal, also reduce the demand for banking loans, increase the cost of funding of the banking business and typically lead to an increase in default rates.

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

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

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

In this context of still high inflationary pressures, central banks have continued to tighten monetary conditions. In the United States, the Federal Reserve (the “Fed”) has increased reference interest rates to 4.5% in December (425 basis points higher than the level at the beginning of 2022) and has maintained in place the program to sell assets and reduce the size of its balance sheet. It has also indicated that interest rates will continue to be adjusted upwards in the coming months. In the Eurozone, the ECB has raised interest rates for its refinancing operations to 2.5% in December (250 basis points higher than the level at the beginning of 2022), it has tightened the conditions of its TLTROs (targeted longer-term refinancing operations), which provide financing to credit institutions, and has indicated that it could soon launch an asset selling program. Further increases were announced by the Fed (0.25 basis points) and the ECB (0.5 basis points) on February 1 and February 2, 2023, respectively, and further adjustments are expected to be announced in the coming months.

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

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

The risks around this baseline scenario are significant. In particular, a greater persistence of inflation could unleash even more severe rises in interest rates, and therefore a deeper and more generalized recession, as well as financial volatility.

In Spain, despite the war in Ukraine and the ongoing tightening monetary conditions, economic activity has continued to exhibit dynamism in the second half of 2022, while inflation has recently shown signs of slowing down, in line with lower prices of energy. According to BBVA Research, GDP increased by an estimated 5.5% in 2022, more than one decimal point above the previous forecast. The increases in interest rates by the ECB, the disruptions in the gas market and the global and European slowdown will likely cause an economic moderation and GDP in 2023 is expected to grow around 1.4%, 0.4 percentage points less than previously expected by BBVA Research. Inflation, which closed the year at 5.7% after exceeding the 10.0% threshold in the middle of the year, is expected to moderate to around 3.5% on average in 2023, still above the 2% ECB target.

In Mexico, based on the available data, economic growth has surprised to the upside in the second half of 2022, keeping the relative dynamism observed in the first half of the year. GDP growth for the year was an estimated 3.0%, according to BBVA Research (one percentage point above the previous forecast). Likewise, the prospects for moderation for 2023 remain in place: GDP is expected to expand by 0.6% in 2023 (one percentage point less than the previous forecast). Economic growth is expected to slow down as a result of the expected slowdown in the United States, high inflation, which after closing 2022 at 7.8% could average around 5.1% in 2023, and high official interest rates, which could soon reach 10.75%.

In Turkey, economic activity has lost dynamism in the second half of the year, after surging upwards in the first half of the year, in an environment marked by increasing fiscal and monetary stimuli. According to BBVA Research, GDP grew by an estimated 5.5% in 2022, half a percentage point more than forecasted six months ago. Still, the relative strength of demand, the high commodity prices, as well as the strong depreciation of the Turkish lira in a context of negative interest rates in real terms (even more so after the recent interest rate cuts announced by the central bank) have contributed to keeping inflation at particularly high levels (64.3% in December). According to BBVA Research estimates, growth could moderate to 3.0% in 2023, reducing, to a certain extent, the high pressures on inflation and external accounts. However, the economic environment is highly unstable, given the combination of high inflation, very negative real interest rates, economic policy uncertainty, pressure on the Turkish lira, high external financing needs and the current global and regional context.

In Argentina, despite the less favorable global context and the local environment marked by the difficulty in addressing the current macroeconomic distortions and meeting the objectives established in the loan agreement reached in March with the International Monetary Fund, economic activity has shown some dynamism in 2022. The available data suggests, according to BBVA Research, that GDP grew by close to 5.0% in 2022, 2.5 percentage points more than previously expected. However, the global environment, high inflation (94.8% in December and, foreseeably, around 99% in 2023, on average), financial volatility, uncertainty about the evolution of economic policy and the limited margin to adopt new stimulus measures support expectations of a slight contraction in GDP in 2023.

In Colombia, economic activity, in general, and domestic demand, in particular, have shown greater dynamism than expected in recent months; as a result, growth in 2022 is estimated to be 8.0%, above BBVA Research's previous forecast of 6.8%. High inflation (13.1% in December) has contributed to the Banco de la República raising interest rates to 12.0% in December. In this context, and taking into account financial volatility and uncertainty about economic policy, BBVA Research estimates that interest rates will rise further in the short term, reaching around 13.0%, inflation is expected to remain relatively high in 2023 (11.7%, on average) and growth is expected to slow significantly to around 0.7% in 2023 (more than one percentage point below the forecast in June of 2022).

In Peru, against a backdrop of political instability, which could have a negative impact on economic activity, recent indicators suggest that GDP is estimated to have grown around 2.7% in 2022, seven decimal points above BBVA Research's previous forecast. Uncertainty about future policies, high inflation and interest rates and the global economic slowdown are expected to weigh negatively on growth going forward. BBVA Research expects growth to be around 2.5% in 2023, three decimal points below the value expected six months ago. Inflation will likely remain high in 2023 (around 6.4%, on average), while official interest rates are expected to converge to around 8.0% in the coming months.

## BBVA Group results of operations for 2022 compared to 2021

The table below shows the Group's consolidated income statements for 2022 and 2021.

	<b>Year ended December 31,</b>		<b>Change (In %)</b>
	<b>2022</b>	<b>2021</b>	
	<b>(In Millions of Euros)</b>		
Interest and other income	31,432	23,015	36.6
Interest expense	(12,279)	(8,329)	47.4
<b>Net interest income</b>	<b>19,153</b>	<b>14,686</b>	<b>30.4</b>
Dividend income	123	176	(29.8)
Share of profit or loss of entities accounted for using the equity method	21	1	n.m. (1)
Fee and commission income	8,261	6,997	18.1
Fee and commission expense	(2,907)	(2,232)	30.3
Net gains (losses) on financial assets and liabilities (2)	663	1,027	(35.4)
Exchange differences, net	1,275	883	44.4
Other operating income	528	661	(20.2)
Other operating expense	(3,438)	(2,041)	68.5
Income on insurance and reinsurance contracts	3,103	2,593	19.7
Expense on insurance and reinsurance contracts	(1,892)	(1,685)	12.3
<b>Gross income</b>	<b>24,890</b>	<b>21,066</b>	<b>18.2</b>
Administration costs	(9,432)	(8,296)	13.7
Personnel expense	(5,612)	(5,046)	11.2
Other administrative expense	(3,820)	(3,249)	17.6
Depreciation and amortization	(1,328)	(1,234)	7.6
<b>Net margin before provisions (3)</b>	<b>14,130</b>	<b>11,536</b>	<b>22.5</b>
Provisions or reversal of provisions and other results	(291)	(1,018)	(71.4)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,379)	(3,034)	11.4
Impairment or reversal of impairment on non-financial assets	(27)	(221)	(87.7)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net and Impairment or reversal of impairment of investments in joint ventures and associates	31	24	28.1
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(108)	(40)	167.2
<b>Operating profit / (loss) before tax</b>	<b>10,356</b>	<b>7,247</b>	<b>42.9</b>
Tax expense or income related to profit or loss from continuing operations	(3,529)	(1,909)	84.9
<b>Profit / (loss) from continuing operations</b>	<b>6,827</b>	<b>5,338</b>	<b>27.9</b>
Profit / (loss) from discontinued operations, net	—	280	n.m. (1)
<b>Profit / (loss)</b>	<b>6,827</b>	<b>5,618</b>	<b>21.5</b>
Profit / (loss) attributable to parent company	6,420	4,653	38.0
Profit / (loss) attributable to non-controlling interests	407	965	(57.8)

(1) Not meaningful.

(2) Comprises the following income statement line items contained in the Consolidated Financial Statements: "Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net", "Gains (losses) on financial assets and liabilities held for trading, net", "Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net", "Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net" and "Gains (losses) from hedge accounting, net".

(3) Calculated as "Gross income" less "Administration costs" and "Depreciation and amortization".



The changes in our consolidated income statements for the years ended December 31, 2022 and 2021 were as follows:

*Net interest income*

The following table summarizes net interest income for the years ended December 31, 2022 and 2021.

	Year ended December 31,		Change (In %)
	2022	2021	
	(In Millions of Euros)		
Interest and other income	31,432	23,015	36.6
Interest expense	(12,279)	(8,329)	47.4
<b>Net interest income</b>	<b>19,153</b>	<b>14,686</b>	<b>30.4</b>

Net interest income for the year ended December 31, 2022 amounted to €19,153 million, a 30.4% increase compared with the €14,686 million recorded for the year ended December 31, 2021, as interest and other income increased by 36.6% due mainly to the increase in yields and volumes (see “*Item 4. Information on the Company—Selected Statistical Information—Average Balances and Rates*”) of corporate loans and retail loans, partially offset by an increase in interest expense of 47.4%, mainly driven by higher overall funding costs. The positive income generated by the funds obtained from drawdowns of the ECB’s TLTRO III facilities was recorded under interest and other income, while the borrowing costs of the drawdowns of the TLTRO III facilities were recorded under interest expense. By region, the increase in net interest income was the result of increases in net interest income in the main non-euro countries where the BBVA Group operates (as described below). At constant exchange rates, net interest income increased by 35.8%. The following factors, set out by region, were the main contributors to the 30.4% increase in net interest income:

- Mexico: there was a 43.6% increase mainly as a result of the higher contribution from our loan portfolio, in particular, the corporate and retail portfolios, which has increased both in terms of volume and yield, supported by the appreciation of the Mexican peso against the euro and, with respect to the yield, a higher interest rate environment, partially offset by higher funding costs as a result of the increase in interest rates.
- South America: there was a 44.7% increase mainly as a result of increases in the yield of the wholesale loan portfolio and in the volume of the consumer loan portfolio in Colombia, higher retail loan volume in Peru and, to a lesser extent, the increase in the volume and yield of retail loans and sovereign debt securities in Argentina, within an overall high interest rate environment, partially offset by higher funding costs and the depreciation of the Argentine peso.
- Turkey: there was an 11.0% increase mainly as a result of the higher yield and volume of Turkish lira-denominated loans to enterprises and credit card loans and the increase in volume of sovereign debt securities, as a result in part of the Turkish liraization strategy implemented by the CBRT, partially offset by the depreciation of the Turkish lira against the euro.
- Spain: there was an 8.0% increase mainly as a result of the higher yield and volume of the corporate and SMEs loan portfolios, supported by the higher interest rate environment, partially offset by higher funding costs.

*Dividend income*

Dividend income for the year ended December 31, 2022 amounted to €123 million, a 29.8% decrease compared with the €176 million recorded for the year ended December 31, 2021, mainly as a result of lower dividend income in Spain, particularly in connection with the non-trading portfolio.

*Share of profit or loss of entities accounted for using the equity method*

Share of profit or loss of entities accounted for using the equity method for the year ended December 31, 2022 amounted to income of €21 million, compared with the income of €1 million recorded for the year ended December 31, 2021.

### *Fee and commission income*

The table below provides a breakdown of fee and commission income for the years ended December 31, 2022 and 2021:

	Year ended December 31,		Change (In %)
	2022	2021	
	(In Millions of Euros)		
Bills receivables	26	23	14.4
Demand accounts	424	425	(0.3)
Credit and debit cards and POS	3,499	2,628	33.1
Checks	162	136	18.8
Transfers and other payment orders	812	664	22.2
Insurance product commissions	261	215	21.3
Loan commitments given	259	234	10.9
Other commitments and financial guarantees given	420	364	15.5
Asset management	1,228	1,250	(1.7)
Securities fees	266	267	(0.7)
Custody securities	193	169	14.4
Other fees and commissions	711	622	14.2
<b>Fee and commission income</b>	<b>8,261</b>	<b>6,997</b>	<b>18.1</b>

Fee and commission income increased by 18.1% to €8,261 million for the year ended December 31, 2022 from the €6,997 million recorded for the year ended December 31, 2021, primarily due to the increased volume of transactions in the main countries where the BBVA Group operates, in particular, credit cards in Mexico and South America, the higher banking and payment systems fees, in particular, in Mexico, Argentina and Peru, and the appreciation of the Mexican peso against the euro, partially offset by the depreciation of the Turkish lira and the Argentine peso.

### *Fee and commission expense*

The breakdown of fee and commission expense for the years ended December 31, 2022 and 2021 is as follows:

	Year ended December 31,		Change (In %)
	2022	2021	
	(In Millions of Euros)		
Demand accounts	5	5	5.3
Credit and debit cards	1,884	1,427	32.0
Transfers and other payment orders	133	120	10.8
Commissions for selling insurance	70	51	38.6
Custody securities	92	55	66.8
Other fees and commissions	723	574	26.1
<b>Fee and commission expense</b>	<b>2,907</b>	<b>2,232</b>	<b>30.3</b>

Fee and commission expense increased by 30.3% to €2,907 million for the year ended December 31, 2022 from the €2,232 million recorded for the year ended December 31, 2021, primarily due to the increased volume of transactions in the main countries where the BBVA Group operates, in particular, credit cards, the higher banking and payment systems fees in Mexico and South America and the appreciation of the Mexican peso against the euro, partially offset by the depreciation of the Turkish lira and the Argentine peso.

### *Net gains (losses) on financial assets and liabilities*

Net gains on financial assets and liabilities decreased by 35.4% to €663 million for the year ended December 31, 2022 compared to the net gain of €1,027 million recorded for the year ended December 31, 2021, mainly due to the negative impact of changes in exchange rates on certain foreign currency positions, the lower contribution from the industrial and financial portfolios managed by the Corporate Center as part of the centralized Group functions, and the depreciation of the Turkish lira and the Argentine peso against the euro, partially offset by the positive performance of the Global Markets unit in Turkey, South America, Mexico and Spain, supported by the high-volatility environment.



The table below provides a breakdown of net gains (losses) on financial assets and liabilities for the years ended December 31, 2022 and 2021:

	<b>Year ended December 31,</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
	<b>(In Millions of Euros)</b>		<b>(In %)</b>
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	64	134	(52.1)
Financial assets at fair value through other comprehensive income	58	109	(46.1)
Financial assets at amortized cost	8	27	(69.8)
Other financial assets and liabilities	(3)	(2)	21.6
Gains (losses) on financial assets and liabilities held for trading, net	562	341	64.5
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(67)	432	n.m. (1)
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150	335	(55.2)
Gains (losses) from hedge accounting, net	(45)	(214)	(79.0)
<b>Net gains (losses) on financial assets and liabilities</b>	<b>663</b>	<b>1,027</b>	<b>(35.4)</b>

(1) Not meaningful.

Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss decreased by 52.1% to €64 million in the year ended December 31, 2022 from €134 million in the year ended December 31, 2021, mainly due to the lower contribution from the industrial and financial portfolios managed by the Corporate Center as part of the centralized Group functions, the decrease in gains associated with interest-bearing securities in Spain and the depreciation of the Turkish lira and the Argentine peso against the euro.

Gains on financial assets and liabilities held for trading increased by 64.5%, to €562 million in the year ended December 31, 2022 from €341 million in the year ended December 31, 2021, mainly as a result of higher sales in the Global Markets unit in Turkey, South America, Mexico and Spain, supported by the high-volatility environment.

Losses on non-trading financial assets mandatorily at fair value through profit or loss were €67 million in the year ended December 31, 2022, compared with the €432 million gain in the year ended December 31, 2021, primarily due to the lower gains related to the Asset Protection Scheme entered into in connection with BBVA's acquisition of Unnim in Spain (pursuant to which the Spanish Deposit Guarantee Fund of Credit Institutions agreed to assume 80% of the losses related to certain assets of Unnim during a period of 10 years following the completion of BBVA's acquisition of Unnim) and the depreciation of the Turkish lira and the Argentine peso against the euro.

Gains on financial assets and liabilities designated at fair value through profit or loss decreased by 55.2% to €150 million in the year ended December 31, 2022 from €335 million in the year ended December 31, 2021, mainly as a result of decreased gains from loans to the Turkish government and its agencies.

Losses from hedge accounting decreased by 79.0% to €45 million in the year ended December 31, 2022 from a €214 million loss in the year ended December 31, 2021, as a result of less negative changes in the fair value of hedged items (attributable to the hedged risk).

#### *Exchange differences, net*

Exchange differences increased by 44.4% to a €1,275 million gain for the year ended December 31, 2022 from a €883 million gain for the year ended December 31, 2021, mainly as a result of the positive impact of changes in exchange rates on certain foreign currency positions.

#### *Other operating income and expense, net*

Other operating income for the year ended December 31, 2022 decreased by 20.2% to €528 million compared with the €661 million recorded for the year ended December 31, 2021, mainly as a result of the lower sales from non-financial services related to real estate and the depreciation of the Turkish lira and the Argentine peso, partially offset by the appreciation of the Mexican peso against the euro.



Other operating expense for the year ended December 31, 2022 amounted to €3,438 million, a 68.5% increase compared with the €2,041 million recorded for the year ended December 31, 2021, mainly driven by the net loss on the monetary position pursuant to the adjustment for hyperinflation in Turkey amounting to €2,323 million (see “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Designation of Turkey as a Hyperinflationary Economy”) and, to a lesser extent, the greater contributions made to the ECB’s Single Resolution Fund in Spain, higher contributions to the relevant Deposit Guarantee Funds as a result of the increase in the volume of deposits in Spain and in Mexico (in local currency), the appreciation of the Mexican peso against the euro and the higher adjustment for hyperinflation in Argentina, offset in part by the positive impact of the revaluation of the bonds linked to inflation in Turkey, for a gross amount of €1,490 million, and the depreciation of the Turkish lira and the Argentine peso against the euro.

#### *Income and expense on insurance and reinsurance contracts*

Income on insurance and reinsurance contracts for the year ended December 31, 2022 was €3,103 million, a 19.7% increase compared with the €2,593 million of income recorded for the year ended December 31, 2021, mainly due to the increase in insurance premiums in Mexico as a result of higher insurance sales, and the positive performance of insurance-savings products in Spain (through BBVA Seguros).

Expense on insurance and reinsurance contracts for the year ended December 31, 2022 was €1,892 million, a 12.3% increase compared with the €1,685 million expense recorded for the year ended December 31, 2021, mainly as a result of the higher insurance premiums paid in Mexico, mainly driven by the increase in the volume of insurance sales.

#### *Administration costs*

Administration costs, which include personnel expense and other administrative expense, for the year ended December 31, 2022 amounted to €9,432 million, a 13.7% increase compared with the €8,296 million recorded for the year ended December 31, 2021, mainly as a result of the higher personnel expenses and certain general expenses related to technology and marketing in Mexico and Argentina (affected by inflation). The increase was partially offset by the decrease in personnel expenses in Spain due to the collective layoff procedure launched by Banco Bilbao Vizcaya Argentaria, S.A. in 2021 and the depreciation of the Turkish lira and the Argentine peso. At a constant exchange rate, there was a 16.5% period-on-period increase.

The table below provides a breakdown of personnel expense for the years ended December 31, 2022 and 2021:

	Year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
Wages and salaries	4,317	3,933	9.8
Social security costs	710	668	6.3
Defined contribution plan expense	87	71	21.9
Defined benefit plan expense	43	49	(11.6)
Other personnel expense	454	325	39.8
<b>Personnel expense</b>	<b>5,612</b>	<b>5,046</b>	<b>11.2</b>

The table below provides a breakdown of other administrative expense for the years ended December 31, 2022 and 2021:

	Year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
Technology and systems	1,394	1,176	18.6
Communications	195	175	11.3
Advertising	282	207	36.3
Property, fixtures and materials	440	380	15.9
Taxes other than income tax	370	347	6.7
Surveillance and cash courier services	214	179	19.2
Other expense	925	786	17.7
<b>Other administrative expense</b>	<b>3,820</b>	<b>3,249</b>	<b>17.6</b>



### *Depreciation and amortization*

Depreciation and amortization for the year ended December 31, 2022 was €1,328 million, a 7.6% increase compared with the €1,234 million recorded for the year ended December 31, 2021, mainly due to the increases in the depreciation expense in Mexico as a result of the appreciation of the Mexican peso against the euro and the increase in the depreciation expense related to offices for own use in Mexico and to IT equipment in Mexico and, to a lesser extent, increases in the depreciation expense related to offices for own use in Turkey, offset in part by the depreciation of the Turkish lira.

### *Provisions or reversal of provisions and other results*

Provisions or reversal of provisions and other results for the year ended December 31, 2022 amounted to an expense of €291 million, a 71.4% decrease compared with the €1,018 million expense recorded for the year ended December 31, 2021. Provisions or reversal of provisions and other results for the year ended December 31, 2021 included the cost recorded in connection with the agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain, which resulted in a provision amounting to €754 million which was recognized in the Corporate Center in the line item “Profit / (loss) from discontinued operations, net and Other”. See “*Presentation of Financial Information—Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements.

### *Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification*

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification for the year ended December 31, 2022 was an expense of €3,379 million, an 11.4% increase compared with the €3,034 million expense recorded for the year ended December 31, 2021, mainly due to an overall increase in lending activity and additional credit impairment requirements in the debt securities portfolio and the loans to individuals portfolio in the main geographies where the BBVA Group operates, mainly driven by the deteriorating macroeconomic environment, which is facing a downward revision of growth expectations in an inflationary environment where there has been a generalized increase in energy commodity prices and interest rates. Such increase was partially offset by the depreciation of the Turkish lira against the euro.

The table below provides a breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification for the years ended December 31, 2022 and 2021:

	Year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
Financial assets at fair value through other comprehensive income	76	17	n.m. (1)
Financial assets at amortized cost	3,303	3,017	9.5
<b>Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification</b>	<b>3,379</b>	<b>3,034</b>	<b>11.4</b>

(1) Not meaningful.

### *Impairment or reversal of impairment on non-financial assets*

Impairment or reversal of impairment on non-financial assets for the year ended December 31, 2022 amounted to an expense of €27 million, an 87.7% decrease compared with the €221 million expense recorded for the year ended December 31, 2021. Impairment or reversal of impairment on non-financial assets for the year ended December 31, 2021 was mainly affected by the impairment recognized due to the closing of rented offices pursuant to the agreement reached with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain, which was recognized in the Corporate Center in the line item “Profit / (loss) from discontinued operations, net and Other”. See “*Presentation of Financial Information—Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements.



*Gains (losses) on derecognition of non-financial assets and subsidiaries, net and Impairment or reversal of impairment of investments in joint ventures and associates*

Gains on derecognition of non-financial assets and subsidiaries, net and Impairment or reversal of impairment of investments in joint ventures and associates for the year ended December 31, 2022 amounted to €31 million, a 28.1% increase compared with the €24 million gain recorded for the year ended December 31, 2021.

*Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations*

Losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations for the year ended December 31, 2022 amounted to €108 million, compared with the €40 million loss recorded for the year ended December 31, 2021, and relate mainly to the acquisition by BBVA of Tree Inversiones Inmobiliarias, SOCIMI, S.A. from Merlin Properties in June 2022, which resulted in the recognition of a €134 million loss in this line item. For additional information, see “*Item 4. Information on the Company—History and Development of the Company—Capital Expenditures—2022—Purchase of Tree Inversiones Inmobiliarias, SOCIMI, S.A.*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Purchase of Tree Inversiones Inmobiliarias, SOCIMI, S.A.*” and Note 17 to our Consolidated Financial Statements. The period-on-period loss increase was partially offset by higher gains from real estate sales.

Losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations for the year ended December 31, 2021 included the cost recorded in connection with the closing of offices for own use and the decommission of facilities, pursuant to the agreement reached with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain, which was recognized in the Corporate Center in the line item “Profit / (loss) from discontinued operations, net and Other”. See “*Presentation of Financial Information— Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements.

*Operating profit / (loss) before tax*

As a result of the foregoing, operating profit before tax for the year ended December 31, 2022 amounted to €10,356 million, a 42.9% increase compared with the €7,247 million operating profit before tax recorded for the year ended December 31, 2021.

*Tax expense or income related to profit or loss from continuing operations*

Tax expense related to profit from continuing operations for the year ended December 31, 2022 amounted to €3,529 million, an 84.9% increase compared with the €1,909 million expense recorded for the year ended December 31, 2021, mainly due to the higher operating profit before tax, in particular in Mexico and, to a lesser extent, in Spain and South America, and the €67 million tax expense resulting from the transaction with Merlin Properties (see Note 17 to our Consolidated Financial Statements). Such tax expense was the result of the inclusion of Tree Inversiones Inmobiliarias, SOCIMI, S.A. in BBVA’s tax group and consolidation group, which resulted, among others, in limitations to the tax deductibility of impairments relating to the newly acquired branches (which were previously rented by the Group). Further, the applicable tax rate in Colombia increased to 38% for the year ended December 31, 2022 from 34% for the year ended December 31, 2021. The increase in tax expense for the year ended December 31, 2022 was partially offset by the net loss on the monetary position pursuant to the adjustment for hyperinflation in Turkey which, in turn, led to additional adjustments to the tax expense for the period due to the difference between accounting and taxable profit (see “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Designation of Turkey as a Hyperinflationary Economy*”). In addition, the current tax regulation in Turkey does not foresee a correction in order to reduce tax expense upon the existence of a loss linked to the net monetary position. Tax expense amounted to 34.1% of operating profit before tax for the year ended December 31, 2022 and 26.3% for the year ended December 31, 2021.

*Profit / (loss) from discontinued operations, net*

Profit from discontinued operations for the year ended December 31, 2022 was nil compared with the €280 million profit recorded for the year ended December 31, 2021. Profit from discontinued operations for the year ended December 31, 2021 was attributable to the results generated by BBVA USA Bancshares, Inc. in the first five months of 2021 and gains generated by the USA Sale. See “*Presentation of Financial Information—Sale of BBVA USA Bancshares, Inc.*”, “*Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group*” and Note 21 to our Consolidated Financial Statements.

*Profit / (loss)*

As a result of the foregoing, profit for the year ended December 31, 2022 amounted to €6,827 million, a 21.5% increase compared with the €5,618 million recorded for the year ended December 31, 2021.

*Profit / (loss) attributable to parent company*

As a result of the foregoing, profit attributable to parent company for the year ended December 31, 2022 amounted to €6,420 million, a 38.0% increase compared with the €4,653 million recorded for the year ended December 31, 2021.

*Profit / (loss) attributable to non-controlling interests*

Profit attributable to non-controlling interests for the year ended December 31, 2022 amounted to €407 million, a 57.8% decrease compared with the €965 million profit attributable to non-controlling interests recorded for the year ended December 31, 2021, mainly as a result of the increase in BBVA’s stake in Garanti BBVA (from 49.85% to 85.97%) following the completion of BBVA’s voluntary takeover bid for the entire share capital of Garanti BBVA on May 18, 2022 (see “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.*”).

## BBVA Group results of operations for 2021 compared to 2020

The table below shows the Group's consolidated income statements for 2021 and 2020.

	<b>Year ended December 31,</b>		<b>Change</b>
	<b>2021</b>	<b>2020</b>	
	<b>(In Millions of Euros)</b>		<b>(In %)</b>
Interest and other income	23,015	22,389	2.8
Interest expense	(8,329)	(7,797)	6.8
<b>Net interest income</b>	<b>14,686</b>	<b>14,592</b>	<b>0.6</b>
Dividend income	176	137	27.9
Share of profit or loss of entities accounted for using the equity method	1	(39)	n.m. (1)
Fee and commission income	6,997	5,980	17.0
Fee and commission expense	(2,232)	(1,857)	20.2
Net gains (losses) on financial assets and liabilities (2)	1,027	1,187	(13.5)
Exchange differences, net	883	359	145.8
Other operating income	661	492	34.3
Other operating expense	(2,041)	(1,662)	22.8
Income on insurance and reinsurance contracts	2,593	2,497	3.9
Expense on insurance and reinsurance contracts	(1,685)	(1,520)	10.8
<b>Gross income</b>	<b>21,066</b>	<b>20,166</b>	<b>4.5</b>
Administration costs	(8,296)	(7,799)	6.4
Personnel expense	(5,046)	(4,695)	7.5
Other administrative expense	(3,249)	(3,105)	4.7
Depreciation and amortization	(1,234)	(1,288)	(4.2)
<b>Net margin before provisions (3)</b>	<b>11,536</b>	<b>11,079</b>	<b>4.1</b>
Provisions or reversal of provisions and other results	(1,018)	(746)	36.4
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(3,034)	(5,179)	(41.4)
Impairment or reversal of impairment on non-financial assets	(221)	(153)	44.7
Gains (losses) on derecognition of non-financial assets and subsidiaries, net and Impairment or reversal of impairment of investments in joint ventures and associates	24	(197)	n.m. (1)
Negative goodwill recognized in profit or loss	—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	(40)	444	n.m. (1)
<b>Operating profit / (loss) before tax</b>	<b>7,247</b>	<b>5,248</b>	<b>38.1</b>
Tax expense or income related to profit or loss from continuing operations	(1,909)	(1,459)	30.9
<b>Profit / (loss) from continuing operations</b>	<b>5,338</b>	<b>3,789</b>	<b>40.9</b>
Profit / (loss) from discontinued operations, net	280	(1,729)	n.m. (1)
<b>Profit / (loss)</b>	<b>5,618</b>	<b>2,060</b>	<b>172.7</b>
Profit / (loss) attributable to parent company	4,653	1,305	256.6
Profit / (loss) attributable to non-controlling interests	965	756	27.7

(1) Not meaningful.

(2) Comprises the following income statement line items contained in the Consolidated Financial Statements: “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net” and “Gains (losses) from hedge accounting, net”.

(3) Calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

The changes in our consolidated income statements for the years ended December 31, 2021 and 2020 were as follows:

*Net interest income*

The following table summarizes net interest income for the years ended December 31, 2021 and 2020.

	Year ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
Interest and other income	23,015	22,389	2.8
Interest expense	(8,329)	(7,797)	6.8
<b>Net interest income</b>	<b>14,686</b>	<b>14,592</b>	<b>0.6</b>

Net interest income for the year ended December 31, 2021 amounted to €14,686 million, a 0.6% increase compared with the €14,592 million recorded for the year ended December 31, 2020, as a result of the 2.8% year-on-year increase in interest and other income, due mainly to the increase in yields (see “*Item 4. Information on the Company—Selected Statistical Information—Average Balances and Rates*”), offset by an increase in interest expense of 6.8%, mainly driven by higher funding costs in Turkey. By region, the increase in net interest income was mainly the result of the increases in net interest income in Mexico and South America (as described below). At constant exchange rates, net interest income increased by 6.1%. The following factors, set out by region, were the main contributors to the 0.6% increase in net interest income:

- Mexico: there was a 7.8% increase mainly as a result of lower funding costs and the higher loan contribution (both in terms of volume and yield), in particular, due to the increase in the volume of retail loans and, to a lesser extent, the appreciation of the Mexican peso against the euro.
- South America: there was a 5.8% increase mainly as a result of the increase in the volume of loans, in particular, retail loans in Argentina and Colombia and consumer and credit cards loans in Peru, which were supported by the government recovery plans, partially offset by the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro.

The increase in net interest income was partially offset by:

- Turkey: there was a 14.8% decrease as a result mainly of the depreciation of the Turkish lira against the euro and, to a lesser extent, higher funding costs, partially offset by higher Turkish lira-denominated loans.
- Spain: there was a 1.8% decrease mainly as a result of the lower interest rate environment and lower sales from the ALCO portfolio, partially offset by lower funding costs.

*Dividend income*

Dividend income for the year ended December 31, 2021 amounted to €176 million, a 27.9% increase compared with the €137 million recorded for the year ended December 31, 2020 mainly as a result of higher dividend income relating to Spain, particularly dividends paid by technology companies in which we invest through funds and investment vehicles.

*Share of profit or loss of entities accounted for using the equity method*

Share of profit or loss of entities accounted for using the equity method for the year ended December 31, 2021 amounted to income of €1 million, compared with the €39 million loss recorded for the year ended December 31, 2020.

### *Fee and commission income*

The table below provides a breakdown of fee and commission income for the years ended December 31, 2021 and 2020:

	Year ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
Bills receivables	23	27	(16.2)
Demand accounts	425	322	32.0
Credit and debit cards and POS	2,628	2,089	25.8
Checks	136	136	0.2
Transfers and other payment orders	664	555	19.7
Insurance product commissions	215	159	35.7
Loan commitments given	234	185	26.3
Other commitments and financial guarantees given	364	349	4.1
Asset management	1,250	1,100	13.6
Securities fees	267	367	(27.2)
Custody securities	169	135	25.0
Other fees and commissions	622	556	11.9
<b>Fee and commission income</b>	<b>6,997</b>	<b>5,980</b>	<b>17.0</b>

Fee and commission income increased by 17.0% to €6,997 million for the year ended December 31, 2021 from the €5,980 million recorded for the year ended December 31, 2020, primarily due to the increase in payment systems and brokerage fees as a result of increased volume of transactions, especially in Mexico and Turkey, the increase in banking services, fee and commission income from asset management activities (driven both by volume and performance) and insurance product commissions in Spain, and increases in certain credit cards transactions and fees in South America (once the restrictions on mobility caused by the COVID-19 pandemic were eliminated), partially offset by the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro.

### *Fee and commission expense*

The breakdown of fee and commission expense for the years ended December 31, 2021 and 2020 is as follows:

	Year ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
Demand accounts	5	5	(12.3)
Credit and debit cards	1,427	1,130	26.3
Transfers and other payment orders	120	97	23.1
Commissions for selling insurance	51	54	(5.7)
Custody securities	55	52	6.3
Other fees and commissions	574	519	10.6
<b>Fee and commission expense</b>	<b>2,232</b>	<b>1,857</b>	<b>20.2</b>

Fee and commission expense increased by 20.2% to €2,232 million for the year ended December 31, 2021 from the €1,857 million recorded for the year ended December 31, 2020, primarily due to the higher volume of transactions as a result of the partial recovery from the COVID-19 pandemic, particularly involving payment systems and brokerage fees in Mexico and Turkey, and the removal of the temporary waiver or reduction of fees in certain regions, partially offset by the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro.

### *Net gains (losses) on financial assets and liabilities*

Net gains on financial assets and liabilities decreased by 13.5% to €1,027 million for the year ended December 31, 2021 compared to the net gain of €1,187 million recorded for the year ended December 31, 2020, mainly due to decreased sales in the Global Markets unit in Mexico as a result of increased volatility in the financial markets, decreased securities' sales within the ALCO portfolio in Mexico and Spain, the decreased valuation of the BBVA Group's stake in Prisma Medios de Pago, S.A. in Argentina and the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the

euro, partially offset by the gains generated by trading transactions in Turkey and the positive performance of the Global Markets units in Turkey and Spain.

The table below provides a breakdown of net gains (losses) on financial assets and liabilities for the years ended December 31, 2021 and 2020:

	<b>Year ended December 31,</b>		<b>Change (In %)</b>
	<b>2021</b>	<b>2020</b>	
	<b>(In Millions of Euros)</b>		
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	134	139	(3.9)
Financial assets at fair value through other comprehensive income	109	114	(4.3)
Financial assets at amortized cost	27	106	(74.2)
Other financial assets and liabilities	(2)	(81)	(97.3)
Gains (losses) on financial assets and liabilities held for trading, net	341	777	(56.1)
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	432	208	107.2
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	335	56	n.m. (1)
Gains (losses) from hedge accounting, net	(214)	7	n.m. (1)
<b>Net gains (losses) on financial assets and liabilities</b>	<b>1,027</b>	<b>1,187</b>	<b>(13.5)</b>

(1) Not meaningful.

Gains on derecognition of financial assets and liabilities not measured at fair value through profit or loss decreased 3.9% to €134 million in the year ended December 31, 2021 from €139 million in the year ended December 31, 2020.

Gains on financial assets and liabilities held for trading decreased by 56.1%, to €341 million in the year ended December 31, 2021 from €777 million in the year ended December 31, 2020, as a result in part of the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro, in particular, the Turkish lira and losses on trading derivatives in foreign currency positions in Turkey and Spain.

Gains on non-trading financial assets mandatorily at fair value through profit or loss increased to €432 million in the year ended December 31, 2021 from €208 million in the year ended December 31, 2020, primarily due to increased gains on equity instruments in Spain.

Losses from hedge accounting for the year ended December 31, 2021 were €214 million, compared with the €7 million gain recorded for the year ended December 31, 2020, mainly as a result of the negative changes in the fair value of the hedged items (attributable to the hedged risk).

#### *Exchange differences, net*

Exchange differences increased to a €883 million gain for the year ended December 31, 2021 from a €359 million gain for the year ended December 31, 2020, mainly as a result of the positive impact of changes in exchange rates on certain foreign currency positions.

#### *Other operating income and expense, net*

Other operating income for the year ended December 31, 2021 increased by 34.3% to €661 million compared with the €492 million recorded for the year ended December 31, 2020, mainly as a result of the higher adjustment for hyperinflation in Argentina and the higher income from real estate related services in Spain, partially offset by the depreciation of the currencies of the main non-euro countries where the Group operates (excluding Mexico) against the euro.

Other operating expense for the year ended December 31, 2021 amounted to €2,041 million, a 22.8% increase compared with the €1,662 million recorded for the year ended December 31, 2020, mainly driven by the greater contributions made to the ECB's Single Resolution Fund in Spain and the higher adjustment for hyperinflation in Argentina, offset in part by the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro.

#### *Income and expense on insurance and reinsurance contracts*

Income on insurance and reinsurance contracts for the year ended December 31, 2021 was €2,593 million, a 3.9% increase compared with the €2,497 million of income recorded for the for the year ended December 31, 2020.





Expense on insurance and reinsurance contracts for the year ended December 31, 2021 was €1,685 million, a 10.8% increase compared with the €1,520 million expense recorded for the year ended December 31, 2020, mainly as a result of a higher claims ratio in Mexico derived from the impacts of the COVID-19 pandemic, partially offset by the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro.

#### *Administration costs*

Administration costs, which include personnel expense and other administrative expense, for the year ended December 31, 2021 amounted to €8,296 million, a 6.4% increase compared with the €7,799 million recorded for the year ended December 31, 2020, mainly as a result of higher personnel expenses in Mexico and South America (affected by inflation and, with respect to Mexico, to a lesser extent, the return of certain employees to their positions once commercial activity started to pick up and the appreciation of the Mexican peso), and increases in certain general expenses related to technology in Mexico (also affected by inflation). The increase was partially offset by the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro.

The table below provides a breakdown of personnel expense for the years ended December 31, 2021 and 2020:

	Year ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
Wages and salaries	3,933	3,610	9.0
Social security costs	668	671	(0.4)
Defined contribution plan expense	71	72	(1.2)
Defined benefit plan expense	49	49	(0.1)
Other personnel expense	325	293	11.0
<b>Personnel expense</b>	<b>5,046</b>	<b>4,695</b>	<b>7.5</b>

The table below provides a breakdown of other administrative expense for the years ended December 31, 2021 and 2020:

	Year ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
Technology and systems	1,176	1,088	8.1
Communications	175	172	1.8
Advertising	207	186	11.4
Property, fixtures and materials	380	404	(6.0)
Taxes other than income tax	347	344	0.8
Surveillance and cash courier services	179	161	11.2
Other expense	786	749	4.9
<b>Other administrative expense</b>	<b>3,249</b>	<b>3,105</b>	<b>4.7</b>

#### *Depreciation and amortization*

Depreciation and amortization for the year ended December 31, 2021 was €1,234 million, a 4.2% decrease compared with the €1,288 million recorded for the year ended December 31, 2020, mainly due to the depreciation of the currencies of the main non-euro countries where the BBVA Group operates against the euro.

#### *Provisions or reversal of provisions and other results*

Provisions or reversal of provisions and other results for the year ended December 31, 2021 amounted to an expense of €1,018 million, a 36.4% increase compared with the €746 million expense recorded for the year ended December 31, 2020, mainly as a result of the agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain, which resulted in a provision amounting to €754 million which has been recognized in the Corporate Center. See “*Presentation of Financial Information— Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements. The increase was offset, in part, by lower commitments and guarantees given and the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro.



*Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification*

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification for the year ended December 31, 2021 was an expense of €3,034 million, a 41.4% decrease compared with the €5,179 million expense recorded for the year ended December 31, 2020, mainly due to (i) lower credit impairment requirements in the main countries where the BBVA Group operates; (ii) higher recoveries and limited additions to credit-impaired assets (Stage 3) supported by recoveries throughout the year; (iii) improvement of the macroeconomic scenario in 2021; and (iv) to a lesser extent, the depreciation of the currencies of the main non-euro countries where the BBVA Group operates (excluding Mexico) against the euro. The year ended December 31, 2020 was adversely impacted by the worsening macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic, which led to significant credit quality deterioration in the portfolio of financial assets measured at amortized cost, while the non-performing loan ratio and the related coverage ratio were positively affected by the temporary deferrals and other relief measures adopted to address the effects of the COVID-19 pandemic.

The table below provides a breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification for the years ended December 31, 2021 and 2020:

	Year ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
Financial assets at fair value through other comprehensive income	17	19	(9.4)
Financial assets at amortized cost	3,017	5,160	(41.5)
<b>Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification</b>	<b>3,034</b>	<b>5,179</b>	<b>(41.4)</b>

*Impairment or reversal of impairment on non-financial assets*

Impairment or reversal of impairment on non-financial assets for the year ended December 31, 2021 amounted to an expense of €221 million, a 44.7% increase compared with the €153 million expense recorded for the year ended December 31, 2020, mainly as a result of the impairment recognized due to the closing of rented offices pursuant to the agreement reached with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain, which has been recognized in the Corporate Center under line item “Provisions or reversal of provisions and other results”. See “*Presentation of Financial Information—Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements.

*Gains (losses) on derecognition of non-financial assets and subsidiaries, net and Impairment or reversal of impairment of investments in joint ventures and associates*

Gains (losses) on derecognition of non-financial assets and subsidiaries, net and Impairment or reversal of impairment of investments in joint ventures and associates for the year ended December 31, 2021 amounted to a €24 million gain compared with the €197 million loss recorded for the year ended December 31, 2020.

*Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations*

Losses from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations for the year ended December 31, 2021 was €40 million, compared with the €444 million gain recorded for the year ended December 31, 2020, mainly due to the losses recognized due to the closing of offices for own use and the decommission of facilities, pursuant to the agreement reached with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain, which have been recognized in the Corporate Center under line item “*Provisions or reversal of provisions and other results*”. See “*Presentation of Financial Information— Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements. The year ended December 31, 2020 was positively affected by the sale to Allianz, Compañía de Seguros y Reaseguros, S.A. of 50% of the share capital plus one share in BBVA Allianz Seguros y Reaseguros, S.A. in the fourth quarter of 2020. See “*— Factors Affecting the Comparability of our Results of Operations and Financial Condition—Alliance with Allianz, Compañía de Seguros y Reaseguros, S.A.*” and Note 3 to our Consolidated Financial Statements.

*Operating profit / (loss) before tax*

As a result of the foregoing, operating profit before tax for the year ended December 31, 2021 amounted to €7,247 million, a 38.1% increase compared with the €5,248 million operating profit before tax recorded for the year ended December 31, 2020.

*Tax expense or income related to profit or loss from continuing operations*

Tax expense related to profit from continuing operations for the year ended December 31, 2021 amounted to €1,909 million, a 30.9% increase compared with the €1,459 million expense recorded for the year ended December 31, 2020, mainly due to the increase in operating profit before tax. Tax expense amounted to 26.3% of operating profit before tax for the year ended December 31, 2021 and 27.8% for the year ended December 31, 2020.

*Profit / (loss) from discontinued operations, net*

Profit from discontinued operations for the year ended December 31, 2021 amounted to €280 million compared with the €1,729 million loss recorded for the year ended December 31, 2020. Profit from discontinued operations for the year ended December 31, 2020 was adversely impacted by the goodwill impairment losses recognized in the United States CGU, which were recorded in this line item. In addition, the change was also attributable to the gain on sale of the companies included within the scope of the USA Sale at its closing on June 1, 2021.

*Profit / (loss)*

As a result of the foregoing, profit for the year ended December 31, 2021 amounted to €5,618 million compared with the €2,060 million recorded for the year ended December 31, 2020.

*Profit / (loss) attributable to parent company*

As a result of the foregoing, profit attributable to parent company for the year ended December 31, 2021 amounted to €4,653 million compared with the €1,305 million recorded for the year ended December 31, 2020.

*Profit / (loss) attributable to non-controlling interests*

Profit attributable to non-controlling interests for the year ended December 31, 2021 amounted to €965 million, a 27.7% increase compared with the €756 million profit attributable to non-controlling interests recorded for the year ended December 31, 2020.

## **Results of Operations by Operating Segment**

The information contained in this section is presented under management criteria.

The tables set forth below show the income statement of our operating segments and Corporate Center for the years indicated. In addition, the income statement of our operating segments and Corporate Center is reconciled to the consolidated income statement of the Group. The “Adjustments” column in the tables for such years shows the differences between the Group income statement and the income statement calculated in accordance with management operating segment reporting criteria. In particular:

- in 2022, such differences correspond mainly to the loss recorded in connection with the acquisition by BBVA of Tree Inversiones Inmobiliarias, SOCIMI, S.A. on June 15, 2022 amounting to €201 million, net of taxes (see “—*Factors Affecting the Comparability of our Results of Operations and Financial Condition—Purchase of Tree Inversiones Inmobiliarias, SOCIMI, S.A.*”). In this section, information relating to the Spain operating segment for the year ended December 31, 2022 has been presented under management criteria pursuant to which such losses have been recognized under the heading “Profit / (loss) from discontinued operations, net and Other”. However, for purposes of the Group financial statements, such losses are presented under the headings “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” (€134 million loss) and “Tax expense or income related to profit or loss from continuing operations” (€67 million expense);
- in 2021, such differences correspond to the provision recorded in connection with the agreement on the collective layoff procedure BBVA reached with union representatives on April 13, 2021 in Spain, amounting to €754 million (see “*Presentation of Financial Information—Agreement on the Collective Layoff Procedure*”, “—*Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements), the impairment or reversal of impairment on tangible assets and other intangible assets, which amounted to a €221 million expense for the year ended December 31, 2021, and the losses on derecognition of non-financial assets and subsidiaries and from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations amounting to €18 million. In particular, information relating to our Corporate Center for 2021 has been presented under management criteria pursuant to which such losses have been recognized under the heading “Provisions or reversal of provisions and other results”. However, for purposes of the Group financial statements, such losses are presented under the heading “Impairment or reversal of impairment on non-financial assets”; and
- in 2020, such differences relate to the treatment of the net capital gain derived from the sale of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A., which amounted to €304 million, net of taxes (see “*Item 4. Information on the Company—History and Development of the Company—Capital Divestitures—2020*”). In particular, information relating to our Corporate Center for 2020 has been presented under management criteria pursuant to which such net capital gain was recorded under “Profit / (loss) from corporate operations, net”. However, for purposes of the Group income statement, the net capital gain has been recorded under the heading “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”.

During the first half of 2022, we changed the allocation criteria for certain expenses related to global technology projects between the Corporate Center and the business areas. In addition, a team from the Global Markets unit was transferred from Spain to New York, with the corresponding transfer of the costs associated with this reallocation from the Spain business area to other business areas. The impact of these intra-group adjustments was not material and segment figures as of December 31, 2021 and 2020 and for the years then ended have not been revised to reflect the new allocation criteria.

For certain relevant information concerning the preparation and presentation of the financial information included in this Annual Report, see “*Presentation of Financial Information*”.

**For the year ended December 31, 2022**

	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center	Adjustments (1)	Group
(In Millions of Euros)								
<b>Net interest income / (expense)</b>	<b>3,784</b>	<b>8,378</b>	<b>2,631</b>	<b>4,137</b>	<b>332</b>	<b>(109)</b>	—	<b>19,153</b>
Net fees and commissions	2,156	1,621	587	778	243	(31)	—	5,353
Net gains (losses) on financial assets and liabilities and Exchange differences, net (2)	396	439	741	447	208	(294)	—	1,938
Other operating income and expense, net (3)	(191)	400	(774)	(1,102)	7	105	—	(1,555)
<b>Gross income</b>	<b>6,145</b>	<b>10,839</b>	<b>3,185</b>	<b>4,261</b>	<b>790</b>	<b>(329)</b>	—	<b>24,890</b>
Administration costs	(2,516)	(3,035)	(938)	(1,806)	(491)	(647)	—	(9,432)
Depreciation and amortization	(404)	(398)	(129)	(170)	(23)	(206)	—	(1,328)
<b>Net margin before provisions (4)</b>	<b>3,226</b>	<b>7,406</b>	<b>2,119</b>	<b>2,284</b>	<b>276</b>	<b>(1,181)</b>	—	<b>14,130</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(522)	(1,693)	(387)	(762)	(13)	(2)	—	(3,379)
Provisions or reversal of provisions and other results	(78)	(24)	(88)	(94)	14	8	(134)	(395)
<b>Operating profit / (loss) before tax</b>	<b>2,625</b>	<b>5,690</b>	<b>1,644</b>	<b>1,429</b>	<b>277</b>	<b>(1,175)</b>	<b>(134)</b>	<b>10,356</b>
Tax expense or income related to profit or loss from continuing operations	(743)	(1,507)	(1,105)	(345)	(37)	277	(67)	(3,529)
<b>Profit / (loss) from continuing operations</b>	<b>1,882</b>	<b>4,182</b>	<b>538</b>	<b>1,083</b>	<b>240</b>	<b>(898)</b>	<b>(201)</b>	<b>6,827</b>
Profit / (loss) from discontinued operations, net and Other	(201)	—	—	—	—	—	201	—
<b>Profit / (loss)</b>	<b>1,681</b>	<b>4,182</b>	<b>538</b>	<b>1,083</b>	<b>240</b>	<b>(898)</b>	—	<b>6,827</b>
Profit / (loss) attributable to non-controlling interests	(3)	(1)	(29)	(349)	—	(25)	—	(407)
<b>Profit / (loss) attributable to parent company</b>	<b>1,678</b>	<b>4,182</b>	<b>509</b>	<b>734</b>	<b>240</b>	<b>(922)</b>	—	<b>6,420</b>

- (1) Corresponds mainly to the loss recorded in connection with the acquisition by BBVA of Tree Inversiones Inmobiliarias, SOCIMI, S.A. on June 15, 2022 amounting to €201 million, net of taxes (see “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Purchase of Tree Inversiones Inmobiliarias, SOCIMI, S.A.”). In this section, information relating to the Spain operating segment for the year ended December 31, 2022 has been presented under management criteria pursuant to which such losses have been recognized under the heading “Profit / (loss) from discontinued operations, net and Other”. However, for purposes of the Group financial statements, such losses are presented under the headings “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations”, which is included in “Provisions or reversal of provisions and other results” in the table above (€134 million loss), and “Tax expense or income related to profit or loss from continuing operations” (€67 million expense).
- (2) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (3) Includes “Dividend income”, “Share of profit or loss of entities accounted for using the equity method”, “Income/Expense on insurance and reinsurance contracts” and “Other operating income/expense”.
- (4) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

**For the year ended December 31, 2021**

	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center	Adjustments (1)	Group
(In Millions of Euros)								
<b>Net interest income</b>	<b>3,502</b>	<b>5,836</b>	<b>2,370</b>	<b>2,859</b>	<b>281</b>	<b>(163)</b>	—	<b>14,686</b>
Net fees and commissions	2,189	1,211	564	589	248	(36)	—	4,765
Net gains (losses) on financial assets and liabilities and exchange differences, net (2)	343	366	413	324	197	266	—	1,910
Other operating income and expense, net (3)	(109)	190	74	(611)	16	146	—	(295)
<b>Gross income</b>	<b>5,925</b>	<b>7,603</b>	<b>3,422</b>	<b>3,162</b>	<b>741</b>	<b>212</b>	—	<b>21,066</b>
Administration costs	(2,599)	(2,333)	(890)	(1,356)	(430)	(687)	—	(8,296)
Depreciation and amortization	(431)	(326)	(118)	(145)	(20)	(194)	—	(1,234)
<b>Net margin before provisions (4)</b>	<b>2,895</b>	<b>4,944</b>	<b>2,414</b>	<b>1,661</b>	<b>291</b>	<b>(668)</b>	—	<b>11,536</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(503)	(1,440)	(494)	(622)	27	(2)	—	(3,034)
Provisions or reversal of provisions and other results	(270)	24	33	(77)	(4)	32	(772)	(1,034)
Impairment or reversal of impairment on non-financial assets							(221)	(221)
<b>Operating profit / (loss) before tax</b>	<b>2,122</b>	<b>3,528</b>	<b>1,953</b>	<b>961</b>	<b>314</b>	<b>(638)</b>	<b>(994)</b>	<b>7,247</b>
Tax expense or income related to profit or loss from continuing operations	(538)	(960)	(455)	(287)	(60)	94	298	(1,909)
<b>Profit / (loss) from continuing operations</b>	<b>1,584</b>	<b>2,568</b>	<b>1,498</b>	<b>674</b>	<b>254</b>	<b>(544)</b>	<b>(696)</b>	<b>5,338</b>
Profit from discontinued operations, net / Profit from corporate operations, net	—	—	—	—	—	(416)	696	280
<b>Profit / (loss)</b>	<b>1,584</b>	<b>2,568</b>	<b>1,498</b>	<b>674</b>	<b>254</b>	<b>(960)</b>	—	<b>5,618</b>
Profit / (loss) attributable to non-controlling interests	(2)	—	(758)	(184)	—	(20)	—	(965)
<b>Profit / (loss) attributable to parent company</b>	<b>1,581</b>	<b>2,568</b>	<b>740</b>	<b>491</b>	<b>254</b>	<b>(980)</b>	—	<b>4,653</b>

- (1) Correspond to the provision recorded in connection with the agreement on the collective layoff procedure BBVA reached with union representatives on April 13, 2021 in Spain, amounting to €754 million, the impairment or reversal of impairment on tangible assets and other intangible assets, which amounted to a €221 million expense for the year ended December 31, 2021, and the losses on derecognition of non-financial assets and subsidiaries and from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations amounting to €18 million. In this section, information relating to our Corporate Center for 2021 has been presented under management criteria pursuant to which such losses have been recognized under the heading “Provisions or reversal of provisions and other results”. However, for purposes of the Group financial statements, such losses are presented under the heading “Impairment or reversal of impairment on non-financial assets”.
- (2) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (3) Includes “Dividend income”, “Share of profit or loss of entities accounted for using the equity method”, “Income/Expense on insurance and reinsurance contracts” and “Other operating income/expense”.
- (4) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

**For the year ended December 31, 2020**

	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center	Adjustments (1)	Group
	(In Millions of Euros)							
<b>Net interest income</b>	<b>3,566</b>	<b>5,415</b>	<b>2,783</b>	<b>2,701</b>	<b>291</b>	<b>(164)</b>	—	<b>14,592</b>
Net fees and commissions	1,802	1,061	510	483	332	(66)	—	4,123
Net gains (losses) on financial assets and liabilities and exchange differences, net (2)	174	423	227	407	171	144	—	1,546
Other operating income and expense, net (3)	25	126	53	(367)	45	22	—	(95)
<b>Gross income</b>	<b>5,567</b>	<b>7,025</b>	<b>3,573</b>	<b>3,225</b>	<b>839</b>	<b>(63)</b>	—	<b>20,166</b>
Administration costs	(2,580)	(2,033)	(880)	(1,219)	(446)	(642)	—	(7,799)
Depreciation and amortization	(460)	(312)	(150)	(154)	(20)	(194)	—	(1,288)
<b>Net margin before provisions (4)</b>	<b>2,528</b>	<b>4,680</b>	<b>2,544</b>	<b>1,853</b>	<b>372</b>	<b>(898)</b>	—	<b>11,079</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,167)	(2,172)	(895)	(864)	(85)	4	—	(5,179)
Provisions or reversal of provisions and other results	(538)	(33)	(127)	(93)	(8)	(289)	435	(652)
<b>Operating profit / (loss) before tax</b>	<b>823</b>	<b>2,475</b>	<b>1,522</b>	<b>896</b>	<b>280</b>	<b>(1,183)</b>	<b>435</b>	<b>5,248</b>
Tax expense or income related to profit or loss from continuing operations	(167)	(714)	(380)	(277)	(57)	268	(130)	(1,459)
<b>Profit from continuing operations</b>	<b>655</b>	<b>1,761</b>	<b>1,142</b>	<b>618</b>	<b>222</b>	<b>(915)</b>	<b>304</b>	<b>3,789</b>
Profit / (loss) from discontinued operations / Profit / (loss) from corporate operations, net	—	—	—	—	—	(1,424)	(304)	(1,729)
<b>Profit</b>	<b>655</b>	<b>1,761</b>	<b>1,142</b>	<b>618</b>	<b>222</b>	<b>(2,339)</b>	—	<b>2,060</b>
Profit attributable to non-controlling interests	(3)	—	(579)	(173)	—	—	—	(756)
<b>Profit attributable to parent company</b>	<b>652</b>	<b>1,761</b>	<b>563</b>	<b>446</b>	<b>222</b>	<b>(2,339)</b>	—	<b>1,305</b>

- (1) Relate to the treatment of the net capital gain derived from the sale of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A., which amounted to €304 million, net of taxes (see “Item 4. Information on the Company—History and Development of the Company—Capital Divestitures—2020”). In particular, information relating to our Corporate Center for 2020 has been presented under management criteria pursuant to which such net capital gain has been recorded under “Profit / (loss) from corporate operations, net”. However, for purposes of the Group income statement, the net capital gain was recorded under the heading “Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations” (which is included in “Provisions or reversal of provisions and other results” in the table above).
- (2) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (3) Includes “Dividend income”, “Share of profit or loss of entities accounted for using the equity method”, “Income/Expense on insurance and reinsurance contracts” and “Other operating income/expense”.
- (4) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.



## Results of Operations by Operating Segment for 2022 Compared with 2021

### SPAIN

	For the year ended December 31,		Change (In %)
	2022	2021	
	(In Millions of Euros)		
<b>Net interest income</b>	<b>3,784</b>	<b>3,502</b>	<b>8.0</b>
Net fees and commissions	2,156	2,189	(1.5)
Net gains (losses) on financial assets and liabilities and Exchange differences, net (1)	396	343	15.4
Other operating income and expense, net	(569)	(467)	22.0
Income and expense on insurance and reinsurance contracts	378	357	5.8
<b>Gross income</b>	<b>6,145</b>	<b>5,925</b>	<b>3.7</b>
Administration costs	(2,516)	(2,599)	(3.2)
Depreciation and amortization	(404)	(431)	(6.3)
<b>Net margin before provisions (2)</b>	<b>3,226</b>	<b>2,895</b>	<b>11.4</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(522)	(503)	3.9
Provisions or reversal of provisions and other results	(78)	(270)	(71.2)
<b>Operating profit / (loss) before tax</b>	<b>2,625</b>	<b>2,122</b>	<b>23.7</b>
Tax expense or income related to profit or loss from continuing operations	(743)	(538)	38.0
<b>Profit from continuing operations</b>	<b>1,882</b>	<b>1,584</b>	<b>18.9</b>
Profit / (loss) from discontinued operations, net and Other	(201)	—	n.m. (3)
<b>Profit</b>	<b>1,681</b>	<b>1,584</b>	<b>6.1</b>
Profit attributable to non-controlling interests	(3)	(2)	38.3
<b>Profit attributable to parent company</b>	<b>1,678</b>	<b>1,581</b>	<b>6.1</b>

(1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.

(2) Calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

(3) Not meaningful.

#### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2022 amounted to €3,784 million, an 8.0% increase compared with the €3,502 million recorded for the year ended December 31, 2021, mainly as a result of the higher yield and volume of the corporate and SMEs loan portfolios, supported by the higher interest rate environment, partially offset by higher funding costs. The net interest margin over total average assets of this operating segment amounted to 0.90% for the year ended December 31, 2022, compared with 0.88% for the year ended December 31, 2021.

#### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2022 amounted to €2,156 million, a 1.5% decrease compared with the €2,189 million recorded for the year ended December 31, 2021.

#### *Net gains (losses) on financial assets and liabilities and Exchange differences, net*

Net gains on financial assets and liabilities and Exchange differences of this operating segment for the year ended December 31, 2022 was a net gain of €396 million, a 15.4% increase compared with the €343 million net gain recorded for the year ended December 31, 2021, mainly as a result of the positive performance of the Global Markets unit, partially offset by the lower gains related to the Asset Protection Scheme entered into in connection with BBVA’s acquisition of Unnim.

#### *Other operating income and expense, net*

Other net operating expense of this operating segment for the year ended December 31, 2022 amounted to €569 million, a 22.0% increase compared with the €467 million expense recorded for the year ended December 31, 2021, mainly due to the greater contributions made to the ECB’s Single Resolution Fund and to the Deposit Guarantee Fund of Credit Institutions, as a result of the period-on-period increase in deposits, partially offset by an increase in income from non-financial services transactions (including real estate services).



### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2022 was €378 million, a 5.8% increase compared with the €357 million recorded for the year ended December 31, 2021, mainly as a result of increased insurance activity and the positive performance of insurance-savings products in Spain (through BBVA Seguros).

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2022 amounted to €2,516 million, a 3.2% decrease compared with the €2,599 million recorded for the year ended December 31, 2021, mainly as a result of the lower personnel expenses following the completion of the collective layoff procedure, which resulted in the departure of 2,899 employees.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2022 was €404 million, a 6.3% decrease compared with the €431 million recorded for the year ended December 31, 2021.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2022 amounted to a €522 million expense, a 3.9% increase compared with the €503 million expense recorded for the year ended December 31, 2021, mainly due to the increase in credit impairments in the debt securities portfolio, partially offset by the decrease in credit impairments in the wholesale loan portfolio.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2022 were a €78 million expense, a 71.2% decrease compared with the €270 million expense recorded for the year ended December 31, 2021, mainly due to increased gains from real estate sales and the decrease in provisions for various purposes, including the update of provisions for pensions and other employee benefit commitments.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2022 was €2,625 million, a 23.7% increase compared with the €2,122 million profit recorded for the year ended December 31, 2021.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2022 was €743 million, a 38.0% increase compared with the €538 million expense recorded for the year ended December 31, 2021, as a result of the higher operating profit recorded for the year ended December 31, 2022. The effective tax rate increased to 28.3% for the year ended December 31, 2022 from 25.4% for the year ended December 31, 2021.

### ***Profit / (loss) from discontinued operations, net and Other***

Loss from discontinued operations, net and Other of this operating segment for the year ended December 31, 2022 amounted to €201 million compared with the nil recorded for the year ended December 31, 2021. Loss from discontinued operations, net and Other for the year ended December 31, 2022 include the loss recorded in connection with the transaction with Merlin Properties (see Note 17 to our Consolidated Financial Statements).

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2022 amounted to €1,678 million, a 6.1% increase compared with the €1,581 million profit recorded for the year ended December 31, 2021.

## MEXICO

	For the year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
<b>Net interest income</b>	<b>8,378</b>	<b>5,836</b>	<b>43.6</b>
Net fees and commissions	1,621	1,211	33.9
Net gains (losses) on financial assets and liabilities and Exchange differences, net (1)	439	366	19.9
Other operating income and expense, net	(297)	(218)	36.4
Income and expense on insurance and reinsurance contracts	697	407	71.1
<b>Gross income</b>	<b>10,839</b>	<b>7,603</b>	<b>42.6</b>
Administration costs	(3,035)	(2,333)	30.1
Depreciation and amortization	(398)	(326)	22.0
<b>Net margin before provisions (2)</b>	<b>7,406</b>	<b>4,944</b>	<b>49.8</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,693)	(1,440)	17.5
Provisions or reversal of provisions and other results	(24)	24	n.m. (3)
<b>Operating profit / (loss) before tax</b>	<b>5,690</b>	<b>3,528</b>	<b>61.3</b>
Tax expense or income related to profit or loss from continuing operations	(1,507)	(960)	57.0
<b>Profit</b>	<b>4,182</b>	<b>2,568</b>	<b>62.9</b>
Profit attributable to non-controlling interests	(1)	—	60.7
<b>Profit attributable to parent company</b>	<b>4,182</b>	<b>2,568</b>	<b>62.9</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.
- (3) Not meaningful.

In the year ended December 31, 2022, the Mexican peso appreciated 13.2% against the euro in average terms compared with the year ended December 31, 2021, resulting in a positive exchange rate effect on our consolidated income statement for the year ended December 31, 2022 and in the results of operations of the Mexico operating segment for such period expressed in euros. See “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2022 amounted to €8,378 million, a 43.6% increase compared with the €5,836 million recorded for the year ended December 31, 2021, mainly as a result of the higher contribution from our loan portfolio, in particular, the corporate and retail portfolios, which has increased both in terms of volume and yield, supported by the appreciation of the Mexican peso against the euro and, with respect to the yield, a higher interest rate environment, partially offset by higher funding costs as a result of the increase in interest rates. At a constant exchange rate, there was a 26.8% increase. The net interest margin over total average assets of this operating segment amounted to 6.07% for the year ended December 31, 2022, compared with 5.18% for the year ended December 31, 2021.

### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2022 amounted to €1,621 million, a 33.9% increase compared with the €1,211 million recorded for the year ended December 31, 2021, mainly due to the increased volume of transactions by credit card customers and asset management activities, and the appreciation of the Mexican peso against the euro. At a constant exchange rate, there was an 18.3% year-on-year increase.

### *Net gains (losses) on financial assets and liabilities and Exchange differences, net*

Net gains on financial assets and liabilities and Exchange differences of this operating segment for the year ended December 31, 2022 were €439 million, a 19.9% increase compared with the €366 million gain recorded for the year ended December 31, 2021, mainly as a result of increased sales in the Global Markets unit in Mexico, supported by increased volatility, and the appreciation of the Mexican peso against the euro.



### ***Other operating income and expense, net***

Other operating income and expense, net of this operating segment for the year ended December 31, 2022 was a net expense of €297 million, a 36.4% increase compared with the €218 million net expense recorded for the year ended December 31, 2021, mainly as a result of higher contributions made to the Deposit Guarantee Fund, as a result of increases in the volume of deposits, and the appreciation of the Mexican peso against the euro.

### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2022 was €697 million, a 71.1% increase compared with the €407 million net income recorded for the year ended December 31, 2021, due mainly to the increase in insurance premiums, as a result of higher insurance sales, a lower claim ratio and, to a lesser extent, the appreciation of the Mexican peso against the euro.

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2022 were €3,035 million, a 30.1% increase compared with the €2,333 million recorded for the year ended December 31, 2021, mainly as a result of the appreciation of the Mexican peso against the euro and the higher personnel expenses and certain general expenses related to technology and marketing (affected by inflation). At a constant exchange rate, administration costs increased by 14.9%.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2022 was €398 million, a 22.0% increase compared with the €326 million recorded for the year ended December 31, 2021, mainly due to the increases in the depreciation expense in Mexico as a result of the appreciation of the Mexican peso against the euro and the increase in the depreciation expense related to offices for own use in Mexico and to IT equipment. At a constant exchange rate, depreciation and amortization increased by 7.8%.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2022 was a €1,693 million expense, a 17.5% increase compared with the €1,440 million expense recorded for the year ended December 31, 2021, mainly due to the appreciation of the Mexican peso against the euro and increased lending activity in the wholesale and retail loan portfolios, partially offset by lower Stage 3 entries in the wholesale loan portfolio.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2022 were a €24 million expense compared with the €24 million income recorded for the year ended December 31, 2021.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2022 was €5,690 million, a 61.3% increase compared with the €3,528 million of operating profit before tax recorded for the year ended December 31, 2021.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2022 was €1,507 million, a 57.0% increase compared with the €960 million expense recorded for the year ended December 31, 2021, mainly as a result of the higher operating profit before tax. The effective tax rate amounted to 26.5% of operating profit before tax for the year ended December 31, 2022 and 27.2% for the year ended December 31, 2021.

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2022 amounted to €4,182 million, a 62.9% increase compared with the €2,568 million recorded for the year ended December 31, 2021.

## TURKEY

	For the year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
<b>Net interest income</b>	<b>2,631</b>	<b>2,370</b>	<b>11.0</b>
Net fees and commissions	587	564	4.0
Net gains (losses) on financial assets and liabilities and Exchange differences, net (1)	741	413	79.4
Other operating income and expense, net	(823)	25	n.m. (2)
Income and expense on insurance and reinsurance contracts	49	50	(0.3)
<b>Gross income</b>	<b>3,185</b>	<b>3,422</b>	<b>(6.9)</b>
Administration costs	(938)	(890)	5.4
Depreciation and amortization	(129)	(118)	8.6
<b>Net margin before provisions (3)</b>	<b>2,119</b>	<b>2,414</b>	<b>(12.2)</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(387)	(494)	(21.8)
Provisions or reversal of provisions and other results	(88)	33	n.m. (2)
<b>Operating profit / (loss) before tax</b>	<b>1,644</b>	<b>1,953</b>	<b>(15.8)</b>
Tax expense or income related to profit or loss from continuing operations	(1,105)	(455)	142.8
<b>Profit</b>	<b>538</b>	<b>1,498</b>	<b>(64.0)</b>
Profit attributable to non-controlling interests	(29)	(758)	(96.2)
<b>Profit attributable to parent company</b>	<b>509</b>	<b>740</b>	<b>(31.1)</b>

(1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.

(2) Not meaningful.

(3) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

On May 18, 2022, BBVA closed its voluntary takeover bid for the entire share capital of Garanti BBVA, which resulted in BBVA increasing its stake in Garanti BBVA from 49.85% to 85.97%. See “*Item 4. Information on the Company—History and Development of the Company—Capital Expenditures—2022 —Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.*” and “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.*”.

The Turkish lira to euro exchange rate as of December 31, 2022 (which was used to convert income statement items for the year ended December 31, 2022) depreciated compared to the average exchange rate for the year ended December 31, 2021 (which was used to convert income statement items for the year ended December 31, 2021) (see “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates*”), negatively affecting the results of operations of the Turkey operating segment for the year ended December 31, 2022 expressed in euros.

Since the first half of 2022, the Turkish economy is considered to be hyperinflationary as defined by IAS 29. See “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Designation of Turkey as a Hyperinflationary Economy*” for information on the impact of hyperinflation accounting.

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2022 amounted to €2,631 million, an 11.0% increase compared with the €2,370 million recorded for the year ended December 31, 2021, as a result mainly of the higher yield and volume of Turkish lira-denominated loans to enterprises and credit card loans and the increase in volume of sovereign debt securities, as a result in part of the Turkish liraization strategy implemented by the CBRT, partially offset by the depreciation of the Turkish lira against the euro. At a constant exchange rate, there was a 110.9% increase in net interest income. The net interest margin over total average assets of this operating segment amounted to 4.18% for the year ended December 31, 2022, compared with 4.01% for the year ended December 31, 2021.

### ***Net fees and commissions***

Net fees and commissions of this operating segment for the year ended December 31, 2022 amounted to €587 million, a 4.0% increase compared with the €564 million recorded for the year ended December 31, 2021, mainly as a result of the increase in brokerage and payment systems fees, partially offset by the depreciation of the Turkish lira against the euro.

### ***Net gains (losses) on financial assets and liabilities and Exchange differences, net***

Net gains on financial assets and liabilities and Exchange differences of this operating segment for the year ended December 31, 2022 amounted to €741 million, a 79.4% increase compared with the €413 million gain recorded for the year ended December 31, 2021, mainly due to the positive performance of the Global Markets unit in a volatile environment, offset in part by the depreciation of the Turkish lira.

### ***Other operating income and expense, net***

Other operating income and expense, net of this operating segment for the year ended December 31, 2022 was a €823 million expense compared with the €25 million income recorded for the year ended December 31, 2021, mainly due to the net loss on the monetary position resulting from the adjustment for hyperinflation in Turkey amounting to €2,323 million (see “—Factors Affecting the Comparability of our Results of Operations and Financial Condition— Designation of Turkey as a Hyperinflationary Economy”), partially offset by the positive impact of the higher volume and revaluation of bonds linked to inflation, for a gross amount of €1,490 million.

### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2022 was €49 million, a 0.3% decrease compared with the €50 million income recorded for the year ended December 31, 2021, mainly as a result of the depreciation of the Turkish lira, offset by an increase in insurance premiums as a result of higher insurance sales.

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2022 amounted to €938 million, a 5.4% increase compared with the €890 million recorded for the year ended December 31, 2021, mainly as a result of the increase in personnel expenses and general expenses (technology and maintenance) driven to a great extent by the higher average inflation rate and salary updates, partially offset by the depreciation of the Turkish lira. At a constant exchange rate, administration costs increased by 100.3%, which was above Turkey’s inflation rate for the period.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2022 was €129 million, an 8.6% increase compared with the €118 million recorded for the year ended December 31, 2021, mainly as a result of increases in the depreciation expense related to offices for own use in Turkey, as a result of higher additions of right-of-use assets, offset in part by the depreciation of the Turkish lira.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2022 was a €387 million expense, a 21.8% decrease compared with the €494 million expense recorded for the year ended December 31, 2021, as a result of the depreciation of the Turkish lira against the euro, partially offset by an increase in the collective expected losses related to loans to individuals and an increase in credit impairments in the debt securities portfolio.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2022 were a €88 million expense compared with the €33 million income recorded for the year ended December 31, 2021.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2022 was €1,644 million, a 15.8% decrease compared with the €1,953 million recorded for the year ended December 31, 2021. At a constant exchange rate, operating profit increased by 60.0%.





### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2022 was €1,105 million, compared with the €455 million expense recorded for the year ended December 31, 2021, as a result of the net loss on the monetary position resulting from the adjustment for hyperinflation in Turkey which, in turn, led to additional adjustments to the tax expense for the period due to the difference between accounting and taxable profit (see “—*Factors Affecting the Comparability of our Results of Operations and Financial Condition—Designation of Turkey as a Hyperinflationary Economy*”). In addition, current tax regulation in Turkey does not foresee a correction in order to reduce tax expense upon the existence of a loss linked to the net monetary position. Therefore, the effective tax rate amounted to 67.2% of operating profit before tax for the year ended December 31, 2022 and 23.3% for the year ended December 31, 2021. The applicable tax rate remained at 25% in 2022 and 2021.

### ***Profit attributable to non-controlling interests***

Profit attributable to non-controlling interests of this operating segment for the year ended December 31, 2022 amounted to €29 million, a 96.2% decrease compared with the €758 million recorded for the year ended December 31, 2021, as a result mainly of the increase in BBVA’s stake in Garanti BBVA (from 49.85% to 85.97%) following the completion of BBVA’s voluntary takeover bid for the entire share capital of Garanti BBVA on May 18, 2022 (see “—*Factors Affecting the Comparability of our Results of Operations and Financial Condition—Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.*”) and, to a lesser extent, the decrease in operating profit.

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2022 amounted to €509 million, a 31.1% decrease compared with the €740 million recorded for the year ended December 31, 2021.

## SOUTH AMERICA

	For the year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
<b>Net interest income</b>	<b>4,137</b>	<b>2,859</b>	<b>44.7</b>
Net fees and commissions	778	589	32.2
Net gains (losses) on financial assets and liabilities and Exchange differences, net (1)	447	324	37.7
Other operating income and expense, net	(1,181)	(690)	71.2
Income and expense on insurance and reinsurance contracts	79	79	0.2
<b>Gross income</b>	<b>4,261</b>	<b>3,162</b>	<b>34.8</b>
Administration costs	(1,806)	(1,356)	33.2
Depreciation and amortization	(170)	(145)	17.3
<b>Net margin before provisions (2)</b>	<b>2,284</b>	<b>1,661</b>	<b>37.5</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(762)	(622)	22.4
Provisions or reversal of provisions and other results	(94)	(77)	21.8
<b>Operating profit / (loss) before tax</b>	<b>1,429</b>	<b>961</b>	<b>48.6</b>
Tax expense or income related to profit or loss from continuing operations	(345)	(287)	20.2
<b>Profit</b>	<b>1,083</b>	<b>674</b>	<b>60.7</b>
Profit attributable to non-controlling interests	(349)	(184)	90.1
<b>Profit attributable to parent company</b>	<b>734</b>	<b>491</b>	<b>49.7</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

In the year ended December 31, 2022, the Argentine peso and the Colombian peso depreciated by 38.3% (considering the period-end exchange rates) and 0.9%, respectively, against the euro in average terms, compared with the year ended December 31, 2021. On the other hand, the Peruvian sol appreciated by 13.8% against the euro in average terms, compared with the year ended December 31, 2021. Overall, changes in exchange rates resulted in a slightly negative exchange rate effect on our consolidated income statement for the year ended December 31, 2022 and in the results of operations of the South America operating segment for such period expressed in euros. See “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

As of and for the years ended December 31, 2022 and 2021, the Argentine and Venezuelan economies were considered to be hyperinflationary as defined by IAS 29 (see “Presentation of Financial Information—Changes in Accounting Policies—Hyperinflationary economies - IAS 29” and Note 2.2.19 to our Consolidated Financial Statements).

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2022 amounted to €4,137 million, a 44.7% increase compared with the €2,859 million recorded for the year ended December 31, 2021, mainly as a result of increases in the yield of the wholesale loan portfolio and in the volume of the consumer loan portfolio in Colombia, higher retail loan volume in Peru and, to a lesser extent, the increase in the volume and yield of retail loans and sovereign debt securities in Argentina, within an overall high interest rate environment, partially offset by higher funding costs and the depreciation of the Argentine peso. The net interest margin over total average assets of this operating segment amounted to 6.50% for the year ended December 31, 2022, compared with 5.34% for the year ended December 31, 2021.

### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2022 amounted to €778 million, a 32.2% increase compared with the €589 million recorded for the year ended December 31, 2021, mainly as a result of higher transaction volumes and the increase in payment systems-related fees in Argentina and Peru, partially offset by the depreciation of the Argentine peso.



### ***Net gains (losses) on financial assets and liabilities and Exchange differences, net***

Net gains on financial assets and liabilities and Exchange differences of this operating segment for the year ended December 31, 2022 were €447 million, a 37.7% increase compared with the €324 million gain recorded for the year ended December 31, 2021, mainly due to the higher volume of, and gains generated by, trading transactions in Argentina and Colombia, partially offset by the depreciation of the Argentine peso.

### ***Other operating income and expense, net***

Other net operating expense of this operating segment for the year ended December 31, 2022 was €1,181 million, a 71.2% increase compared with the €690 million expense recorded for the year ended December 31, 2021, mainly driven by the adjustment for hyperinflation in Argentina, partially offset by the depreciation of the Argentine peso.

### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the years ended December 31, 2022 and 2021 was €79 million. There was an increase in income related to life insurance in Argentina, offset by the depreciation of the Argentine peso.

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2022 amounted to €1,806 million, a 33.2% increase compared with the €1,356 million recorded for the year ended December 31, 2021, mainly as a result of increases in personnel and certain general expenses related to technology in Argentina, affected by the high inflation, partially offset by the depreciation of the Argentine peso.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2022, was €170 million, a 17.3% increase compared with the €145 million recorded for the year ended December 31, 2021, mainly as a result of the investment in computer software and, to a lesser extent, offices for own use in South America.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2022 was a €762 million expense, a 22.4% increase compared with the €622 million expense recorded for the year ended December 31, 2021, mainly as a result of higher additions to Stage 3 loans in Chile, as a result of the update in the definition of credit impaired assets, and an increase in credit impairments in the debt securities portfolio in Argentina, partially offset by the depreciation of the Argentine peso.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2022 were a €94 million expense, a 21.8% increase compared with the €77 million expense recorded for the year ended December 31, 2021, attributable mainly to higher provisions for legal contingencies.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2022 was €1,429 million, a 48.6% increase compared with the €961 million recorded for the year ended December 31, 2021.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2022 was €345 million, a 20.2% increase compared with the €287 million expense recorded for the year ended December 31, 2021, mainly as a result of the higher operating profit before tax and the increase in the applicable tax rate in Colombia, from 34% to 38%, with reductions in deferred tax liabilities. The effective tax rate amounted to 24.2% of operating profit before tax for the year ended December 31, 2022 and 29.9% for the year ended December 31, 2021.

***Profit attributable to non-controlling interests***

Profit attributable to non-controlling interests of this operating segment for the year ended December 31, 2022 amounted to €349 million, a 90.1% increase compared with the €184 million recorded for the year ended December 31, 2021, mainly due to the higher operating profit before tax and the higher profit attributable to non-controlling interests in Peru, amounting to €109 million.

***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2022 amounted to €734 million, a 49.7% increase compared with the €491 million recorded for the year ended December 31, 2021.

## REST OF BUSINESS

	For the year ended December 31,		Change (In %)
	2022 (In Millions of Euros)	2021	
<b>Net interest income</b>	<b>332</b>	<b>281</b>	<b>18.1</b>
Net fees and commissions	243	248	(2.0)
Net gains (losses) on financial assets and liabilities and Exchange differences, net (1)	208	197	5.8
Other operating income and expense, net	2	12	(79.5)
Income and expense on insurance and reinsurance contracts	4	3	19.0
<b>Gross income</b>	<b>790</b>	<b>741</b>	<b>6.5</b>
Administration costs	(491)	(430)	14.0
Depreciation and amortization	(23)	(20)	12.6
<b>Net margin before provisions (2)</b>	<b>276</b>	<b>291</b>	<b>(5.0)</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(13)	27	n.m. (3)
Provisions or reversal of provisions and other results	14	(4)	n.m. (3)
<b>Operating profit / (loss) before tax</b>	<b>277</b>	<b>314</b>	<b>(11.8)</b>
Tax expense or income related to profit or loss from continuing operations	(37)	(60)	(37.9)
<b>Profit</b>	<b>240</b>	<b>254</b>	<b>(5.6)</b>
Profit attributable to non-controlling interests	—	—	—
<b>Profit attributable to parent company</b>	<b>240</b>	<b>254</b>	<b>(5.6)</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.
- (3) Not meaningful.

In the year ended December 31, 2022, the U.S. dollar appreciated by 12.3% against the euro in average terms, resulting in a positive exchange rate effect on our consolidated income statement for the year ended December 31, 2021 and in the results of operations of the Rest of Business operating segment for such period expressed in euros. See “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2022 amounted to €332 million, an 18.1% increase compared with the €281 million recorded for the year ended December 31, 2021, mainly due to increased activity of the branches located in New York and Europe and higher yields, and, to a lesser extent, the appreciation of the U.S. dollar against the euro. The net interest margin over total average assets of this operating segment amounted to 0.73% for the year ended December 31, 2022 compared with 0.80% for the year ended December 31, 2021.

### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2022 amounted to €243 million, a 2.0% decrease compared with the €248 million recorded for the year ended December 31, 2021.

### *Net gains (losses) on financial assets and liabilities and Exchange differences, net*

Net gains on financial assets and liabilities and Exchange differences of this operating segment for the year ended December 31, 2022 were €208 million, a 5.8% increase compared with the €197 million net gain recorded for the year ended December 31, 2021, mainly due to the positive impact of changes in exchange rates on foreign currency positions.

### *Other operating income and expense, net*

Other operating income and expense, net of this operating segment for the year ended December 31, 2022 was €2 million of income, a 79.5% decrease compared with the €12 million income recorded for the year ended December 31, 2021.





### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2022 amounted to €491 million, a 14.0% increase compared with the €430 million recorded for the year ended December 31, 2021, mainly due to higher personnel expense in the New York branch and in Europe, and the appreciation of the U.S. dollar against the euro, partially offset by lower administrations costs recorded in BBVA Securities as a result of a reduction in the number of employees.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2022 was €23 million, a 12.6% increase compared with the €20 million recorded for the year ended December 31, 2021.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2022 amounted to an expense of €13 million compared with the €27 million income recorded for the year ended December 31, 2021, mainly as a result of higher impairments in the New York branch.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2022 were a €14 million income compared with the €4 million expense recorded for the year ended December 31, 2021.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2022 was €277 million, an 11.8% decrease compared with the €314 million recorded for the year ended December 31, 2021.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2022 was €37 million, a 37.9% decrease compared with the €60 million expense recorded for the year ended December 31, 2021, mainly as a result of the lower operating profit before tax.

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2022 amounted to €240 million, a 5.6% decrease compared with the €254 million recorded for the year ended December 31, 2021.

## CORPORATE CENTER

	<b>For the year ended December 31,</b>		<b>Change</b>
	<b>2022</b>	<b>2021</b>	
	<b>(In Millions of Euros)</b>		<b>(In %)</b>
<b>Net interest income / (expense)</b>	<b>(109)</b>	<b>(163)</b>	<b>(33.0)</b>
Net fees and commissions	(31)	(36)	(11.9)
Net gains (losses) on financial assets and liabilities and Exchange differences, net (1)	(294)	266	n.m. (2)
Other operating income and expense, net	106	146	(27.5)
Income and expense on insurance and reinsurance contracts	(1)	(1)	18.1
<b>Gross income</b>	<b>(329)</b>	<b>212</b>	<b>n.m. (2)</b>
Administration costs	(647)	(687)	(5.9)
Depreciation and amortization	(206)	(194)	6.2
<b>Net margin before provisions (3)</b>	<b>(1,181)</b>	<b>(668)</b>	<b>76.8</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(2)	(2)	6.1
Provisions or reversal of provisions and other results	8	32	(73.4)
<b>Operating profit / (loss) before tax</b>	<b>(1,175)</b>	<b>(638)</b>	<b>84.1</b>
Tax expense or income related to profit or loss from continuing operations	277	94	194.3
<b>Profit / (loss) from continuing operations</b>	<b>(898)</b>	<b>(544)</b>	<b>65.0</b>
Profit / (loss) from discontinued operations, net and Other	—	(416)	n.m. (2)
<b>Profit / (loss)</b>	<b>(898)</b>	<b>(960)</b>	<b>(6.5)</b>
Profit / (loss) attributable to non-controlling interests	(25)	(20)	21.9
<b>Profit / (loss) attributable to parent company</b>	<b>(922)</b>	<b>(980)</b>	<b>(5.9)</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) Not meaningful.
- (3) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

### *Net interest income / (expense)*

Net interest expense of the Corporate Center for the year ended December 31, 2022 was €109 million, a 33.0% decrease compared with the €163 million net expense recorded for the year ended December 31, 2021, mainly due to decreases in the cost of corporate pension funds, partially offset by the higher funding costs as a result of the increases in reference interest rates.

### *Net fees and commissions*

Net fees and commissions of the Corporate Center for the year ended December 31, 2022 amounted to a €31 million expense, an 11.9% decrease compared with the €36 million expense recorded for the year ended December 31, 2021.

### *Net gains (losses) on financial assets and liabilities and Exchange differences, net*

Net losses on financial assets and liabilities and Exchange differences of the Corporate Center for the year ended December 31, 2022 were €294 million, compared with the €266 million net gains recorded for the year ended December 31, 2021, mainly as a result of the negative impact of changes in exchange rates on foreign currency positions and, to a lesser extent, the lower contribution from the industrial and financial portfolios managed by the Corporate Center as part of the centralized Group functions.

### *Other operating income and expense, net*

Other net operating income of the Corporate Center for the year ended December 31, 2022 was €106 million, a 27.5% decrease compared with the €146 million income recorded for the year ended December 31, 2021, mainly as a result of lower dividend income from investees accounted for under the equity method.

### *Administration costs*

Administration costs of the Corporate Center for the year ended December 31, 2022 amounted to €647 million, a 5.9% decrease compared with the €687 million recorded for the year ended December 31, 2021.



### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2022 was €206 million, a 6.2% increase compared with the €194 million recorded for the year ended December 31, 2021.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of the Corporate Center for the year ended December 31, 2022 were an €8 million income, a 73.4% decrease compared with the €32 million income recorded for the year ended December 31, 2021.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating loss before tax of the Corporate Center for the year ended December 31, 2022 was €1,175 million, an 84.1% increase compared with the €638 million loss recorded for the year ended December 31, 2021.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax income related to profit or loss from continuing operations of the Corporate Center for the year ended December 31, 2022 amounted to €277 million, compared with the €94 million income recorded for the year ended December 31, 2021, mainly as a result of the increase in the operating loss before tax for the period and the positive adjustment for the estimation of the annual tax rate of the BBVA Group, which was a tax expense in 2021.

### ***Profit / (loss) from discontinued operations, net and Other***

Profit / (loss) from discontinued operations, net and Other for the year ended December 31, 2022 was nil compared with the €416 million loss recorded for the year ended December 31, 2021. The year ended December 31, 2021 included the cost recorded in connection with the agreement on the collective layoff procedure BBVA reached with union representatives on April 13, 2021 in Spain, amounting to €994 million before taxes (see “*Presentation of Financial Information— Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements), partially offset by the results generated by BBVA USA Bancshares, Inc. in the first five months of 2021 and gains generated by the USA Sale, which amounted to €280 million (see “*Presentation of Financial Information—Sale of BBVA USA Bancshares, Inc.*” and “*Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group*”).

### ***Profit / (loss) attributable to parent company***

As a result of the foregoing, profit / (loss) attributable to parent company of the Corporate Center for the year ended December 31, 2022 was a loss of €922 million, a 5.9% decrease compared with the €980 million loss recorded for the year ended December 31, 2021.

## Results of Operations by Operating Segment for 2021 Compared with 2020

### SPAIN

	For the Year Ended December 31,		Change (In %)
	2021	2020	
	(In Millions of Euros)		
<b>Net interest income</b>	<b>3,502</b>	<b>3,566</b>	<b>(1.8)</b>
Net fees and commissions	2,189	1,802	21.5
Net gains (losses) on financial assets and liabilities and exchange differences, net (1)	343	174	97.4
Other operating income and expense, net	(467)	(440)	6.1
Income and expense on insurance and reinsurance contracts	357	465	(23.2)
<b>Gross income</b>	<b>5,925</b>	<b>5,567</b>	<b>6.4</b>
Administration costs	(2,599)	(2,580)	0.8
Depreciation and amortization	(431)	(460)	(6.3)
<b>Net margin before provisions (2)</b>	<b>2,895</b>	<b>2,528</b>	<b>14.5</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(503)	(1,167)	(56.9)
Provisions or reversal of provisions and other results	(270)	(538)	(49.8)
<b>Operating profit / (loss) before tax</b>	<b>2,122</b>	<b>823</b>	<b>157.9</b>
Tax expense or income related to profit or loss from continuing operations	(538)	(167)	221.7
<b>Profit from continuing operations</b>	<b>1,584</b>	<b>655</b>	<b>141.6</b>
Profit from corporate operations, net	—	—	—
<b>Profit</b>	<b>1,584</b>	<b>655</b>	<b>141.6</b>
Profit attributable to non-controlling interests	(2)	(3)	(32.5)
<b>Profit attributable to parent company</b>	<b>1,581</b>	<b>652</b>	<b>142.6</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) Calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

#### **Net interest income**

Net interest income of this operating segment for the year ended December 31, 2021 amounted to €3,502 million, a 1.8% decrease compared with the €3,566 million recorded for the year ended December 31, 2020, mainly as a result of the lower interest rate environment and lower sales from the ALCO portfolio, partially offset by lower funding costs. The net interest margin over total average assets of this operating segment amounted to 0.88% for the year ended December 31, 2021, compared with 0.89% for the year ended December 31, 2020.

#### **Net fees and commissions**

Net fees and commissions of this operating segment for the year ended December 31, 2021 amounted to €2,189 million, a 21.5% increase compared with the €1,802 million recorded for the year ended December 31, 2020, mainly due to the increase in banking services, fee and commission income from asset management activities (driven both by volume and performance) and insurance product commissions.

#### **Net gains (losses) on financial assets and liabilities and exchange differences, net**

Net gains on financial assets and liabilities and exchange differences of this operating segment for the year ended December 31, 2021 was a net gain of €343 million, a 97.4% increase compared with the €174 million net gain recorded for the year ended December 31, 2020, mainly as a result of the positive performance of the Global Markets unit, partially offset by lower sales from the ALCO portfolio.

#### **Other operating income and expense, net**

Other net operating expense of this operating segment for the year ended December 31, 2021 amounted to €467 million, a 6.1% increase compared with the €440 million expense recorded for the year ended December 31, 2020, mainly due to the greater contributions made to the ECB’s Single Resolution Fund.



### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2021 was €357 million, a 23.2% decrease compared with the €465 million recorded for the year ended December 31, 2020, mainly as a result of lower insurance activity related to insurance-savings products in Spain (through BBVA Seguros) and to a lesser extent, the sale of the non-life portfolio (excluding health insurance) to Allianz in the fourth quarter of 2020, as a result of which the volume of the insurance business in Spain has been reduced (see “*Item 4. Information on the Company—History and Development of the Company—Capital Divestitures—2020*”).

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2021 amounted to €2,599 million, a 0.8% increase compared with the €2,580 million recorded for the year ended December 31, 2020.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2021 was €431 million, a 6.3% decrease compared with the €460 million recorded for the year ended December 31, 2020.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2021 amounted to a €503 million expense, a 56.9% decrease compared with the €1,167 million expense recorded for the year ended December 31, 2020, mainly due to lower credit impairment requirements, higher write-offs recoveries and the improvement of the macroeconomic scenario in 2021. In 2020, Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification was significantly impacted by the worsening macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic, which led to significant credit quality deterioration in the portfolio of financial assets measured at amortized cost and lower write-off recoveries.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2021 were a €270 million expense, a 49.8% decrease compared with the €538 million expense recorded for the year ended December 31, 2020, mainly due to lower provisions for various purposes, including potential claims.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2021 was €2,122 million compared with the €823 million profit recorded for the year ended December 31, 2020.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2021 was an expense of €538 million compared with the €167 million expense recorded for the year ended December 31, 2020 as a result of the higher operating profit recorded for the year ended December 31, 2021. Tax expense amounted to 25.4% of operating profit before tax for the year ended December 31, 2021 and 20.3% for the year ended December 31, 2020, mainly due to the higher profit before tax in 2021 (as a higher profit usually decreases the relative weight of the tax effects that contribute to reduce the effective tax rate in a given year).

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2021 amounted to €1,581 million compared with the €652 million profit recorded for the year ended December 31, 2020.

## MEXICO

	For the Year Ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
<b>Net interest income</b>	<b>5,836</b>	<b>5,415</b>	<b>7.8</b>
Net fees and commissions	1,211	1,061	14.1
Net gains (losses) on financial assets and liabilities and exchange differences, net (1)	366	423	(13.3)
Other operating income and expense, net	(218)	(236)	(7.8)
Income and expense on insurance and reinsurance contracts	407	362	12.5
<b>Gross income</b>	<b>7,603</b>	<b>7,025</b>	<b>8.2</b>
Administration costs	(2,333)	(2,033)	14.8
Depreciation and amortization	(326)	(312)	4.6
<b>Net margin before provisions (2)</b>	<b>4,944</b>	<b>4,680</b>	<b>5.6</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(1,440)	(2,172)	(33.7)
Provisions or reversal of provisions and other results	24	(33)	n.m. (3)
<b>Operating profit / (loss) before tax</b>	<b>3,528</b>	<b>2,475</b>	<b>42.5</b>
Tax expense or income related to profit or loss from continuing operations	(960)	(714)	34.5
<b>Profit from continuing operations</b>	<b>2,568</b>	<b>1,761</b>	<b>45.8</b>
Profit from corporate operations, net	—	—	—
<b>Profit</b>	<b>2,568</b>	<b>1,761</b>	<b>45.8</b>
Profit attributable to non-controlling interests	—	—	—
<b>Profit attributable to parent company</b>	<b>2,568</b>	<b>1,761</b>	<b>45.8</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.
- (3) Not meaningful.

In the year ended December 31, 2021, the Mexican peso appreciated 2.3% against the euro in average terms compared with the year ended December 31, 2020, resulting in a positive exchange rate effect on our consolidated income statement for the year ended December 31, 2021 and in the results of operations of the Mexico operating segment for such period expressed in euros. See “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2021 amounted to €5,836 million, a 7.8% increase compared with the €5,415 million recorded for the year ended December 31, 2020, mainly as a result of lower funding costs and the higher loan contribution (both in terms of volume and yield), in particular, due to the increase in the volume of retail loans and, to a lesser extent, the appreciation of the Mexican peso against the euro. At constant exchange rates, there was a 5.4% increase. The net interest margin over total average assets of this operating segment amounted to 5.18% for the year ended December 31, 2021, compared with 5.00% for the year ended December 31, 2020.

### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2021 amounted to €1,211 million, a 14.1% increase compared with the €1,061 million recorded for the year ended December 31, 2020, mainly due to the increased volume of transactions by credit card customers once the restrictions on mobility were eliminated, increased banking fee rates (once the temporary waiver or reduction of certain fees was terminated) and the appreciation of the Mexican peso against the euro. At a constant exchange rate, there was an 11.6% year-on-year increase.

### *Net gains (losses) on financial assets and liabilities and exchange differences, net*

Net gains on financial assets and liabilities and exchange differences of this operating segment for the year ended December 31, 2021 were €366 million, a 13.3% decrease compared with the €423 million gain recorded for the year ended December 31, 2020, mainly as a result of decreased sales in the Global Markets unit due to increased volatility in the financial markets and lower gains from securities transactions within the ALCO portfolio, offset in part by the appreciation of the Mexican peso against the euro.





### ***Other operating income and expense, net***

Other operating income and expense, net of this operating segment for the year ended December 31, 2021 was a net expense of €218 million, a 7.8% decrease compared with the €236 million net expense recorded for the year ended December 31, 2020, mainly as a result of the positive effects of certain initiatives implemented, aimed at increasing operational efficiencies, which decreased operating expense, offset in part by the appreciation of the Mexican peso against the euro.

### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2021 was €407 million, a 12.5% increase compared with the €362 million net income recorded for the year ended December 31, 2020, due to a reversal of provisions derived from the impacts of the COVID-19 pandemic and, to a lesser extent, the appreciation of the Mexican peso against the euro.

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2021 were €2,333 million, a 14.8% increase compared with the €2,033 million recorded for the year ended December 31, 2020, as a result mainly of higher personnel expenses (affected by inflation and, to a lesser extent, the return of certain employees to their positions once commercial activity started to pick up) and certain general expenses related to technology and, to a lesser extent, the appreciation of the Mexican peso against the euro. At a constant exchange rate, administration costs increased by 12.7%. Such increase was above Mexico's inflation rate for the period (7.4%).

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2021 was €326 million, a 4.6% increase compared with the €312 million recorded for the year ended December 31, 2020.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2021 was a €1,440 million expense, a 33.7% decrease compared with the €2,172 million expense recorded for the year ended December 31, 2020, mainly due to lower credit impairment requirements, especially in the retail portfolio, and higher write-offs recoveries, offset in part by the appreciation of the Mexican peso against the euro. The year ended December 31, 2020 was impacted by the worsening macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic, which led to significant credit quality deterioration in the portfolio of financial assets measured at amortized cost, mainly loans and advances to customers.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2021 were a €24 million income compared with the €33 million expense recorded for the year ended December 31, 2020, mainly as a result of higher foreclosed assets sales in 2021.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2021 was €3,528 million, a 42.5% increase compared with the €2,475 million of operating profit recorded for the year ended December 31, 2020.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2021 was €960 million, a 34.5% increase compared with the €714 million expense recorded for the year ended December 31, 2020, mainly as a result of higher operating profit before tax. The tax expense amounted to 27.2% of operating profit before tax for the year ended December 31, 2021, and 28.8% for the year ended December 31, 2020.

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2021 amounted to €2,568 million, a 45.8% increase compared with the €1,761 million recorded for the year ended December 31, 2020.



## TURKEY

During each of 2021 and 2020, BBVA held a 49.85% stake in Garanti BBVA. On May 18, 2022, BBVA completed the acquisition of an additional 36.12% stake in Garanti BBVA. For additional information, see “Item 4. Information on the Company—History and Development of the Company—Capital Expenditures—2022—Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.” and “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş.”.

	For the Year Ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
<b>Net interest income</b>	<b>2,370</b>	<b>2,783</b>	<b>(14.8)</b>
Net fees and commissions	564	510	10.6
Net gains (losses) on financial assets and liabilities and exchange differences, net (1)	413	227	81.9
Other operating income and expense, net	25	(11)	n.m. (2)
Income and expense on insurance and reinsurance contracts	50	64	(23.1)
<b>Gross income</b>	<b>3,422</b>	<b>3,573</b>	<b>(4.2)</b>
Administration costs	(890)	(880)	1.1
Depreciation and amortization	(118)	(150)	(20.8)
<b>Net margin before provisions (3)</b>	<b>2,414</b>	<b>2,544</b>	<b>(5.1)</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(494)	(895)	(44.8)
Provisions or reversal of provisions and other results	33	(127)	n.m. (2)
<b>Operating profit / (loss) before tax</b>	<b>1,953</b>	<b>1,522</b>	<b>28.3</b>
Tax expense or income related to profit or loss from continuing operations	(455)	(380)	19.9
<b>Profit from continuing operations</b>	<b>1,498</b>	<b>1,142</b>	<b>31.1</b>
Profit from corporate operations, net	—	—	—
<b>Profit</b>	<b>1,498</b>	<b>1,142</b>	<b>31.1</b>
Profit attributable to non-controlling interests	(758)	(579)	30.9
<b>Profit attributable to parent company</b>	<b>740</b>	<b>563</b>	<b>31.3</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) Not meaningful.
- (3) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

The Turkish lira depreciated 23.4% against the euro in average terms in the year ended December 31, 2021, resulting in a negative exchange rate effect on our consolidated income statement for the year ended December 31, 2021 and in the results of operations of the Turkey operating segment for such period expressed in euros. See “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

### Net interest income

Net interest income of this operating segment for the year ended December 31, 2021 amounted to €2,370 million, a 14.8% decrease compared with the €2,783 million recorded for the year ended December 31, 2020 as a result mainly of the depreciation of the Turkish lira against the euro and, to a lesser extent, higher funding costs. At a constant exchange rate, there was an 11.2% increase in net interest income, mainly as a result of higher Turkish lira-denominated loans. The net interest margin over total average assets of this operating segment amounted to 4.01% for the year ended December 31, 2021, compared with 4.53% for the year ended December 31, 2020.

### Net fees and commissions

Net fees and commissions of this operating segment for the year ended December 31, 2021 amounted to €564 million, a 10.6% increase compared with the €510 million recorded for the year ended December 31, 2020, mainly as a result of the increase in payment systems and brokerage fees due to an increased volume of transactions, partially offset by the depreciation of the Turkish lira against the euro.



### ***Net gains (losses) on financial assets and liabilities and exchange differences, net***

Net gains on financial assets and liabilities and exchange differences of this operating segment for the year ended December 31, 2021 amounted to €413 million gain, an 81.9% increase compared with the €227 million gain recorded for the year ended December 31, 2020, mainly due to the gains generated by trading transactions and the positive performance of the Global Markets unit, offset in part by the depreciation of the Turkish lira.

### ***Other operating income and expense, net***

Other operating income and expense, net of this operating segment for the year ended December 31, 2021 was a €25 million income compared with the €11 million of net expense recorded for the year ended December 31, 2020.

### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2021 was €50 million, a 23.1% decrease compared with the €64 million recorded for the year ended December 31, 2020, mainly as a result of the depreciation of the Turkish lira.

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2021 amounted to €890 million, a 1.1% increase compared with the €880 million recorded for the year ended December 31, 2020. At a constant exchange rate, administration costs increased by 32.5%, which was above Turkey's inflation rate for the period, mainly as a result of the higher average annual inflation rate (above 19%) and the return of certain employees to their positions once commercial activity started to pick up.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2021 was €118 million, a 20.8% decrease compared with the €150 million recorded for the year ended December 31, 2020, mainly due to the depreciation of the Turkish lira.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2021 was a €494 million expense, a 44.8% decrease compared with the €895 million expense recorded for the year ended December 31, 2020, mainly due to the positive evolution of certain write-off recoveries, the improvement of the macroeconomic scenario and the depreciation of the Turkish lira against the euro. The year ended December 31, 2020 was impacted by the worsening macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic, which led to significant credit quality deterioration in the portfolio of financial assets measured at amortized cost, mainly loans and advances to customers.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2021 were a €33 million income compared with the €127 million expense recorded for the year ended December 31, 2020, mainly due to higher capital gains from real estate sales and the lower provisions for special funds and contingent liabilities.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2021 was €1,953 million, a 28.3% increase compared with the €1,522 million recorded for the year ended December 31, 2020. At a constant exchange rate, operating profit increased by 67.4%.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2021 was €455 million, a 19.9% increase compared with the €380 million expense recorded for the year ended December 31, 2020, mainly as a result of the higher operating profit before tax. The effective tax rate amounted to 23.3% of the operating profit before tax for the year ended December 31, 2021, and 24.9% for the year ended December 31, 2020.

***Profit attributable to non-controlling interests***

Profit attributable to non-controlling interests of this operating segment for the year ended December 31, 2021 amounted to €758 million, a 30.9% increase compared with the €579 million recorded for the year ended December 31, 2020.

***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2021 amounted to €740 million, a 31.3% increase compared with the €563 million recorded for the year ended December 31, 2020.

## SOUTH AMERICA

	For the Year Ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
<b>Net interest income</b>	<b>2,859</b>	<b>2,701</b>	<b>5.8</b>
Net fees and commissions	589	483	21.8
Net gains (losses) on financial assets and liabilities and exchange differences, net (1)	324	407	(20.3)
Other operating income and expense, net	(690)	(459)	50.3
Income and expense on insurance and reinsurance contracts	79	92	(13.9)
<b>Gross income</b>	<b>3,162</b>	<b>3,225</b>	<b>(2.0)</b>
Administration costs	(1,356)	(1,219)	11.3
Depreciation and amortization	(145)	(154)	(5.7)
<b>Net margin before provisions (2)</b>	<b>1,661</b>	<b>1,853</b>	<b>(10.4)</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(622)	(864)	(28.0)
Provisions or reversal of provisions and other results	(77)	(93)	(17.0)
<b>Operating profit / (loss) before tax</b>	<b>961</b>	<b>896</b>	<b>7.3</b>
Tax expense or income related to profit or loss from continuing operations	(287)	(277)	3.5
<b>Profit from continuing operations</b>	<b>674</b>	<b>618</b>	<b>9.0</b>
Profit from corporate operations, net	—	—	—
<b>Profit</b>	<b>674</b>	<b>618</b>	<b>9.0</b>
Profit attributable to non-controlling interests	(184)	(173)	6.3
<b>Profit attributable to parent company</b>	<b>491</b>	<b>446</b>	<b>10.1</b>

(1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.

(2) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

In the year ended December 31, 2021, the Argentine peso, the Colombian peso and the Peruvian sol depreciated by 11.3% (considering the period-end exchange rates), 4.8% and 13.0%, respectively, against the euro in average terms, compared with the year ended December 31, 2020. Overall, changes in exchange rates resulted in a negative exchange rate effect on our consolidated income statement for the year ended December 31, 2021 and in the results of operations of the South America operating segment for such period expressed in euros. See “—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Trends in Exchange Rates”.

As of December 31, 2021 and 2020 and for the years then ended, the Argentine and Venezuelan economies were considered to be hyperinflationary as defined by IAS 29 (see “Presentation of Financial Information—Changes in Accounting Policies—Hyperinflationary economies - IAS 29” and Note 2.2.19 to our Consolidated Financial Statements).

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2021 amounted to €2,859 million, a 5.8% increase compared with the €2,701 million recorded for the year ended December 31, 2020, mainly as a result of the increase in the volume of loans, in particular, retail loans in Argentina and Colombia and consumer and credit cards loans in Peru, which were supported by the government recovery plans, partially offset by the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro. At constant exchange rates, there was a 15.5% increase. The net interest margin over total average assets of this operating segment amounted to 5.34% for the year ended December 31, 2021, compared with 4.84% for the year ended December 31, 2020.

### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2021 amounted to €589 million, a 21.8% increase compared with the €483 million recorded for the year ended December 31, 2020, mainly as a result of higher transaction volumes after the sharp fall in activity due to the COVID-19 pandemic, and increases in certain credit cards transactions and fees in Argentina, after the temporary waiver or reduction of certain fees was terminated, partially offset by the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro. At a constant exchange rate, there was a 34.9% increase.





### ***Net gains (losses) on financial assets and liabilities and exchange differences, net***

Net gains on financial assets and liabilities and exchange differences of this operating segment for the year ended December 31, 2021 were €324 million, a 20.3% decrease compared with the €407 million gain recorded for the year ended December 31, 2020, mainly due to the decrease in the valuation of the BBVA Group's stake in Prisma Medios de Pago, S.A. in Argentina and the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro. At a constant exchange rate, there was an 11.6% decrease.

### ***Other operating income and expense, net***

Other net operating expense of this operating segment for the year ended December 31, 2021 was €690 million, a 50.3% increase compared with the €459 million expense recorded for the year ended December 31, 2020, mainly driven by the adjustment for hyperinflation in Argentina, offset in part by the depreciation of the currencies of the main countries where the BBVA Group operates within this operating segment against the euro.

### ***Income and expense on insurance and reinsurance contracts***

Net income on insurance and reinsurance contracts of this operating segment for the year ended December 31, 2021 was €79 million, a 13.9% decrease compared with the €92 million recorded for the year ended December 31, 2020 as a result of the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro and the decrease in income related to life insurance in Colombia. At constant exchange rates, there was a 7.1% decrease.

### ***Administration costs***

Administration costs of this operating segment for the year ended December 31, 2021 amounted to €1,356 million, an 11.3% increase compared with the €1,219 million recorded for the year ended December 31, 2020, mainly as a result of increases in the inflation rate in Argentina, Colombia and Peru, partially offset by the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro. At constant exchange rates, there was a 21.6% increase.

### ***Depreciation and amortization***

Depreciation and amortization for the year ended December 31, 2021 was €145 million, a 5.7% decrease compared with the €154 million recorded for the year ended December 31, 2020, mainly due to the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2021 was a €622 million expense, a 28.0% decrease compared with the €864 million expense recorded for the year ended December 31, 2020, mainly as a result of lower credit deterioration and higher recoveries, in particular, in Peru and Colombia, and, to a lesser extent, the depreciation of the currencies of the main countries where the BBVA Group operates in the region against the euro. The year ended December 31, 2020 was impacted by the worsening macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic, which led to significant credit quality deterioration in the portfolio of financial assets measured at amortized cost.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2021 were a €77 million expense, a 17.0% decrease compared with the €93 million expense recorded for the year ended December 31, 2020, attributable mainly to lower provisions for contingent risks related to the COVID-19 pandemic and the depreciation of the currencies of the main countries where the BBVA Group operates within this operating segment against the euro.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2021 was €961 million, a 7.3% increase compared with the €896 million recorded for the year ended December 31, 2020.

***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2021 was €287 million, a 3.5% increase compared with the €277 million expense recorded for the year ended December 31, 2020, mainly as a result of the lower operating profit before tax. The effective tax rate amounted to 29.9% of operating profit before tax for the year ended December 31, 2021, and 31.0% for the year ended December 31, 2020.

***Profit attributable to non-controlling interests***

Profit attributable to non-controlling interests of this operating segment for the year ended December 31, 2021 amounted to €184 million, a 6.3% increase compared with the €173 million recorded for the year ended December 31, 2020, due to the lower operating profit before tax.

***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2021 amounted to €491 million, a 10.1% increase compared with the €446 million recorded for the year ended December 31, 2020.

## REST OF BUSINESS

	For the Year Ended December 31,		Change (In %)
	2021	2020	
	(In Millions of Euros)		
<b>Net interest income</b>	<b>281</b>	<b>291</b>	<b>(3.3)</b>
Net fees and commissions	248	332	(25.4)
Net gains (losses) on financial assets and liabilities and exchange differences, net (1)	197	171	15.0
Other operating income and expense, net	12	39	(69.2)
Income and expense on insurance and reinsurance contracts	3	6	(38.2)
<b>Gross income</b>	<b>741</b>	<b>839</b>	<b>(11.6)</b>
Administration costs	(430)	(446)	(3.6)
Depreciation and amortization	(20)	(20)	(0.3)
<b>Net margin before provisions (2)</b>	<b>291</b>	<b>372</b>	<b>(21.9)</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	27	(85)	n.m. (3)
Provisions or reversal of provisions and other results	(4)	(8)	(51.9)
<b>Operating profit / (loss) before tax</b>	<b>314</b>	<b>280</b>	<b>12.2</b>
Tax expense or income related to profit or loss from continuing operations	(60)	(57)	4.8
<b>Profit from continuing operations</b>	<b>254</b>	<b>222</b>	<b>14.2</b>
Profit from corporate operations, net	—	—	—
<b>Profit</b>	<b>254</b>	<b>222</b>	<b>14.2</b>
Profit attributable to non-controlling interests	—	—	—
<b>Profit attributable to parent company</b>	<b>254</b>	<b>222</b>	<b>14.2</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.
- (3) Not meaningful.

### *Net interest income*

Net interest income of this operating segment for the year ended December 31, 2021 amounted to €281 million, a 3.3% decrease compared with the €291 million recorded for the year ended December 31, 2020. The net interest margin over total average assets of this operating segment amounted to 0.79% for the year ended December 31, 2021 compared with 0.80% for the year ended December 31, 2020.

### *Net fees and commissions*

Net fees and commissions of this operating segment for the year ended December 31, 2021 amounted to €248 million, a 25.4% decrease compared with the €332 million recorded for the year ended December 31, 2020 mainly due to decreased commissions from earnings in Europe and from the broker-dealer BBVA Securities Inc. in the United States.

### *Net gains (losses) on financial assets and liabilities and exchange differences, net*

Net gains on financial assets and liabilities and exchange differences of this operating segment for the year ended December 31, 2021 were €197 million, a 15.0% increase compared with the €171 million net gain recorded for the year ended December 31, 2020, mainly due to the positive performance of the activities the Group develops in the United States through its broker-dealer BBVA Securities Inc and the branches in Asia.

### *Other operating income and expense, net*

Other operating income and expense, net of this operating segment for the year ended December 31, 2021 was €12 million of net income, a 69.2% decrease compared with the €39 million recorded for the year ended December 31, 2020.

### *Administration costs*

Administration costs of this operating segment for the year ended December 31, 2021 amounted to €430 million, a 3.6% decrease compared with the €446 million recorded for the year ended December 31, 2020.

### ***Depreciation and amortization***

Depreciation and amortization of this operating segment for the years ended December 31, 2021 and 2020 amounted to an expense of €20 million.

### ***Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification***

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification of this operating segment for the year ended December 31, 2021 amounted to income of €27 million compared with the €85 million expense recorded for the year ended December 31, 2020, mainly as a result of higher recoveries in the New York branch and in the retail portfolio in Europe. The year ended December 31, 2020 was impacted by the worsening macroeconomic scenario as a result of the outbreak of the COVID-19 pandemic, which led to significant credit quality deterioration in the portfolio of financial assets measured at amortized cost, mainly loans and advances to customers.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of this operating segment for the year ended December 31, 2021 were a €4 million expense compared with the €8 million expense recorded for the year ended December 31, 2020.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating profit before tax of this operating segment for the year ended December 31, 2021 was €314 million, a 12.2% increase compared with the €280 million recorded for the year ended December 31, 2020.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax expense related to profit from continuing operations of this operating segment for the year ended December 31, 2021 was €60 million, a 4.8% increase compared with the €57 million expense recorded for the year ended December 31, 2020, mainly as a result of the higher operating profit before tax.

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of this operating segment for the year ended December 31, 2021 amounted to €254 million, a 14.2% increase compared with the €222 million recorded for the year ended December 31, 2020.

## CORPORATE CENTER

	For the Year Ended December 31,		Change (In %)
	2021 (In Millions of Euros)	2020	
<b>Net interest income</b>	<b>(163)</b>	<b>(164)</b>	<b>(0.4)</b>
Net fees and commissions	(36)	(66)	(45.5)
Net gains (losses) on financial assets and liabilities and exchange differences, net (1)	266	144	84.2
Other operating income and expense, net	146	39	275.1
Income and expense on insurance and reinsurance contracts	(1)	(17)	(95.8)
<b>Gross income</b>	<b>212</b>	<b>(63)</b>	<b>n.m. (2)</b>
Administration costs	(687)	(642)	7.0
Depreciation and amortization	(194)	(194)	—
<b>Net margin before provisions (3)</b>	<b>(668)</b>	<b>(898)</b>	<b>(25.6)</b>
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(2)	4	n.m. (2)
Provisions or reversal of provisions and other results	32	(289)	n.m. (2)
<b>Operating profit / (loss) before tax</b>	<b>(638)</b>	<b>(1,183)</b>	<b>(46.1)</b>
Tax expense or income related to profit or loss from continuing operations	94	268	(64.9)
<b>Profit from continuing operations excluding corporate operations</b>	<b>(544)</b>	<b>(915)</b>	<b>(40.6)</b>
Profit / (loss) from discontinued operations/ Profit / (loss) from corporate operations, net	(416)	(1,424)	(70.8)
<b>Profit / (loss)</b>	<b>(960)</b>	<b>(2,339)</b>	<b>(59.0)</b>
Profit / (loss) attributable to non-controlling interests	(20)	—	n.m. (2)
<b>Profit / (loss) attributable to parent company</b>	<b>(980)</b>	<b>(2,339)</b>	<b>(58.1)</b>

- (1) Includes “Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities held for trading, net”, “Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net”, “Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net”, “Gains (losses) from hedge accounting, net” and “Exchange differences, net”.
- (2) Not meaningful.
- (3) “Net margin before provisions” is calculated as “Gross income” less “Administration costs” and “Depreciation and amortization”.

### *Net interest income / (expense)*

Net interest expense of the Corporate Center for the year ended December 31, 2021 was €163 million, a 0.4% decrease compared with the €164 million net expense recorded for the year ended December 31, 2020.

### *Net fees and commissions*

Net fees and commissions of the Corporate Center for the year ended December 31, 2021 was an expense of €36 million, a 45.5% decrease compared with the €66 million expense recorded for the year ended December 31, 2020.

### *Net gains (losses) on financial assets and liabilities and exchange differences, net*

Net gains on financial assets and liabilities and exchange differences of the Corporate Center for the year ended December 31, 2021 were €266 million, an 84.2% increase compared with the €144 million net gains recorded for the year ended December 31, 2020, mainly as a result of increases in the market values of certain technology companies in which we invest through funds and investment vehicles.

### *Other operating income and expense, net*

Other net operating income of the Corporate Center for the year ended December 31, 2021 was €146 million compared with the €39 million recorded for the year ended December 31, 2020, mainly as a result of higher dividend income from technology companies in which we invest through funds and investment vehicles and which investments.

### *Administration costs*

Administration costs of the Corporate Center for the year ended December 31, 2021 amounted to €687 million, a 7.0% increase compared with the €642 million recorded for the year ended December 31, 2020, mainly as a result of the increase in personnel expense.





### ***Depreciation and amortization***

Depreciation and amortization of the Corporate Center for the years ended December 31, 2021 and 2020 amounted to an expense of €194 million.

### ***Provisions or reversal of provisions and other results***

Provisions or reversal of provisions and other results of the Corporate Center for the year ended December 31, 2021 were €32 million of income compared with the €289 million expense recorded for the year ended December 31, 2020. Provisions for the year ended December 31, 2020 correspond to the deterioration of investments in subsidiaries, joint venture or associates businesses.

### ***Operating profit / (loss) before tax***

As a result of the foregoing, operating loss before tax of the Corporate Center for the year ended December 31, 2021 was €638 million, a 46.1% decrease compared with the €1,183 million loss recorded for the year ended December 31, 2020.

### ***Tax expense or income related to profit or loss from continuing operations***

Tax income related to profit or loss from continuing operations of the Corporate Center for the year ended December 31, 2021 amounted to €94 million, a 64.9% decrease compared with the €268 million income recorded for the year ended December 31, 2020.

### ***Profit / (loss) from discontinued operations/ Profit / (loss) from corporate operations, net***

Profit / (loss) from discontinued operations/ Profit / (loss) from corporate operations of the Corporate Center for the year ended December 31, 2021 amounted to a €416 million loss compared with the €1,424 million loss recorded for the year ended December 31, 2020. Figures for the year ended December 31, 2021 include the cost recorded in connection with the agreement on the collective layoff procedure BBVA reached with union representatives on April 13, 2021 in Spain, amounting to €994 million (see “*Presentation of Financial Information— Agreement on the Collective Layoff Procedure*”, “*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—Agreement on the collective layoff procedure*” and Note 24 to our Consolidated Financial Statements) offset by the results generated by the USA Sale. See “*Presentation of Financial Information—Sale of BBVA USA Bancshares, Inc.*” and “*Item 10. Additional Information—Material Contracts—Sale of BBVA USA to The PNC Financial Services Group*”. The loss in the year ended December 31, 2020 was mainly the result of the goodwill impairment losses recognized in the United States CGU, which were recorded in this line item. See Note 21 to our Consolidated Financial Statements.

### ***Profit attributable to parent company***

As a result of the foregoing, profit attributable to parent company of the Corporate Center for the year ended December 31, 2021 was a loss of €980 million, a 58.1% decrease compared with the €2,339 million loss recorded for the year ended December 31, 2020.

## B. Liquidity and Capital Resources

BBVA's principal source of funds is its customer deposit base, which consists primarily of demand, savings and time deposits. In addition to relying on customer deposits, BBVA also accesses the interbank market (overnight and time deposits) and domestic and international capital markets for its additional liquidity requirements. To access the capital markets, BBVA has in place a series of domestic and international programs for the issuance of commercial paper and medium- and long-term debt. Another source of liquidity is the generation of cash flow from operations. Finally, BBVA supplements its funding sources with borrowings from the ECB or the respective central banks of the countries where its subsidiaries are located. As of December 31, 2022, BBVA had drawn down €26,711 million under the TLTRO III (€38,692 million as of December 31, 2021).

In its monetary policy decision of October 27, 2022, the ECB decided to adjust the interest rates applicable to TLTRO III from November 23, 2022 and offer credit institutions additional voluntary early repayment dates for these operations. For additional information on this monetary policy decision, see Note 22.1 to the Consolidated Financial Statements. In December 2022, BBVA began the repayment of funds withdrawn under the TLTRO III program for an amount of €12 billion, corresponding to approximately a third of the total drawn amount. The positive income generated by the funds obtained from drawdowns of the ECB's TLTRO III facilities was recorded under the heading of "Interest and other income – Other income" in the consolidated income statement for the year ended December 31, 2022 (see Note 37.1), while the borrowing costs of the drawdowns of the TLTRO III facilities were recorded under "Interest expense" in the consolidated income statement.

The following table shows the balances as of December 31, 2022, 2021 and 2020 of our principal sources of funds (including accrued interest, hedge transactions and issue expenses):

	As of December 31,		
	2022	2021	2020
	(In Millions of Euros)		
Deposits from central banks	42,273	58,600	51,454
Deposits from credit institutions	55,859	36,010	42,006
Customer deposits	405,897	367,441	353,026
Debt certificates	58,717	59,159	66,311
Other financial liabilities	20,678	20,661	17,975
<b>Total</b>	<b>583,424</b>	<b>541,871</b>	<b>530,773</b>

Liquidity and Funding Risk Management of the BBVA Group aims, in the short term, to prevent any Group entity from having difficulties in meeting its payment commitments and from having to resort –in order to meet them– to obtaining funds on burdensome conditions and, in the medium term, to support the suitability of the Group's financial structure and its evolution, within the prevailing economic, market and regulatory conditions.

One of the key elements in BBVA's Group Liquidity and Financing Risk Management is the maintenance of large, high quality liquidity buffers in all its bank subsidiaries. Due, in part, to the Group's decision to follow a Multiple Point of Entry strategy, in accordance with the framework for the resolution of financial entities designed by the FSB, the Group's subsidiaries are self-sufficient and each subsidiary is responsible for managing its own capital and liquidity, without fund transfers or financing between either the parent company and the subsidiaries or between the different subsidiaries. This strategy aims to limit the spread of a liquidity crisis among the Group's different areas, and supports that the cost of liquidity and financing is correctly reflected in the price formation process. As part of this strategy, the BBVA Group is organized into eight Liquidity Management Units (LMU) composed of the parent company and the bank subsidiaries in Spain, Mexico, Turkey and South America (Argentina, Colombia, Peru, Uruguay and Venezuela), plus the branches that depend on them.

Regarding liquidity and funding performance, the BBVA Group seeks to maintain an adequate and dynamic funding structure consistent with the existing Risk Appetite Framework, through liquidity and funding planning. In this regard, the Liquidity and Funding Management model evaluates liquid resources needed and the ability to maintain the liquidity profile over the planning horizon, including in the face of unexpected stress conditions. The Group's funding structure is predominantly of a retail nature, as customer deposits represent the main source of funding.

During 2022, in an environment of greater uncertainty, characterized by increasing interest rates and the withdrawal of central banks' monetary stimulus, liquidity conditions remained adequate in all the countries where the BBVA Group operates, with the war in Ukraine not having had a significant impact on the liquidity and funding situation of the BBVA Group units. In addition, throughout 2022, BBVA has maintained its objective of preserving the strength of the funding structure of the different Group entities by focusing on strengthening self-funding from customer funds, maintaining a buffer of fully available liquid assets, diversifying sources of funding and generating and optimizing collateral available to deal with the withdrawal of central banks' monetary stimulus and/or stress situations in the markets. Increases in interest rates have had an adverse impact on the demand for credit and funding costs.

During 2022, 2021 and 2020, all LMU held self-funding levels deemed by the Group to be sufficient, mainly satisfied by customer deposits. The Liquidity Coverage Ratio (LCR), a liquidity buffer, at both a consolidated and individual level, was 159% as of December 31, 2022 (in excess of the required 100%) and 165% as of December 31, 2021 (in excess of the required 100%). The net stable funding ratio (NSFR) of the BBVA Group was 135% as of December 31, 2022 and 2021 (in excess of the required 100%). The NSFR ratio is the result of the division between the amount of stable funding available and the amount of stable funding required, requiring banks to maintain a stable financing profile in relation to the composition of their assets and off-balance sheet activities.

The Group has pension commitments with its employees, which are due on retirement, death and long term disability. The Group maintains insurance contracts contracted with insurance companies owned by the Group, which use derivatives to mitigate the interest rate risk arising from such commitments. See Notes 23 and 25 to the Consolidated Financial Statements for additional information on the Group's contractual obligations with respect to its insurance activity and the post-employment benefits of the Group, respectively. See also "*Item 3. Key Information—Risk Factors—Financial Risks—The Group has a substantial amount of commitments with personnel considered wholly unfunded due to the absence of qualifying plan assets*".

Furthermore, the BBVA Group holds loan commitments and financial guarantees as of December 31, 2022, 2021 and 2020 which are in turn possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets. For information on loan commitments, financial guarantees and other commitments given by the Group, see Note 33 to the Consolidated Financial Statements.

We believe that our working capital is sufficient for our present requirements and to pursue our planned business strategies. Please see Notes 51 and 7.5 to our Consolidated Financial Statements for additional information on the Group's liquidity and capital resources.

#### *Potential structural limitations affecting Banco Bilbao Vizcaya Argentaria, S.A.'s funding*

As some of the Group's operations are conducted through subsidiaries, Banco Bilbao Vizcaya Argentaria, S.A.'s results depend in part on the ability of its subsidiaries to generate earnings.

The Group operates in Spain, Mexico, Turkey and over 25 other countries, mainly in Europe, South America, the United States and Asia. Our banking subsidiaries around the world are subject to supervision and regulation by a variety of regulatory bodies relating to, among other things, the satisfaction of different solvency, resolution and/or governance requirements. The obligation to satisfy such requirements may affect the ability of our banking subsidiaries to transfer funds to Banco Bilbao Vizcaya Argentaria, S.A. in the form of cash dividends, loans or advances. In addition, under the laws of the various jurisdictions where our subsidiaries are incorporated, dividends may only be paid out of funds legally available and, in certain cases, subject to the prior approval of the competent regulatory or supervisory authorities.

Even where any applicable requirements are met and funds are legally available, the relevant regulator could advise against the transfer of funds to Banco Bilbao Vizcaya Argentaria, S.A. in the form of cash dividends, loans or advances, for prudence reasons or otherwise. For example, in response to the crisis caused by the COVID-19 pandemic, certain restrictions were adopted that affect the distribution and/or repatriation of dividends of some of the Group's subsidiaries. See "*—Factors Affecting the Comparability of our Results of Operations and Financial Condition—The COVID-19 Pandemic*".

There is no assurance that in the future other similar restrictions will not be adopted or that, if adopted, they will not adversely affect Banco Bilbao Vizcaya Argentaria, S.A.'s liquidity. The geographic diversification of the Group's businesses, however, may help to limit the effect of any restrictions that could be adopted in any given country.

### Customer deposits

Customer deposits (including “Financial liabilities at amortized cost - Customer deposits”, “Financial liabilities designated at fair value through profit or loss – Customer deposits” and “Financial liabilities held for trading – Customer deposits”) amounted to €405,897 million as of December 31, 2022 compared with €367,441 million as of December 31, 2021 (€353,026 million as of December 31, 2020), a 10.5% increase, mainly due to increases in demand deposits within the retail portfolio in Mexico and Spain, as a result of the customers’ preference to hold liquid assets in the prevailing uncertain environment and, to a lesser extent, the increase in the yield of time deposits in Argentina and to a lesser extent, in Colombia, offset, in part, by the depreciation of the currencies of some of the main non-euro countries where the BBVA Group operates (in particular, the Turkish lira and the Argentine peso).

Our customer deposits, excluding repurchase agreements, amounted to €392,337 million as of December 31, 2022 compared with €349,350 million as of December 31, 2021 (€342,862 million as of December 31, 2020).

Short-term customer deposits at amortized cost amounted to €373,282 million as of December 31, 2022, or 92.0% of our total customer deposits, an increase from 90.9% of our total customer deposits as of December 31, 2021 (see Note 22.3 to the Consolidated Financial Statements).

### Deposits from credit institutions and central banks

The following table shows amounts due to credit institutions and central banks as of December 31, 2022, 2021 and 2020:

	As of December 31,		
	2022	2021	2020
	(In Millions of Euros)		
Deposits from credit institutions	55,859	36,010	42,006
Deposits from central banks	42,273	58,600	51,454
<b>Total</b>	<b>98,132</b>	<b>94,610</b>	<b>93,460</b>

Deposits from credit institutions and central banks amounted to €98,132 million as of December 31, 2022 compared with €94,610 million as of December 31, 2021 (€93,460 million as of December 31, 2020). The increase as of December 31, 2022 compared to December 31, 2021 was mainly attributable to increases in time deposits from credit institutions in Spain in the amortized cost portfolio, as a result of the higher interest rate environment, partially offset by the decrease in deposits from central banks, driven mainly by the aforementioned partial repayment by BBVA of drawdowns under the ECB’s TLTRO III facilities. The increase as of December 31, 2021 compared to December 31, 2020 was mainly attributable to an increase in time deposits from central banks as a result of higher drawdowns under the TLTRO III facilities of the ECB.

### Capital markets

We make debt issuances in the domestic and international capital markets in order to finance our activities. As of December 31, 2022 we had €42,944 million of debt certificates, comprising €41,515 million in bonds and debentures and €1,430 million in promissory notes and other securities, compared with €40,969 million, €40,071 million and €898 million outstanding, respectively, as of December 31, 2021, and €45,304 million, €43,419 million and €1,884 million outstanding, respectively, as of December 31, 2020 (see Note 22.4 to the Consolidated Financial Statements).

In addition, we had a total of €12,509 million in subordinated debt and subordinated deposits and nil preferred securities outstanding as of December 31, 2022 compared with €14,808 million and nil, respectively, as of December 31, 2021 (€16,295 million and €194 million, respectively, as of December 31, 2020).

The following is a breakdown as of December 31, 2022 of the maturities of our debt certificates (including bonds), subordinated debt, subordinated deposits and preferred securities. Regulatory equity instruments have been classified according to their contractual maturity:

	Demand	Up to 1 Month	1 to 3 Months	3 to 12 Months	1 to 5 Years	Over 5 Years	Total
	(In Millions of Euros)						
Debt certificates (including bonds)	—	1,793	4,144	5,690	24,051	7,267	42,944
Subordinated debt, subordinated deposits and preferred securities	—	1	40	202	2,438	9,830	12,509
<b>Total</b>	<b>—</b>	<b>1,794</b>	<b>4,184</b>	<b>5,892</b>	<b>26,488</b>	<b>17,097</b>	<b>55,454</b>



## **Capital**

As of December 31, 2022, 2021 and 2020, equity is calculated in accordance with current regulations on minimum capital base requirements for Spanish credit institutions on both an individual and consolidated basis. These regulations dictate how to calculate equity levels, as well as the various internal capital adequacy assessment processes they should have in place and the information such institutions should disclose to the market.

The minimum capital base requirements established by the current regulations are calculated according to the Group's exposure to credit and dilution risk, counterparty and liquidity risk relating to the trading portfolio, exchange-rate risk and operational risk. In addition, the Group must fulfill the risk concentration limits established in these regulations and internal corporate governance obligations.

For information on our SREP requirements, our consolidated capital ratios as of December 31, 2022, 2021 and 2020, our RWAs, our MREL requirements, the capital issuances of Banco Bilbao Vizcaya Argentaria, S.A. and the impact on BBVA's CET1 arising from certain singular effects, see "*Item 4. Information on the Company—Business Overview—Supervision and Regulation*" and Note 32 to our Consolidated Financial Statements.

### **C. Research and Development, Patents and Licenses, etc.**

In 2022, we continued to foster the use of new technologies as a key component of our global development strategy. We explored new business and growth opportunities, focusing on three major areas: emerging technologies; digital banking; and data driven initiatives, in each case with the customer as the focal point of our banking business.

The BBVA Group is not materially dependent on the issuance of patents, licenses and industrial, mercantile or financial contracts or on new manufacturing processes in carrying out its business purpose.

### **D. Trend Information**

The European financial services sector is expected to remain competitive in the current challenging environment. See "*Item 4. Information on the Company—Competition*". See also "*Item 3. Key Information—Risk Factors—Business Risks—The Group faces increasing competition and is exposed to a changing business model*".

Trends expected to shape the sector's profitability in the future include the following:

- higher interest rates, especially in Spain, after a protracted period of low (or even negative) interest rates. Changes in interest rates are particularly important in countries like Spain, where mortgages account for a significant proportion of credit (more than 40%) and approximately seven out of 10 mortgages are estimated to be based on floating rates. Given current and expected inflation, interest rates are expected to continue to rise in the near future. Ceteris paribus, an increase in interest rates would be favorable to the Group, as a result mainly of the revaluation of variable rate loans and the fact that deposit rates continue to be low. However, it may also lead to an increase in non-performing loans (and RWAs) and a decrease in the demand for loans, in addition to resulting in higher funding costs;
- a more challenging competitive environment with the entry of non-bank digital financial services providers, which are growing very fast in line with technological advances and becoming a very important competitor for the banking industry. These entities do not have to comply with a regulation scheme as strict as that applicable to banks. For additional information, see "*Item 4. Information on the Company—Competition*";
- the completion and the implementation of the ongoing financial regulatory reforms. On one hand, when such reforms are applied locally, inconsistently and heterogeneously, regulatory fragmentation and the implementation by some countries of more flexible or stricter rules or regulations may put certain banks at a disadvantage. Conversely, it is possible that, in the framework of the banking union and in the capital markets union, regulatory changes and enhanced institutional architecture might contribute to a less fragmented, but more competitive, landscape. Moreover, regulatory changes, adopted or proposed, as well as their interpretation or application, have increased and may continue to substantially increase operating expenses and decrease margins. For information on certain significant supervision and regulatory matters which affect the Group, see "*Item 4. Information on the Company—Business Overview—Supervision and Regulation*";
- the increasing tax burden in certain regions such as the temporary windfall tax applicable to credit institutions operating in Spain, the Financial Transactions Tax (which would tax the acquisitions of certain securities, negotiated in markets where the Group operates), and the Spanish FTT which came into effect in Spain in January 2021;



- the adoption of novel pro-consumer regulation and measures, such as the proposed creation of a new administrative authority in Spain, which shall resolve complaints against banks from individuals and companies, and the amendments introduced in the Code of Good Practices, easing the impact of interest rate hikes on mortgage loans agreements related to primary residences, among others (see “*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Principal Markets—Spain*” for additional information);
- the effects of the COVID-19 pandemic crisis and actions taken by governments in connection therewith. For a discussion on the impact of COVID-19 on the Group’s business and, more generally, economic conditions, see “—*Factors Affecting the Comparability of our Results of Operations and Financial Condition—The COVID-19 Pandemic*” and “—*Operating Results—Operating Environment*”; and
- the increasing concern over ESG and climate change matters, which may result, among others, in changes in consumer preferences and additional legislation and regulatory requirements. For example, several of the European Union’s sustainability initiatives are expected to significantly impact asset management activities in 2023, as asset managers need to include sustainability as part of their financial advice. In addition, the ECB conducted a stress test on climate-related risks (CST) in 2022, whose output will be integrated into the annual Supervisory Review and Examination Process (“**SREP**”) using a qualitative approach. The test aimed to identify vulnerabilities, industry best practices and the challenges faced by banks and may result in increased regulation. For additional information see “*Item 4. Information on the Company—Business Overview—Supervision and Regulation*”. Further, climate-related disasters could result in market volatility, negatively impact customers’ ability to pay outstanding loans, result in the deterioration of the value of collateral or insurance shortfalls or otherwise disrupt the operations of banks or the operations of their customers or third parties on which they rely. See “*Item 3. Key Information—Risk Factors—Business Risks—The Group is exposed to various risks in connection with climate change*”.

## **E. Critical Accounting Estimates**

Not Applicable.

## **ITEM 6. DIRECTORS, SENIOR MANAGEMENT AND EMPLOYEES**

We have a one-tier board system with a single collegiate body, the Board of Directors, that is collectively responsible for the highest functions of managing the Company and overseeing and controlling the management of the Company, all with the aim of achieving the Company’s purpose and best corporate interest.

Our Board of Directors is subject to Board of Directors Regulations that reflect and implement the principles and elements of BBVA’s concept of corporate governance. These Board of Directors Regulations include standards for the internal management and operation of the Board and its committees, as well as the rights and obligations of directors in the performance of their duties.

General shareholders’ meetings are subject to their own set of regulations on issues such as how they operate and what rights shareholders have at such meetings. These establish the possibility of exercising or delegating votes over remote communication media.

Our Board of Directors has approved the annual report on corporate governance and a report on directors’ remuneration for 2022, according to the provisions established in the Spanish regulation for listed companies.

Shareholders and investors may find the documents referred to above on BBVA’s website ([www.bbva.com](http://www.bbva.com)), under the “Shareholders and Investors” and “Corporate Governance and Remuneration Policy” sections.

BBVA’s website was created to facilitate information and communication with shareholders and other stakeholders. It provides special direct access to all information considered relevant to BBVA’s corporate governance system in a user-friendly manner. In addition, all the information required by Article 539 of the Spanish Corporate Enterprises Act can be accessed on BBVA’s website ([www.bbva.com](http://www.bbva.com)).

### **A. Directors and Senior Management**

We are managed by a Board of Directors that is currently composed of 15 members, 13 of which are non-executive directors and two are executive directors.

Pursuant to Article 1 of the Board of Directors Regulations, Bank’s directors may be executive or non-executive. Executive directors will be those who perform management duties in the Bank or any of its Group companies, irrespective of the legal relationship they have with it. All other members of the Board of Directors will hold non-executive directorships, and may be proprietary, independent or other external directors.





Independent directors are those non-executive directors who are appointed based on their personal and professional qualities and who may perform their duties without being constrained by their relationship with the Company, or its Group, its significant shareholders or managers. Under the Board of Directors Regulations, directors may not be considered independent in any of the following situations:

- a. They have been employees or have been executive directors of Group companies in the last three or five years, respectively.
- b. They receive from the Bank, or from Group companies, any amount or benefit for any item other than director's remuneration, except for those which are not significant for such director. For the purposes of this item, neither dividends nor pension allowances received by directors relating to their previous professional or employment relations will be taken into account, provided that said allowances are unconditional in nature and, therefore, the company that provides said allowances may not suspend, modify or revoke their accrual at its discretion without breaching its obligations.
- c. They are, or have been in the past three years, a partner of an external auditor or have been responsible during this time for the auditor's report of the Company or any other company within its Group.
- d. They are executive directors or senior managers of another company for which an executive director or senior manager of the Company is an external director.
- e. They have, or have had over the last year, a significant business relationship with the Bank or any company within its Group, whether in their own name or as a significant shareholder, director or senior manager of a company that has, or has had, such a relationship. Business relationships include supplying goods or services, including financial services, as well as acting as an adviser or consultant.
- f. They are significant shareholders, executive directors or senior managers of a company that receives, or has received in the past three years, donations from the Company or from its Group. Those who are simply trustees of a foundation receiving donations will not be considered included in this item.
- g. They are spouses, partners in a similar relationship of affection or relatives up to the second degree of an executive director or senior manager of the Company.
- h. They have not been proposed for appointment or renewal by the Appointments and Corporate Governance Committee.
- i. They have been directors for a continuous period of more than twelve years.
- j. In relation to a significant shareholder or shareholder represented on the Board of Directors, any of the circumstances referred to in items (a), (e), (f) or (g) above shall apply. In the event of the kinship relations referred to in item (g), the limitation will apply not only to the shareholder, but also to any proprietary directors of the company in which shares are held.

The directors with a shareholding in the Company may be considered independent provided that they do not meet the conditions above and, in addition, that their shareholding is not legally regarded as significant.

### ***Board of Directors Regulations***

The principles and elements comprising our corporate governance are set forth in our Board of Directors Regulations, which govern the internal procedures and the operation of the Board and its committees, as well as directors' rights and duties.

The full text of the Board of Directors Regulations and those of the Board committees can be found on BBVA's website ([www.bbva.com](http://www.bbva.com)).

The following provides a brief description of several significant matters covered in the Board of Directors Regulations.

#### ***Performance of Directors' Duties***

Directors must fulfil the duties imposed by laws and the Bylaws with fidelity to the corporate interest, understood as the interest of the Company.

They will participate in the deliberations, discussions and debates held on matters submitted for their consideration, and they should clearly express their opposition when they consider that any proposal submitted to the Bank's corporate bodies may be contrary to the corporate interest or may harm shareholders not represented on the Board of Directors, and will be provided in advance with the information needed to form an opinion with respect to the matters within the remit of the Bank's corporate bodies. They may ask for any additional information and advice required to perform their duties. They must devote to their duty the necessary time and effort to perform it effectively and are required to attend the meetings of the corporate bodies on which they sit, except for a justifiable reason.

The directors may also request the Board of Directors for external expert assistance for any matters submitted to their consideration whose special complexity or importance so requires.

#### *Conflicts of Interest*

The rules comprising the Board of Directors Regulations detail different situations in which conflicts of interest could arise between directors, their family members and/or organizations to which they are linked, and the BBVA Group. They set out procedures for such cases, in order to avoid conduct contrary to our best interests. The rules contained in the Board of Directors Regulations are in line with the specific regulations established in the Spanish Corporate Enterprises Act.

These rules help ensure directors' conduct reflects stringent ethical codes, in keeping with applicable standards and according to core values of the BBVA Group.

#### *Incompatibilities*

Directors are also subject to the rules on limitations and incompatibilities established under the applicable regulations at any time and, in particular, to the provisions of Spanish Law 10/2014 and Circular 2/2016, of the Bank of Spain, for credit institutions on regulation, supervision and solvency. A director of BBVA may not simultaneously hold more positions than those provided for in the following combinations: (i) one executive position and two non-executive positions; or (ii) four non-executive positions. Executive positions are understood to be those that undertake management duties irrespective of the legal bond attributed by those duties. In this respect, the following will count as a single position: 1) executive or non-executive positions held within the same group; 2) executive or non-executive positions held within (i) entities that form part of the same institutional protection scheme or (ii) traded companies in which the entity holds a significant shareholding. Positions held in non-profit organizations or entities or companies pursuing non-commercial purposes will not count when determining the maximum number of positions. Nevertheless, the Bank of Spain may authorize members of the Board of Directors to hold an additional non-executive position if it deems that this would not interfere with the proper performance of the director's activities in the credit institution.

In addition, pursuant to the provisions of Article 11 of Board of Directors Regulations, directors may not provide professional services to companies competing with the Bank or any of its Group companies, or agree to be an employee, manager or director of such companies, unless they have received express prior authorization from the Board of Directors or from the general shareholders' meeting, as appropriate, or unless these activities had been provided or conducted before the director joined the Bank, they had posed no effective competition and they had informed the Bank of such at that time.

#### *Term of Directorships and Director Age Limit*

Directors will stay in office for the term set out in our Bylaws (three years). If they have been co-opted, they will stay in office until the first general shareholders' meeting is held. The general shareholders' meeting may then ratify their appointment for the term of office established under our Bylaws.

BBVA's Board of Directors Regulations establish an age limit for sitting on the Bank's Board. Directors must submit their resignation at the first meeting of the Bank's Board of Directors to be held after the general shareholders' meeting approving the accounts for the financial year in which they reach the age of seventy-five years.

#### *Appointment and Re-election of Directors*

The proposals for appointment or re-election of directors submitted by the Board of Directors to the general shareholders' meeting, as well as the appointments made directly to fill vacancies under its co-opting powers, will be approved at the proposal of the Appointments and Corporate Governance Committee for independent directors and prior report from this Committee for all other directors.

The proposal must be accompanied by an explanatory report by the Board of Directors assessing the skills, experience and merits of the candidate proposed, which will be added to the minutes of the general shareholders' meeting or the Board of Directors meeting.



To such end, the Appointments and Corporate Governance Committee will evaluate the balance of knowledge, skills and experience of the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, assessing the dedication of time considered necessary to adequately carry out their duties, in view of the needs of the corporate bodies at any given time.

#### *Directors' Resignation and Dismissal*

Furthermore, in accordance with the Board of Directors Regulations, directors must offer their resignation to the Board of Directors and accept its decision regarding their continuity in office or not. Should the Board decide against their continuity, they are required to tender their resignation in any of the following circumstances:

- When they are affected by circumstances of incompatibility or prohibition as defined under legislation in force, in the Bylaws or in the Board of Directors Regulations.
- When significant changes occur in their personal or professional situation that affect the status by virtue of which they were appointed as directors.
- In the event of serious breach of their duties in the performance of their role as directors.
- When, for reasons attributable to the directors in their status as such, serious damage has been done to the Company's equity, standing or reputation; or
- When they are no longer suitable to hold the status of director of the Bank.

#### *Evaluation*

Article 17 of the Board of Directors Regulations indicates that the Board of Directors will assess the quality and effectiveness of the operation of the Board of Directors, as well as will assess the performance of the duties of the Chair of the Board, based in each case on the report submitted by the Appointments and Corporate Governance Committee (process which will be led by the Lead Director with respect to the Chair according to article 21 of the Board of Directors Regulations). Likewise, the Board of Directors will carry out the assessment of the operation of its committees, based on the reports submitted thereby. Furthermore, the Board of Directors will assess the performance of the Chief Executive Officer, based on the report submitted by the Appointments and Corporate Governance Committee, which will include the assessment made by the Executive Committee.

Moreover, Article 18 of the Board of Directors Regulations establishes that the Chair will organize and coordinate the periodic assessment of the Board's performance with the chairs of the relevant committees. Pursuant to the provisions of the Board of Directors Regulations, during the assessment process conducted for 2022, the Board of Directors evaluated: (i) the quality and efficiency of the operation of the Board of Directors; (ii) the performance of the duties of the Chair and the Chief Executive Officer; and (iii) the operation of the Board committees.

#### **The Board of Directors**

As of the date of this Annual Report, our Board of Directors is comprised of 15 members, 13 of which are non-executive directors and two are executive directors.

The following table sets forth the names of the members of the Board of Directors as of the date of this Annual Report, their date of appointment and, if applicable, re-election, their current positions and their present principal outside occupation and main employment history.

Name	Birth Year	Current Position	Date Nominated	Date Re-elected	Principal Business Activities and Employment History (*)
Carlos Torres Vila (1)(6)	1966	Chair	May 4, 2015	March 18, 2022	Chair of the Board of Directors of BBVA since December 2018. Chair of the Executive Committee and of the Technology and Cybersecurity Committee. Director at the following BBVA Group companies: Grupo Financiero BBVA México, S.A. de C.V. and BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México. Chief Executive Officer of BBVA from May 2015 to December 2018. He started at BBVA in September 2008 holding senior management posts such as Head of Digital Banking from March 2014 to May 2015 and Head of BBVA Strategy & Corporate Development from January 2009 to March 2014. He previously held positions of responsibility in other companies, such as Chief Financial Officer, Corporate Director of Strategy and member of the Executive Committee of Endesa, as well as elected partner at McKinsey & Company.
Onur Genç (1)	1974	Chief Executive Officer	December 20, 2018	March 18, 2022	Chief Executive Officer of BBVA since December 2018. Director at the following BBVA Group companies: Grupo Financiero BBVA México, S.A. de C.V. and BBVA México S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México. President and CEO of BBVA USA and BBVA's Country Manager in the United States from 2017 to December 2018. Deputy CEO at Garanti BBVA between 2015 and 2017 and Executive Vice President for retail and private banking at Garanti BBVA between 2012 and 2015. He has also held positions of responsibility in different McKinsey & Company offices, having been a Senior Partner and Manager of its Turkish office.
José Miguel Andrés Torrecillas (1)(2)(3)(8)	1955	Deputy Chair; Independent Director	March 13, 2015	April 20, 2021	Deputy Chair of the BBVA Board of Directors since April 2019. Chair of the Appointments and Corporate Governance Committee. Chair of Ernst & Young Spain from 2004 to 2014, where he was a partner since 1987 and also held a series of senior offices, including Managing Partner of the Banking Group from 1989 to 2004, General Managing Partner for Audit and Advisory Services at Ernst & Young Spain from 2001 to 2004, and Managing Director of the Audit and Advisory practices at Ernst & Young Italy and Portugal from 2008 to 2013. He has been a member of various organizations such as the ROAC (Official Registry of Auditors), the REA (Registry of Economic Auditors), the Governing Board of the Spanish Institute of Financial Analysts, Empresa y Sociedad Foundation, Spanish Institute of Chartered Accountants, Advisory Board of the Institute of Internal Auditors; and of the Institute of Chartered Accountants in England & Wales (the ICAEW). He has been director of Zardoya Otis, S.A. from 2015 to 2022.
Jaime Félix Caruana Lacorte (1)(2)(5)	1952	Independent Director	March 16, 2018	April 20, 2021	Chair of the Audit Committee. Member of the Group of Thirty (G-30), Sponsor ( <i>patrono</i> ) of the Spanish Aspen Institute Foundation, President of the International Center for Monetary and Banking Studies' (ICMB) Foundation Board and Member of the China Banking and Insurance Regulatory Commission's (CBIRC) International Advisory Committee. General Manager of the Bank of International Settlements (BIS) between 2009 and 2017. Between 2006 and 2009 he was Head of the Monetary, Capital Markets Department and Financial Counselor and General Manager at the International Monetary Fund (IMF), between 2003 and 2006 he was Chair of the Basel Committee on Banking Supervision, and between 2000 and 2006 he was Governor of the Bank of Spain and member of the Governing Council of the European Central Bank.

Raúl Catarino Galamba de Oliveira (5)(6)(7)	1964	Independent Director	March 13, 2020	Not applicable	Lead Director of BBVA since April 2022. Independent Chair of the Board of Directors of CTT – Correios de Portugal, S.A. and non-executive director of José de Mello Saúde and José de Mello Capital. His career path has been mainly linked to McKinsey & Company, where he was appointed partner in 1995, Director of the global practice of financial services in 2000, Managing Partner for Spain and Portugal between 2005 and 2011, Managing Partner of Global Risk practice between 2013 and 2016, member of the Global Shareholders Council from 2005 to 2011, member of the Global Partner Election and Evaluation Committees between 2001 and 2017, member of the Remuneration Committee from 2005 to 2013 and Chair of the Global Learning Board from 2006 to 2011.
Belén Garijo López (2)(3)(4)	1960	Independent Director	March 16, 2012	April 20, 2021	Chair of the Remuneration Committee. Chair of the Executive Board and CEO of Merck Group, member of the Board of Directors of L'Oréal and, since 2011, Chair of the International Senior Executive Committee (ISEC) of PhRMA, (Pharmaceutical Research and Manufacturers of America). Previously, she has held various positions of responsibility at Abbot Laboratories (1989–1996), RhônePoulenc (1996–1999), Aventis Pharma (1999–2004), Sanofi Aventis (2004–2011) and Merck (since 2011).
Connie Hedegaard Koksang	1960	Independent Director	March 18, 2022	Not applicable	Independent director at Danfoss A/S and non-executive director at Cadeler A/S. She participates on an ongoing basis in international forums and organizations and in foundations such as her membership of the Supervisory Board at the European Climate Foundation. Chair of the OECD's Round Table on Sustainable Development, a member of the Climate and Environment Advisory Council of the European Investment Bank (EIB), Chair of the Board of Trustees at the KR Foundation, Chair of CONCITO, Chair of the European Commission's Mission Adaptation to Climate Change, including Social Change, Chair of the Board at Aarhus University, and a member of the Sustainability Council at Volkswagen and advisor to the Board of Gazelle Wind Power. She has been non-executive director of Nordex SE from 2016 to 2022. She has held various positions in the public sector in Denmark and the European Union, such as EU Commissioner for Climate Action, Danish Minister for Climate and Energy, Minister for Environment, and Minister for Nordic Cooperation.
Lourdes Máiz Carro (2)(4)	1959	Independent Director	March 14, 2014	March 13, 2020	Secretary of the Board of Directors and Director of Legal Services at Iberia, Líneas Aéreas de España from 2001 until 2016; as well as Director of several companies, including Renfe, GIF (Gerencia de Infraestructuras Ferroviarias – Railway Infrastructure Administrator, now ADIF), the ICO (Instituto de Crédito Oficial – Official Credit Institution), Aldeasa and Banco Hipotecario. Joined the Spanish State Counsel Corps ( <i>Cuerpo de Abogados del Estado</i> ) in 1992 and held various senior positions in the Public Administration, including Director of the Cabinet of the Assistant Secretary of Public Administration, Director of the Cabinet of the Assistant Secretary of Education; General Director of Administrative Organization, Personnel and IT, General Director of the Sociedad Estatal de Participaciones Patrimoniales (SEPPA) within the Ministry of Economy and Finance and Technical General Secretary of the Ministry of Agriculture, Fisheries and Food.

José Maldonado Ramos (1)(3)	1952	External Director	January 28, 2000	April 20, 2021	Appointed Director and General Secretary of BBVA in January 2000. Took early retirement as Bank executive in December 2009. Previously, he was Board Secretary and Director of Legal Services for Empresa Nacional para el Desarrollo de la Industria Alimentaria, S.A. (Endiasa); Astilleros Españoles, S.A.; and Iberia, Líneas Aéreas de España, S.A.
Ana Cristina Peralta Moreno (2)(4)	1961	Independent Director	March 16, 2018	April 20, 2021	Independent director of Grenergy Renovables, S.A. and of Inmobiliaria Colonial, SOCIMI, S.A. She was an independent member of the Board of Directors of Deutsche Bank SAE from 2014 to 2018 and Banco Etcheverría, S.A. from 2013 to 2014, as well as independent director at Grupo Lar Holding Residencial, S.A.U. and Senior Advisor at Oliver Wyman Financial Services. General Director of Risks and member of the Management Committee of Banco Pastor, S.A. between 2008 and 2011. Before that, she held several positions at Bankinter, including Chief Risk Officer and member of the Management Committee between 2004 and 2008.
Juan Pi Llorens (3)(5)(6)	1950	Independent Director	July 27, 2011	April 20, 2021	Chair of the Risk and Compliance Committee. Non-executive chair of the Board of Directors of Ecolumber, S.A. and non-executive director of the following Oesía Group companies: Oesía Networks, S.L., Tecnobit, S.L.U. UAV Navigation, S.L. and Inster Tecnología y Comunicaciones, S.A.U. Had a professional career at IBM holding various senior posts at a national and international level including Vice President for Sales at IBM EMEA from 2005 to 2008, Vice President of Technology & Systems Group at IBM EMEA from 2008 to 2010 and Vice President of the Finance Services Sector at GMU (Growth Markets Units) in China from 2009 to 2011. He was executive President of IBM Spain between 1998 and 2001.
Ana Leonor Revenga Shanklin (5)(6)	1963	Independent Director	March 13, 2020	Not applicable	Senior Fellow at the Brookings Institution and President of the Board of Trustees at the ISEAK Foundation since 2018 and Associate Professor at the Walsh School of Foreign Service at Georgetown University from 2019 to 2021. Member of the Board of Trustees of the BBVA Microfinance Foundation and of the Advisory Council of ESADE EcPol - Center for Economic Policy and Political Economy since 2019. She has held several positions of responsibility at the World Bank, including Senior Director Global of the Poverty and Equity Practice between 2014 and 2016 and Deputy Chief Economist in 2016 and 2017.
Susana Rodríguez Vidarte (1)(3)(5)	1955	External Director	May 28, 2002	March 13, 2020	Professor Emeritus of Strategy at the Faculty of Economics and Business Sciences at Universidad de Deusto. She was Dean of the faculty of Economics and Business Administration of the University of Deusto from 1996 to 2009, Director of the Instituto Internacional de Dirección de Empresas (INSIDE) from 2003 to 2008 and Director of the Postgraduate Area from 2009 to 2012.



Carlos Vicente Salazar Lomelin (4)	1951	External Director	March 13, 2020	Not applicable	Independent director of Sukarne S.A. de C.V. since 2017, of Alsea, S.A.B. de C.V. since 2019, and of CYDSA Corporativo, S.A. de C.V. since 2022. Director of the following BBVA Group companies: Grupo Financiero BBVA México, S.A. de C.V., of BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, of BBVA Seguros México, S.A. de C.V. Grupo Financiero BBVA México, of BBVA Pensiones México, S.A. de C.V. Grupo Financiero BBVA México and of BBVA Seguros Salud México, S.A. de C.V. Grupo Financiero BBVA México. Chair of the Consejo Coordinador Empresarial de México (the Mexican Business Coordinating Council) from 2019 to 2022. His career path has been linked to the Grupo Fomento Económico Mexicano S.A.B. de C.V. (Femsa) until 2019, having held roles such as General Manager of Cervecería Cuauhtémoc-Moctezuma, Manager of Coca Cola Femsa and General Manager of Femsa.
Jan Paul Marie Francis Verplancke (4)(6)	1963	Independent Director	March 16, 2018	April 20, 2021	Advisor to the Internal Advisory Board at Abdul Latif Jameel and CEO of Vestraco, S.à.R.L.. Director, Chief Information Officer, Group Head of Technology and Banking Operations, of Standard Chartered Bank, between 2004 and 2015. Before that, he held Chief several positions in multinational companies, such as Vice President of Technology and Information Officer, in the EMEA region of Dell (1999-2004) as well as Vice President and Chief of Architecture and Vice President of Information of the Youth Category at Levi Strauss (1994 and 1999).

(\*) Where no date is provided, the position is currently held.

- (1) Member of the Executive Committee.
- (2) Member of the Audit Committee.
- (3) Member of the Appointments and Corporate Governance Committee.
- (4) Member of the Remuneration Committee.
- (5) Member of the Risk and Compliance Committee.
- (6) Member of the Technology and Cybersecurity Committee.
- (7) Lead Director.
- (8) Deputy Chair.

The statutory mandate of three years of the directors Raúl Catarino Galamba de Oliveira, Lourdes Máiz Carro, Ana Leonor Revenga Shanklin, Susana Rodríguez Vidarte and Carlos Vicente Salazar Lomelin ends on the occasion of the general shareholders' meeting, planned to be held on March 17, 2023. The Bank's Board of Directors has proposed that Raúl Galamba, Lourdes Máiz, Ana Revenga and Carlos Salazar be re-elected by such general shareholders' meeting for another statutory period of three years. Susana Rodríguez's mandate would expire on the occasion of such general shareholders' meeting.

The Bank's Board of Directors has also submitted to such general shareholders' meeting the appointment of Sonia Lilia Dulá, for the statutory period of three years, with the status of independent director. Ms. Dulá has an extensive professional career in the banking and financial sector, having held various high-ranking positions at international financial institutions, such as Bank of America Merrill Lynch and Goldman Sachs. She also has experience as a board member of various companies and boasts a remarkable entrepreneurial profile, particularly in the sector of telecommunications. She is currently an independent director of Huntsman Corporation, Acciona and Acciona Energía and a life member of the Council on Foreign Relations. She has sat on the boards of Grupo Prisa, Millicom, Hemisphere Media, Council of the Americas, Women's World Banking, and The Adrienne Arsht Center for the Performing Arts in Miami. She has also been a member of the Young Presidents Organization (YPO) and the Bank of America Global Diversity and Inclusion Council.

The aforementioned proposed re-elections and appointment are subject to approval of the general shareholders' meeting of BBVA. In case of the appointment, it is also subject to verification, by the ECB, considering the regulatory suitability requirements for the performance of her duties as director.

## Senior Management

Our senior managers were each appointed for an indefinite term. Their positions as of the date of this Annual Report are as follows:

<b>Name</b>	<b>Current Position</b>	<b>Present Principal Occupation and Employment History(*)</b>
Carlos Torres Vila	Chair	See “— <i>The Board of Directors</i> ” above. In addition, as set out in the Board of Directors Regulations, he oversees the following BBVA’s areas: Strategy, Engineering, Talent and Culture, Data, Sustainability in matters related to strategy and transformation, Accounting, Supervisors and Regulation, Legal, Communications, Institutional Relations and General Secretariat.
Onur Genç	Chief Executive Officer	See “— <i>The Board of Directors</i> ” above. In addition, as set out in the Board of Directors Regulations, he oversees the following BBVA’s areas: Business Units (Corporate and Investment Banking (C&IB), Client Solutions, Sustainability, Country Monitoring, Spain, Mexico and Turkey), Finance and Global Risk Management.
Domingo Armengol Calvo	General Secretary	General Secretary and Secretary of the Board of Directors of BBVA since 2009. Deputy Secretary of the Board from 2005 to 2009 and Head of the Institutional Legal Department of BBVA from 2000 to 2009.
María Jesús Arribas de Paz	Global Head of Legal	Global Head of Legal since December 2018. Director at BBVA OP3N, S.L. between 2018 and 2019. She held the position of Head of Corporate Legal Services between 2002 and 2018. Before that, she was head of Legal services and board secretary at Finanzia Banco de Crédito S.A. (1996-2002).
Pello Xabier Belausteguioitia Mateache	Spain Country Manager	Spain Country Manager since December 2019. Director of BBVA Seguros, S.A. Seguros y Reaseguros. Director at BBVA OP3N, S.L. between 2018 and 2020. Head of Business Development BBVA Spain from 2017 to 2019, Director of BBVA Spain Northern Region from 2015 to 2017, Director of BBVA Spain Eastern Region from 2014 to 2015, Local Director at BBVA Spain Northwestern Region between 2011 and 2014 and Director of Commercial Businesses at BBVA Spain Northwestern Region from 2008 to 2011.
Carlos Casas Moreno	Global Head of Talent & Culture	Global Head of Talent & Culture since December 2018. Chair of the Comisión Liquidadora de Servicios Tecnológicos Singulares, S.A. and BBVA Consultoría, S.A. from 2017 to 2019 and non-executive director of Colegio Universitario de Estudios Financieros, S.L. from 2015 to 2019. He was Head of Compensation, Pensions & Benefits from 2016 to December 2018, and was responsible for Organization Matters and Global Talent Management Policies in the Talent & Culture area between 2015 and 2016. Between 2010 and 2015, he worked on Process Re-engineering within the Innovation and Technology area.
Victoria del Castillo Marchese	Global Head of Strategy & M&A	Global Head of Strategy & M&A since December 2018. Director at Atom Bank PLC between 2018 and 2019. She has held other relevant positions within the BBVA Group, such as Head of M&A for Europe and Turkey (2014 to December 2018), Director of Strategic Projects of the Finance Area (2009 to 2014) and Head of M&A for the USA (2006 to 2009).
José Luis Elechiguerra Joven	Global Head of Engineering	Global Head of Engineering since December 2020. He has held other relevant positions within the BBVA Group such as Head of Client Solutions at BBVA USA during 2019-2020, Global Director of Data Governance from 2017 to 2019 and Global Director of Organization & Business Process Engineering from 2015 to 2017, both positions at BBVA. Director of Business Transformation from 2013 to 2015, Director of Strategic & Financial Planning for the Retail Business from 2011 to 2013 and Director of Business Development & Strategic Planning for the Mortgage Business from 2008 to 2011, all of them at BBVA México.
Ana Fernández Manrique	Global Head of Regulation & Internal Control	Global Head of Regulation & Internal Control since July 2019. She has held several relevant positions within the BBVA Group such as Director of Non-Financial Risks during 2018, Director of Strategy and Finance at BBVA Real Estate Area from 2014 to 2017, Director of Strategy and Finance at Global Retail Area from 2011 to 2014, and Strategy & M&A Managing Director between 2008 and 2011.
María Luisa Gómez Bravo	Global Head of Corporate & Investment Banking	Global Head of Corporate & Investment Banking (C&IB) since December 2018. She has held several relevant positions within the BBVA Group such as Global Head of Investment & Cost Management (between 2017 and December 2018), Head of Investors & Shareholders Relations (between 2014 and 2017), Head of Transformation & Operations at BBVA Spain and Portugal (between 2012 and 2014), and Global Head of Asset Management (between 2008 and 2012), among others.



Joaquín Manuel Gortari Díez	Global Head of Internal Audit	Global Head of Internal Audit since December 2018. He has held several relevant positions within the BBVA Group, such as Chief of Staff to the Chairman (from 2010 to 2018), CFO in the Area of Technology and Operations (from 2008 to 2010), CFO of BBVA in the USA (from 2004 to 2008) and Deputy CFO of BBVA Group (from 2003 to 2004).
Ricardo Martín Manjón	Global Head of Data	Global Head of Data since April 2019. Director of BBVA Data & Analytics (currently, BBVA AI Factory, S.L.) and Director of Colegio Universitario de Estudios Financieros, S.L. Previously he was Global Head of Data Strategy & Data Science Innovation from 2017 to 2019, Head of Digital Transformation at BBVA Spain between 2013 and 2016, Marketing Director at BBVA Spain from 2011 to 2013. In addition, he held the position of Global Head of Digital Banking at Nordea between 2016 and 2017.
Eduardo Osuna Osuna	Mexico Country Manager	Mexico Country Manager since May 2015 and General Manager and Deputy Chair of BBVA México. Previously he was Head of Government and Corporate Banking of BBVA México from 2013 to 2015 and Head of Commercial Banking of BBVA México from 2010 to 2012, as well as Head of Hipotecaria Nacional between 2005 and 2010.
David Puente Vicente	Global Head of Client Solutions	Global Head of Client Solutions since April 2019. Director of BBVA Data & Analytics (currently, BBVA AI Factory, S.L.) from 2017 until 2019. He was Head of Data from 2017 to 2019, Head of Business Development & Digital Transformation for Spain and Portugal from 2012 to 2016. Previously, he held other posts at BBVA such as Head of CEO's Office from 2009 to 2012, Head of Planning and Development of Retail Banking from 2006 to 2009 and Head of New Business Models from 2004 to 2006.
Francisco Javier Rodríguez Soler	Global Head of Sustainability	Global Head of Sustainability since July 2021. Previously he was BBVA's Country Manager in the United States from 2018 to 2021, Global Head of Strategy & M&A from 2015 to 2018 and Head of M&A and Corporate Development of BBVA from 2010 to 2015.
Jaime Sáenz de Tejada Pulido	Head of Global Risk Management	Head of Global Risk Management since July 2021 and Director of Garanti BBVA. Previously he was Global Head of Finance from May 2015 to 2021; Head of Strategy and Finance from 2014 to 2015 and Head of Spain and Portugal from 2012 to 2014; Business Development Manager of Spain and Portugal at BBVA from 2011 to 2012; and Regional Center Manager from 2008 to 2011.
Jorge Sáenz-Azcúnaga Carranza	Head of Country Monitoring	Head of Country Monitoring since July 2016. Director of BBVA México, S.A., Institución de Banca Múltiple, Grupo Financiero BBVA México, of Grupo Financiero BBVA México, S.A. de C.V. and Vice President of Garanti BBVA. He joined BBVA in 1993 and he has held various senior posts such as Country Networks - Head of Business Monitoring Spain, USA and Turkey from 2015 to 2016, Head of Strategy and Planning, Spain & Portugal from 2008 to 2013 and Head of Strategy, Whole Banking and Asset Management from 2006 to 2008.
Rafael Salinas Martínez de Lecea	Global Head of Finance (chief financial officer)	Global Head of Finance since July 2021 and Director of Garanti BBVA. Prior to this post, he was Head of Global Risk Management from May 2015 to 2021; Head of Risk and Portfolio Management in C&IB from 2006 to 2015; and CFO of Banco de Crédito Local de España from 2003 to 2005.

(\*) Where no date is provided, positions are currently held.

## B. Compensation

The provisions of BBVA's Bylaws that relate to compensation of directors are in accordance with the relevant provisions of Spanish law. Furthermore, BBVA has a remuneration policy for BBVA directors (the "**Directors' Remuneration Policy**"), which is aligned with the specific regulations applicable to credit institutions and best market practices.

### *Directors' Remuneration Policy*

The Directors' Remuneration Policy for 2022 was approved by the general shareholders' meeting held on April 20, 2021, by a majority of 93.59%. This policy is available on our website ([www.bbva.com](http://www.bbva.com)).

BBVA has defined its Directors' Remuneration Policy on the basis of the general principles of the BBVA Group's General Remuneration Policy, taking into consideration compliance with legal requirements applicable to credit institutions and those applicable in the different sectors in which it operates, as well as alignment with best market practices, while including items devised to reduce exposure to excessive risks and to adjust remuneration to the targets, values and long-term interests of the Group.

On the basis of the principles of the BBVA Group's General Remuneration Policy, and pursuant to the statutory requirements established by applicable regulations, BBVA has devised a specific incentives system for staff whose professional activities have a significant impact on the risk profile (the "**Identified Staff**"), which includes BBVA executive directors and BBVA Senior Management, that is aligned with the regulations and recommendations applicable to the remuneration schemes for this staff. The result is a remuneration scheme for the Identified Staff based, inter alia, on the following basic characteristics, with the particularities set forth below for BBVA executive directors and BBVA Senior Management:

- Adequate balance between the fixed and variable components of total remuneration, in line with applicable regulations, designed to provide flexibility with regard to payment and amounts of the variable components, allowing for such components to be reduced, in part or in full, where appropriate. The proportion between the two components is established in accordance with the type of functions carried out by each beneficiary.
- The variable remuneration shall be based on effective risk management and linked to the level of achievement of financial and non-financial targets previously established and defined at the Group, area and individual levels, that take into account present and future risks assumed and the Group's long-term interests.
- The variable remuneration for each year will not accrue, or will accrue in a reduced amount, should a certain level of profit and capital ratio not be achieved, thus being subject to ex ante adjustments.
- The annual variable remuneration shall be calculated on the basis of: (i) annual performance indicators (financial and non-financial); (ii) scales of achievement, as per the weightings allocated to each indicator; and (iii) a target annual variable remuneration, representing the amount of annual variable remuneration if 100% of the pre-established targets are met. The resulting amount shall constitute the annual variable remuneration of each beneficiary.
- The annual variable remuneration shall be subject to specific rules regarding its award, vesting and payment, including the following:
  - Once the annual variable remuneration has been awarded, 60% of the annual variable remuneration for members of the Identified Staff and 40% of the annual variable remuneration for executive directors, Senior Management and those members of the Identified Staff with particularly high variable remuneration shall be vested and paid, if conditions are met, as a general rule, in the first four months of the financial year following that to which it corresponds (the upfront portion).
  - 40% of the annual variable remuneration for members of the Identified Staff and 60% of the annual variable remuneration for executive directors, Senior Management and those members of the Identified Staff with particularly high variable remuneration amounts shall be deferred over a period of four years, in the case of members of the Identified Staff, and of five years, in the case of executive directors and Senior Management (the deferred portion).
  - Both the upfront portion and the deferred portion of the annual variable remuneration for members of the Identified Staff shall be paid 50% in cash and 50% in BBVA shares or in instruments linked to BBVA shares. For executive directors and members of Senior Management, the upfront portion shall be paid 50% in cash and 50% in BBVA shares and the deferred portion shall be paid 60% in BBVA shares and 40% in cash.
  - Shares or instruments vested as annual variable remuneration shall be withheld for a one-year lock-up period after delivery, except for the transfer of those shares or instruments required to honor the payment of taxes.
  - Additionally, in the case of executive directors, following the award of BBVA shares derived from the settlement of the variable remuneration, they shall not be able to transfer their ownership until a period of at least three years has elapsed, except if the relevant executive director has, at the time of the transfer, a net economic exposure to the variation in the price of BBVA shares for a market value equivalent to at least twice his annual fixed remuneration through the ownership of shares, options or other financial instruments. The foregoing shall not apply to the shares that the executive director needs to sell to meet the costs related to their acquisition or, upon favorable assessment of the Remuneration Committee, to address an extraordinary situation.
  - The deferred portion of the annual variable remuneration for members of the Identified Staff, shall be paid, if conditions are met, on a pro rata basis, at the end of each year for each of the four or five (as the case may be) years of deferral, in an amount equivalent to 25% to such deferred portion for members of the Identified Staff and to 20% for executive directors and Senior Management.

- The deferred portion of the annual variable remuneration may be reduced but never increased, based on the result of multi-year performance indicators aligned with the Group’s core risk management and control metrics, related to solvency, capital, liquidity, profitability, or value creation, measured over a period of three years.
- Once the measurement period of multi-year performance indicators has ended, their result shall determine the extent to which downward ex post adjustments, if appropriate, should be made on the outstanding amount of the deferred portion of the annual variable remuneration.
- Resulting cash portions of the deferred annual variable remuneration to be vested, shall be updated according to the criteria established by the Board of Directors.
- No personal hedging strategies or insurance may be employed by Identified Staff members in connection with their remuneration and responsibility that may undermine their incentives to align with sound risk management.
- The variable component of remuneration for a year shall be limited to a maximum amount of 100% of the fixed component of total remuneration, unless the general shareholders’ meeting resolves to increase this percentage up to a maximum of 200%.
- The entire annual variable remuneration shall be subject to “malus” and “clawback” arrangements during the whole deferral and lock-up period, as follows:
  1. Up to 100% of the annual variable remuneration of members of the Identified Staff, including executive directors and Senior Management, corresponding to each year shall be subject to “malus” and “clawback” arrangements, both linked to a downturn in financial performance of the Bank as a whole, or of a specific unit or area, or of exposures generated by such member of the Identified Staff, when such downturn in financial performance arises from any of the following circumstances:
    - (a) misconduct, fraud or serious infringement of the Code of Conduct and other applicable internal rules by such member of the Identified Staff;
    - (b) regulatory sanctions or judicial convictions due to events that could be attributed to such member of the Identified Staff ;
    - (c) significant failure of risk management committed by the Bank or by a business or risk control unit, to which the willful misconduct or gross negligence of such member of the Identified Staff contributed; or
    - (d) restatement of the Bank’s financial statements, except where such restatement is due to a change in applicable accounting legislation.

For these purposes, the Bank will compare the performance assessment carried out for the relevant member of the Identified Staff with the ex post behavior of some of the criteria that contributed to the achievement of any targets. Both “malus” and “clawback” will apply to the annual variable remuneration of the year in which the event giving rise to application of the “malus” and/or “clawback” arrangements occurred, and they may be applied during the entire deferral and lock-up period applicable to the shares or instruments corresponding to said annual variable remuneration.

2. Notwithstanding the foregoing, in the event that these scenarios give rise to a dismissal or termination of contract of the member of the Identified Staff due to a serious and guilty breach of duties, “malus” arrangements may apply to the entire deferred annual variable remuneration from previous years pending payment at the date of the dismissal or termination decision, in light of the extent of the damage caused.
3. Moreover, “malus” and “clawback” arrangements shall also be applicable in the event the above circumstances, regardless of their financial impact, create a significant reputational damage to the Bank. These arrangements shall be applicable to the annual variable remuneration, including to the deferred amounts of previous financial years, the payment of which corresponds to or has taken place in the financial year in which the damage is revealed.

In any case, the annual variable remuneration will only vest or be paid if it is sustainable according to the situation of the BBVA Group as a whole, and justified based on the results of the Bank, the relevant business unit and the Identified Staff member concerned.

As regards non-executive directors, their remuneration system, in accordance with the Bank's Bylaws and Directors' Remuneration Policy, is based on the criteria of responsibility, dedication and incompatibilities inherent to their role, and consists entirely of fixed remuneration.

### **Remuneration of non-executive directors**

The remuneration of the non-executive members of the Board of Directors during 2022 and 2021 is indicated below, individually and itemized for each non-executive director.

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other Functions (1)	Total	
	(thousands of euros)								2022	2021
José Miguel Andrés Torrecillas	129	167	66	–	–	115	–	50	527	527
Jaime Caruana Lacorte	129	167	165	107	–	–	–	–	567	567
Raúl Galamba de Oliveira	129	–	–	107	–	–	43	53	332	278
Belén Garijo López	129	–	66	–	107	46	–	–	349	349
Connie Hedegaard (2)	107	–	–	–	–	–	–	–	107	–
Sunir Kumar Kapoor (3)	32	–	–	–	–	–	11	–	43	172
Lourdes Máiz Carro	129	–	66	–	43	–	–	–	238	238
José Maldonado Ramos	129	167	–	–	–	46	–	–	342	342
Ana Peralta Moreno	129	–	66	–	43	–	–	–	238	238
Juan Pi Llorens	129	–	–	214	–	46	43	27	458	512
Ana Revenga Shanklin	129	–	–	107	–	–	29	–	264	236
Susana Rodríguez Vidarte	129	167	–	107	–	46	–	–	449	449
Carlos Salazar Lomelín	129	–	–	–	43	–	–	–	172	172
Jan Verplancke	129	–	–	–	43	–	43	–	214	214
<b>Total (4)</b>	<b>1,684</b>	<b>667</b>	<b>431</b>	<b>642</b>	<b>278</b>	<b>301</b>	<b>168</b>	<b>130</b>	<b>4,300</b>	<b>4,293</b>

(1) Amounts received in 2022 and 2021 by José Miguel Andrés Torrecillas, as Deputy Chair of the Board, Raúl Galamba de Oliveira, as Lead Director (from its appointment on April 28, 2022), and Juan Pi Llorens, as Lead Director (until April 28, 2022).

(2) Appointed by the general shareholders' meeting held on March 18, 2022. Remuneration received based on date of acceptance of office.

(3) Left office on March 18, 2022. With respect to 2022, remuneration for the term of office in 2022.

(4) Includes amounts corresponding to membership of the Board and its various committees during the 2022 and 2021 financial year.

In addition, in financial years 2022 and 2021, Carlos Salazar Lomelín received €90 thousand and €101 thousand, respectively, as per diems for his membership of the management body of BBVA México, S.A. and Grupo Financiero BBVA México, S.A. de C.V. and the BBVA México strategy forum.

Also, during the 2022 and 2021 financial years, €110 thousand and €102 thousand were paid out, respectively, in healthcare and casualty insurance premiums for non-executive directors.

### **Fixed remuneration system in shares with deferred delivery for non-executive directors**

BBVA has a fixed remuneration system in shares with deferred delivery for its non-executive directors, which was approved by the general shareholders' meeting held on March 18, 2006 and extended by resolutions of the general shareholders' meetings held on March 11, 2011 and on March 11, 2016 for a further five-year period in each case, and by the general shareholders' meeting held on April 20, 2021 for a further three-year period.

This system is based on the annual allocation to non-executive directors of a number of theoretical shares of BBVA equivalent to 20% of the total annual fixed allowance in cash received by each director in the previous year, calculated according to the average closing prices of the BBVA share during the sixty trading sessions prior to the annual general shareholders' meeting approving the corresponding financial statements for each financial year.

These shares will be delivered to each beneficiary, where applicable, after they leave directorship for any reason other than serious breach of their duties.





The theoretical shares allocated to non-executive directors who were beneficiaries of the fixed remuneration system in shares with deferred delivery in the 2022 and 2021 financial years, corresponding to 20% of the total annual fixed allowance in cash received by each of them in the 2021 and 2020 financial years, respectively, were as follows:

	2022		2021	
	Theoretical shares allocated	Theoretical shares accumulated as at December 31	Theoretical shares allocated	Theoretical shares accumulated as at December 31
José Miguel Andrés Torrecillas	19,253	118,025	22,860	98,772
Jaime Caruana Lacorte	20,733	77,705	25,585	56,972
Raúl Galamba de Oliveira	10,177	19,677	9,500	9,500
Belén Garijo López	12,741	90,589	15,722	77,848
Connie Hedegaard (1)	–	–	–	–
Sunir Kumar Kapoor (2)	6,270	–	7,737	30,652
Lourdes Máiz Carro	8,696	64,356	10,731	55,660
José Maldonado Ramos	12,493	136,477	15,416	123,984
Ana Peralta Moreno	8,696	35,092	10,731	26,396
Juan Pi Llorens	18,703	134,599	23,079	115,896
Ana Revenga Shanklin	8,611	16,179	7,568	7,568
Susana Rodríguez Vidarte	16,400	177,775	20,237	161,375
Carlos Salazar Lomelín	6,270	11,912	5,642	5,642
Jan Verplancke	7,835	29,251	9,024	21,416
<b>Total (3)</b>	<b>156,878</b>	<b>911,637</b>	<b>183,832</b>	<b>791,681</b>

- (1) Appointed by the general shareholders' meeting held on March 18, 2022; accordingly, the allocation of theoretical shares is not due until 2023.
- (2) Left office on March 18, 2022. Based on the terms of the remuneration policy, upon leaving office, he received 36,922 BBVA shares (which is equivalent to the aggregate theoretical shares accumulated up to that date).
- (3) The number of theoretical shares allocated in 2022 and 2021 to each non-executive director is equal to 20% of the total annual fixed allowance in cash received by each such director in 2021 and 2020 based on the average closing price of the BBVA share during the 60 trading sessions prior to the general shareholders' meetings of March 18, 2022 and April 20, 2021, which were €5.47 and €4.44 per share, respectively.

### *Remuneration of executive directors*

During the 2022 and 2021 financial years, the executive directors received the amount of the annual fixed remuneration corresponding to such financial years, established for each director in the Directors' Remuneration Policy approved by the general shareholders' meeting held on April 20, 2021.

In addition, in the 2022 and 2021 financial years, the executive directors accrued the annual variable remuneration corresponding to each such year, which was awarded once the financial year had ended. The upfront portion (40%) of this remuneration vested and became payable following such award in 2023 and 2022, respectively, while the rest of it (60%) was deferred for a period of five years. All of it, in accordance with the deferral, vesting and payment rules and other conditions applicable to annual variable remuneration as set out in the Directors' Remuneration Policy approved by the general shareholders' meeting held on April 20, 2021.

Moreover, in accordance with the applicable remuneration policies for previous financial years, once the 2022 and 2021 financial years had ended, the corresponding portions of deferred annual variable remuneration from previous years vested and became payable to executive directors.

The remuneration of executive directors corresponding to the 2022 and 2021 financial years is indicated below, individually and itemized:

<b>Annual Fixed Remuneration (thousands of euros)</b>	<b>2022</b>	<b>2021</b>
Chair	2,924	2,924
Chief Executive Officer	2,179	2,179
<b>Total</b>	<b>5,103</b>	<b>5,103</b>

Annual Variable Remuneration	2022 (1)		2021 (2)	
	In cash (thousands of euros)	In shares	In cash (thousands of euros)	In shares
Chair	926	158,169	849	159,235
Chief Executive Officer	712	121,646	645	120,977
<b>Total</b>	<b>1,639</b>	<b>279,815</b>	<b>1,494</b>	<b>280,212</b>

- (1) Remuneration corresponding to the upfront portion (40%) of the annual variable remuneration for the 2022 financial year, which will be paid during the first quarter of the 2023 financial year, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (deferred portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the deferred portion each year. The deferred portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the 2022 financial year. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the deferred portion. All of this is subject to the vesting and payment rules provided for in the BBVA Directors' Remuneration Policy.

Moreover, the remaining rules set forth in the BBVA Directors' Remuneration Policy regarding the annual variable remuneration of executive directors will be applicable to 2022 annual variable remuneration, including: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update of the deferred portion in cash in accordance with the Consumer Price Index (CPI); (iv) "malus" and "clawback" arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the general shareholders' meetings of March 18, 2022.

- (2) Remuneration corresponding to the upfront portion (40%) of the annual variable remuneration for the 2021 financial year paid in 2022.

Deferred Annual Variable Remuneration Corresponding to Previous Financial Years		2022 (1)		2021 (2)	
	Deferred Annual Variable Remuneration	In cash (thousands of euros)	In shares	In cash (thousands of euros)	In shares
Chair	2021	215	57,325	–	–
	2020	–	–	–	–
	2019	513	136,587	–	–
	2018	128	35,795	364	107,386
	2017	154	27,898	146	27,898
<b>Subtotal</b>		<b>1,011</b>	<b>257,605</b>	<b>510</b>	<b>135,284</b>
Chief Executive Officer	2021	164	43,552	–	–
	2020	–	–	–	–
	2019	460	122,572	–	–
	2018	–	–	332	61,282
	2017	–	–	–	–
<b>Subtotal</b>		<b>624</b>	<b>166,124</b>	<b>332</b>	<b>61,282</b>
<b>Total</b>		<b>1,635</b>	<b>423,729</b>	<b>842</b>	<b>196,566</b>

- (1) Deferred remuneration from previous years to be paid after 2022 year-end. Payment to the Chair and/or Chief Executive Officer will take place in 2023 in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 deferred annual variable remuneration: corresponds to the first payment (20% of the deferred portion) to the Chair and the Chief Executive Officer, including the update of the portion in cash.
- 2019 deferred annual variable remuneration: corresponds to the first payment (60% of the deferred portion) to the executive directors, including the update of the portion in cash, and after having verified that no reduction was applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors.
- 2018 deferred annual variable remuneration: corresponds to the second payment (20% of the deferred portion) to the Chair, including the update of the portion in cash.
- 2017 deferred annual variable remuneration: corresponds to the third and final payment (20% of the deferred portion) to the Chair, including the update of the portion in cash.

- (2) Deferred remuneration from previous financial years which payment to the Chair and the Chief Executive Officer took place in 2022 in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 deferred annual variable remuneration: corresponds to the first payment (60% of the deferred portion) to the Chair, and full payment to the Chief Executive Officer, including in both cases the update of the portion in cash. This remuneration is associated with their previous positions as Chief Executive Officer and President & CEO of BBVA USA, respectively.
- 2017 deferred annual variable remuneration: corresponds to the second payment (20% of the deferred portion) to the Chair, including the update of the portion in cash. This remuneration is associated with his former position as Chief Executive Officer.

In addition, in accordance with the current Directors' Remuneration Policy, during the 2022 and 2021 financial years, the Chief Executive Officer received a corresponding amount of fixed remuneration in cash in lieu of pension (see "*Pension commitments with executive directors*"), and for his mobility allowance. The Bank paid the Chief Executive Officer €654 thousand and €600 thousand, respectively, each year.



In addition, the executive directors received remuneration in kind during the 2022 and 2021 financial years, including insurance premiums and others, €283 thousand and €328 thousand in the case of the Chair and €155 thousand and €158 thousand in the case of the Chief Executive Officer, respectively.

#### ***Pension commitments with executive directors***

The Bank does not have pension commitments with non-executive directors.

With regard to the Chair, the Directors' Remuneration Policy establishes a pension framework whereby he is eligible, provided that he does not leave his position as a result of a serious breach of duties, to receive a retirement pension, paid as a lump sum or in installments, when he reaches the legally established retirement age. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields as of that date.

The annual contribution to cover the retirement contingency for the Chair's defined-contribution system, as established in the Directors' Remuneration Policy approved by the general shareholders' meeting in 2021, amounts to €439 thousand. The Board of Directors may update this amount during the term of the Directors' Remuneration Policy, in the same way and under the same terms as it may update the annual fixed remuneration.

15% of the aforementioned agreed annual contribution will be based on variable components and considered "discretionary pension benefits", and will, therefore, be subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the Directors' Remuneration Policy.

In the event the Chair's contract terminates before reaching retirement age for reasons other than serious breach of duties, the retirement pension due to the Chair upon reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank under the terms set out, up to that date, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank as of the time of termination.

With respect to the commitments in favor of the Chair to cover the contingencies for death and disability, the Bank will undertake the payment of the corresponding annual insurance premiums in order to top up the coverage of these contingencies.

In line with the above, during the 2022 financial year, the following amounts were recorded to meet the pension commitments for the Chair: €451 thousand with regard to the retirement contingency, which corresponds to the annual contribution agreed to cover the retirement contingency, which is €439 thousand, increased in an amount of €12 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the 2021 financial year, which were declared at the close of said financial year and had to be registered in the accumulated fund in 2022. Likewise, an amount of €473 thousand has been recorded for the payment of premiums for death and disability contingencies.

As of December 31, 2022, the total accumulated amount of the fund to meet the retirement commitments for the Chair amounted to €22,771 thousand.

With regard to the agreed annual contribution to the retirement contingency corresponding to the 2022 financial year, 15% (€66 thousand) was registered in that financial year as "discretionary pension benefits". Following the end of the financial year, this amount was adjusted by applying the same criteria used to determine the Chair's annual variable remuneration for the 2022 financial year and was determined to amount to €85 thousand, which represents an upward adjustment of €19 thousand. This upward adjustment to the "discretionary pension benefits" will be included in the accumulated fund in the 2023 financial year and will be subject to the conditions established for them in the Directors' Remuneration Policy.

With regard to the Chief Executive Officer, in accordance with the provisions of the current Directors' Remuneration Policy and his contract, the Bank is not required to make any contributions to a retirement pension, although he is entitled to an annual cash sum instead of a retirement pension equal to 30% of his annual fixed remuneration. However, the Bank has pension commitments to cover the death and disability contingencies, for which purpose the corresponding annual insurance premiums are paid.

In accordance with the above, in the 2022 financial year the Bank paid the Chief Executive Officer the amount of fixed remuneration as cash in lieu of pension set out under "*—Remuneration of executive directors*". Furthermore, €285 thousand was recorded for the payment of the annual insurance premiums to cover the death and disability contingencies.

In accordance with the above, amounts recorded to meet the pension commitments for the executive directors during 2022 and 2021 are indicated below:

Executive Directors (thousands of euros)	Contributions (1)				Accumulated funds	
	Retirement		Death and disability		2022	2021
	2022	2021	2022	2021		
Chair	451	340	473	574	22,771	24,546
Chief Executive Officer	–	–	285	295	–	–
<b>Total</b>	<b>451</b>	<b>340</b>	<b>758</b>	<b>869</b>	<b>22,771</b>	<b>24,546</b>

- (1) Contributions recognized to meet pension commitments for the executive directors in the financial years 2022 and 2021. In the case of the Chair, these correspond to the sum of the annual retirement pension contribution and the adjustment made to the “discretionary pension benefits” for the financial years 2021 and 2020, and the death and disability premiums. In the case of the Chief Executive Officer, the contributions recognized correspond exclusively to the insurance premiums paid by the Bank in 2022 and 2021 to cover the contingencies of death and disability, given that, in his case, the Bank has not undertaken any commitments to cover the retirement contingency.

### **Remuneration of Senior Management**

During the 2022 and 2021 financial years, the members of Senior Management, excluding executive directors, received the amount of the annual fixed remuneration corresponding to such financial year.

In addition, in the 2022 and 2021 financial years, the members of Senior Management have accrued the annual variable remuneration corresponding to each such year, which was awarded once the financial year had ended. The upfront portion (40%) of this remuneration vested and became payable following such award in 2023 and 2022, respectively, while the rest of it (60%) was deferred for a period of five years. All of it, in accordance with the deferral, vesting and payment rules and other conditions applicable to annual variable remuneration as set out in the BBVA Group’s General Remuneration Policy.

Moreover, in accordance with the applicable remuneration policies for previous financial years, once the 2022 and 2021 financial years had ended, the corresponding portions of deferred annual variable remuneration from previous years vested and became payable to members of Senior Management.

The aggregate remuneration corresponding to the 2022 and 2021 financial years to members of the Senior Management, who held that position as of December 31, 2022 and December 31, 2021 (16 members in both cases), excluding executive directors, is indicated and itemized below:

Annual Fixed Remuneration (thousands of euros)	2022	2021
Total Senior Management	18,149	16,435

Annual Variable Remuneration	2022 (1)		2021 (2)	
	In cash (thousands of euros)	In shares	In cash (thousands of euros)	In shares
Total Senior Management	2,143	365,746	1,849	346,106

- (1) Remuneration corresponding to the upfront portion (40%) of the annual variable remuneration for the 2022 financial year, which will be paid during the first quarter of the 2023 financial year, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (deferred portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the deferred portion each year. The deferred portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the 2022 financial year. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the deferred portion. All of this is subject to the vesting and payment rules provided for in the BBVA Group’s General Remuneration Policy.

Moreover, the remaining rules applicable to the annual variable remuneration of the members of Senior Management established in the BBVA Group’s General Remuneration Policy shall apply to the annual variable remuneration for the 2022 financial year, which include: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update for the Deferred Portion in cash in accordance with the CPI; (iv) “malus” and “clawback” arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2022.

- (2) Remuneration corresponding to the upfront portion (40%) of the annual variable remuneration for the 2021 financial year paid in the first half of 2022.

<b>Deferred Annual Variable Remuneration Corresponding to Previous Financial Years</b>		<b>2022 (1)</b>		<b>2021 (2)</b>	
	Deferred Annual Variable Remuneration	In cash (thousands of euros)	In shares	In cash (thousands of euros)	In shares
Senior Management Total	2021	473	124,602	–	–
	2020	–	–	–	–
	2019	1,355	320,172	–	–
	2018	152	41,442	697	177,104
	2017	168	29,267	158	29,267
<b>Total</b>		<b>2,149</b>	<b>515,483</b>	<b>855</b>	<b>206,371</b>

- (1) Deferred remuneration from previous years to be paid after 2022 year-end. Payment to members of Senior Management who are beneficiaries will take place in 2023 in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:
- 2021 deferred annual variable remuneration: corresponds to the first payment (20% of the deferred portion), including the update of the portion in cash. Thereafter, 80% of the 2021 deferred annual variable remuneration will be deferred, and if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.
  - 2019 deferred annual variable remuneration: corresponds to the first payment (60% of the deferred portion) or payment in full (depending on the payment schedule set out in the policies in force in 2019) including the update of the portion in cash, and after having verified that no reduction was applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors. In addition, the first payment of the deferred portion of a retention plan is payable to two members of Senior Management.
  - 2018 deferred annual variable remuneration: corresponds to the second payment (20% of the deferred portion) including the update of the portion in cash.
  - 2017 deferred annual variable remuneration: corresponds to the third and final payment (20% of the deferred portion), including the update of the portion in cash.
- (2) Deferred remuneration from previous financial years which payment to Senior Management who were beneficiaries took place in 2022, in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:
- 2018 deferred annual variable remuneration: in 2022, the members of Senior Management who were beneficiaries have been paid the amounts that corresponded in each case in accordance with the payment schedule established in the remuneration policies in force in 2018, including the update of its portion in cash.
  - 2017 deferred annual variable remuneration: in 2022, the second payment (20% of the deferred portion) has been paid to the members of the Senior Management who were beneficiaries, including the update of its portion in cash.

In addition, all of the members of Senior Management, excluding executive directors, received remuneration in kind during the 2022 and 2021 financial years, including insurance premiums and others, amounting to a total of €1,093 thousand and €1,409 thousand, respectively.

### ***Pension commitments with Senior Management***

In the 2022 financial year, to meet the pension commitments for members of the Senior Management (16 members as of December 31, 2022, excluding executive directors), the following aggregate amounts were recorded: an amount of €3,694 thousand for contribution to the retirement contingency (which corresponds to the annual contribution agreed to cover the retirement contingency, increased by an amount of €111 thousand corresponding to the upward adjustment of “discretionary pension benefits” for 2021 financial year which were declared at the end of that financial year and had to be registered in the accumulated fund in 2022), and an amount of €1,465 thousand for premiums to cover the death and disability contingencies.

At December 31, 2022, the total accumulated amount of the fund to meet the retirement commitments for members of Senior Management amounted to €29,435 thousand.

As in the case of executive directors, 15% of the agreed annual contributions for members of the Senior Management to cover retirement contingencies will be based on variable components and considered “discretionary pension benefits”, and therefore subject to the conditions regarding delivery in shares, retention and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the remuneration policy applicable to members of the Senior Management.

Therefore, with regard to the agreed annual contribution for the retirement contingency registered in the 2022 financial year, an amount of €536 thousand was registered in 2022 as “discretionary pension benefits”, and following the end of the financial year, this amount was adjusted applying the same criteria used to determine the 2022 annual variable remuneration for members of Senior Management.

Accordingly, the “discretionary pension benefits” for members of the Senior Management for the 2022 financial year were determined in an amount of €689 thousand, representing an upward adjustment of €153 thousand. This upward adjustment to the “discretionary pension benefits” will be included in the accumulated fund in the 2023 financial year, and will be subject to the conditions established for them in the remuneration policy applicable to members of Senior Management, in accordance with the regulations applicable to the Bank on this matter.

In accordance with the above, amounts recorded to meet the pension commitments for the members of Senior Management during 2022 and 2021 are indicated below:

Senior Management (thousands of euros)	Contributions (1)				Accumulated funds	
	Retirement		Death and disability		2022	2021
	2022	2021	2022	2021		
Senior Management Total	3,694	3,056	1,465	1,333	29,435	27,472

(1) Contributions recorded to meet pension commitments for the whole of Senior Management in 2022 and 2021, which correspond to the sum of the annual retirement pension contributions and the adjustments made to the “discretionary pension benefits” for 2021 and 2020, respectively, and the insurance premiums paid by the Bank for death and disability contingencies.

### ***Extinction of contractual relationship***

In accordance with the Directors’ Remuneration Policy, the Bank has no commitments to pay severance benefits to any executive directors.

With regard to Senior Management, excluding executive directors, the Bank did not make any payments arising from the termination of contractual relationships in 2022 and 2021.

## **C. Board Practices**

### **Committees**

Our corporate governance system is based on the distribution of functions between the Board and the following specialized Board committees: the Executive Committee, Audit Committee; the Appointments and Corporate Governance Committee; the Remuneration Committee; the Risk and Compliance Committee; and the Technology and Cybersecurity Committee.

Additional information on our Board committees, including their current composition, is provided in the following sections.

### ***Executive Committee***

Our Board of Directors is assisted in fulfilling its responsibilities by the Executive Committee (*Comisión Delegada Permanente*) of the Board of Directors.

As of the date of this Annual Report, BBVA’s Executive Committee is comprised of two executive directors, two external directors and two independent directors, who are the following:

Position (type of directorship)	Name
Chair (Executive)	Mr. Carlos Torres Vila
Member (Executive)	Mr. Onur Genç
Member (Independent)	Mr. José Miguel Andrés Torrecillas
Member (Independent)	Mr. Jaime Félix Caruana Lacorte
Member (External)	Mr. José Maldonado Ramos
Member (External)	Mrs. Susana Rodríguez Vidarte

According to the Regulations of the Executive Committee, the Executive Committee will deal with matters delegated to it by the Board of Directors and, in particular, will have the following functions, among others:

Support functions to the Board of Directors in its decision-making:

- On strategy: (i) establishment of the bases and previous analysis of the proposals submitted to the Board of Directors in relation to the Bank's Strategic Plan or other strategic decisions, including the Risk Appetite Framework; (ii) prior analysis of the strategic and financial aspects of the proposals submitted to the Board of Directors in relation to corporate transactions corresponding to its decision-making powers, in respect of which it will submit its report to the Board, accompanied, where necessary, by reports from the other Board committees on those matters within their respective remits; (iii) adoption of decisions and execution of mandates that may be expressly delegated by the Board of Directors in these fields, once the decisions reserved to it are adopted by the Board.
- On budgets: (i) prior analysis of the proposals submitted to the Board of Directors in relation to the Bank's budgets; (ii) adoption of the corresponding decisions for the implementation of the budget approved by the Board of Directors; (iii) analysis of deviations from the approved budget and, where appropriate, reporting such to the Board of Directors.
- On finances: (i) establishment of the bases and previous analysis of the proposals submitted to the Board of Directors relating to the Bank's funding plan, its capital and liquidity structure, and its dividends policy; (ii) adoption of implementation decisions of mandates expressly conferred on it by the Board of Directors in these fields.
- Analysis of matters relating to business risk in the proposals and plans submitted to the Board of Directors.
- Analysis, assessment and management of matters relating to reputational risk.

Functions of prior reporting on policies submitted to the Board of Directors and approval of general Group and Company policies:

- Analyze, prior to their consideration by the Board of Directors, the general Group and Company policies that, in accordance with the law or internal regulations, must be approved by the Board of Directors, except for policies relating to issues within other Board committees' remit, which will be approved or reported to the Board beforehand by the corresponding committee.

Monitoring and control functions:

- The Committee will perform monitoring and control functions regarding the following matters, among others: (i) the Group's activity and results; (ii) budget monitoring; (iii) progress of the Strategic Plan, through the key performance indicators established for this purpose; (iv) monitoring of the Group's liquidity and funding plan and capital situation, as well as of the activity of the Assets and Liabilities Committee; (v) analysis of the markets in which the Group carries out its activities; (vi) progress of the projects and investments agreed upon within its remit.

Decision-making powers over the following issues, among others:

- Investments and divestments exceeding €50 million and not reaching €400 million, unless they are of a strategic nature due to their particular characteristics, in which case the decision will correspond to the Board of Directors.
- Plans and projects that are considered of importance to the Group and that arise from its activities, when they do not fall within the remit of the Board of Directors.
- Decisions pertaining to the assumption of risks that exceed the limits set by the Board of Directors, which must be reported to the Board of Directors at its first meeting held thereafter, for ratification.
- The granting and revoking of the Bank's powers of attorney.
- Proposals for the appointment and replacement of directors in the Bank's subsidiaries or investee companies with more than €50 million in own funds.
- Decisions regarding whether executive directors may hold management positions in companies controlled, directly or indirectly, by the Bank, or in the Group's investee companies.



The Executive Committee will meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agendas. The Committee will endeavor to establish an annual calendar of meetings, considering the amount of time to be devoted to its different tasks. During 2022, the Executive Committee met nineteen (19) times.

### ***Audit Committee***

The Audit Committee shall perform the duties required under applicable law, Board of Directors Regulations, our Bylaws and its specific Regulations. Essentially, its mission is to assist the Board of Directors in overseeing the preparation of the financial statements and public information, and the relationship with the external auditor and the Internal Audit function.

The Board of Directors Regulations establish that the Audit Committee will be composed of a minimum of four directors to be appointed by the Board of Directors, which will also appoint its Chair, who will be replaced every four years and may be re-elected one year after ceasing to hold the position. The Audit Committee will be composed exclusively of independent directors. The Board of Directors will endeavor to ensure that the members of the Committee have the knowledge and experience appropriate to the duties they are called upon to perform. In any event, at least one member will be appointed taking into account his or her knowledge and experience in accounting, auditing or both. See “*Item 16.A. Audit Committee Financial Expert*”.

As of the date of this Annual Report, the Audit Committee is comprised of five independent directors, who are the following:

<b>Position (type of directorship)</b>	<b>Name</b>
Chair (Independent)	Mr. Jaime Félix Caruana Lacorte
Member (Independent)	Mr. José Miguel Andrés Torrecillas
Member (Independent)	Mrs. Belén Garijo López
Member (Independent)	Mrs. Lourdes Máiz Carro
Member (Independent)	Mrs. Ana Cristina Peralta Moreno

According to its Regulations, the Audit Committee has the following functions:

- Inform the general shareholders’ meeting on the questions raised in relation to the matters that are within the remit of the Committee and, in particular, on the result of the audit, explaining how the audit has contributed to the integrity of the financial information and the function performed by the Committee in this process.
- Oversee the process of preparing and reporting financial information and submit recommendations or proposals to the Board of Directors aimed at safeguarding the integrity thereof.
- Likewise, analyze, prior to their submission to the Board of Directors and in enough detail to guarantee their accuracy, reliability, sufficiency and clarity, the financial statements of the Bank and of its consolidated Group contained in the annual, six-monthly and quarterly reports, as well as in all other required financial and related non-financial information.
- Additionally, the Committee shall review the necessary consolidation perimeter, the correct application of accounting criteria, and all the relevant changes relating to the accounting principles used and to the presentation of the financial statements.
- Oversee the effectiveness of the Company’s internal control and risk management systems, in terms of the process of preparing and reporting financial information, including fiscal risks, and discuss with the auditor any significant weaknesses in the internal control system detected during the audit, without undermining its independence. For such purposes, and where appropriate, the Committee may submit recommendations or proposals to the Board of Directors, along with the deadline for their follow-up.
- With regard to the Internal Audit function:
  - a. Propose to the Board of Directors the selection, appointment, re-election and removal of the head of the Internal Audit function, based on candidates from within the executive level preselected by the Talent & Culture area.
  - b. Monitor the independence, effectiveness and operation of the Internal Audit function.
  - c. Analyze and establish objectives for the head of the Internal Audit function and assess his or her performance, submitting its proposal on both matters to the Remuneration Committee in order to ensure alignment with the remuneration model applicable to the Senior Management at any given time, submitting the corresponding proposals to the Board of Directors.



- d. Ensure that the Internal Audit function has the necessary material and human resources for the effective performance of its functions, in terms of personnel, as well as material elements, systems, procedures and operation manuals.
  - e. Analyze and, where appropriate, approve the annual work plan for the Internal Audit function, as well as any other occasional or specific plans to be implemented as a result of regulatory changes or as required for the organization of the Group's business.
- Receive monthly information from the head of the Internal Audit function regarding the activities carried out by the Internal Audit function, as well as regarding any incidents and obstacles that may arise, and verify that the Senior Management takes into account the conclusions and recommendations of his or her reports.
  - Be apprised of the audited units' degree of compliance with corrective measures previously recommended by Internal Audit, and report to the Board on those cases that may involve a significant risk for the Group.
  - Submit to the Board of Directors proposals for the selection, appointment, re-election and replacement of the external auditor, taking responsibility for the selection process in accordance with applicable regulations, as well as the hiring conditions of the external auditor, and to periodically obtain information from the external auditor on the external audit plan and its execution, in addition to preserving its independence in the performance of its functions.
  - Ensure the independence of the auditor in two senses: (i) avoiding that the auditor's warnings, opinions or recommendations may be adversely influenced. To this end, ensuring that compensation for the auditor's work does not compromise either its quality or independence, in compliance with the auditing legislation in force at any given moment; (ii) establishing incompatibility between the provision of audit and consulting services, unless they are tasks required by supervisors or the provision of which by the auditor is permitted by applicable legislation, and there are no alternatives on the market that are equal in terms of content, quality or efficiency to those provided by the auditor, in which case, conformity of the Committee will be required, and this decision may be delegated in advance to its Chair.
  - Establish appropriate relations with the auditor in order to receive information on any matters that may jeopardize their independence and any other matters in connection with the auditing process, as well as those other communications provided for by law and in auditing standards. In any event, the Committee must receive from the external auditors, on an annual basis, a statement of their independence with regard to the Company or entities directly or indirectly associated with it, as well as detailed and individualized information on additional services of any kind provided and the corresponding fees received by the external auditor or by persons or entities associated with the external auditor, as provided for in auditing legislation.
  - Where appropriate, authorize the provision of additional services other than prohibited services, by the auditor or associated persons or entities, the performance of which is required by applicable regulations in each case, under the terms provided for in auditing legislation.
  - Issue, on an annual basis and before the audit report is issued, a report expressing an opinion on whether the auditor's independence has been compromised. This report must, in all cases, contain a reasoned assessment of the provision of each and every additional service referred to in the preceding paragraph, considered individually and collectively, other than the legal audit, and relating to the framework of independence or the regulations on audit activity.
  - Verify, with the appropriate frequency, that the external audit program is being carried out in accordance with the contract conditions and is thereby meeting the requirements of the competent official authorities and the corporate bodies. The Committee will also periodically – at least once per year – request from the auditor an evaluation of the quality of the internal control procedures regarding the preparation and reporting of the Group's financial information.
  - Ensure that the auditor holds an annual meeting with the full Board of Directors to inform it of the work carried out and the progress of the Company's risks and accounting situations.
  - Be apprised of any infringements, situations requiring adjustments, or anomalies that may be detected during the course of the external audit, provided that these are relevant.
  - Be apprised of reports, documents or communications from external supervisory bodies related to the scope of the Committee's functions in the terms set out above. The Committee will ensure that the instructions, requirements and recommendations received from the supervisory bodies are implemented in due time and form, in order to correct any irregularities, shortfalls or inadequacies that may be detected in the inspections performed, within the scope of their functions.



- Report on all matters within its remit as provided for in the law, the Bylaws and the Board of Directors Regulations and the specific regulations of the Committee prior to any decisions that the general shareholders' meeting, the Board of Directors or the Executive Committee may be required to adopt regarding such matters, and in particular on: financial information that the Company is required to publish; economic conditions and accounting impact of relevant corporate transactions and structural modifications (*modificaciones estructurales*); the creation or acquisition of shares in special purpose vehicles or in entities domiciled in territories considered to be tax havens; and related-party transactions.

The Audit Committee will meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agendas. The Committee will endeavor to establish an annual calendar of meetings, considering the amount of time to be devoted to its different tasks. During 2022, the Audit Committee met thirteen (13) times.

Executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, in particular, Accounting and Internal Audit areas and, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager.

Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called. In any event, the Committee will endeavor to hold private meetings with the head of Internal Audit and with the external auditor, without the attendance of other persons and at appropriate intervals.

The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be provided by experts or technical staff within the Group on grounds of specialization or independence.

Furthermore, the Committee may solicit personal cooperation and reports from any employee or member of the Senior Management if deemed necessary in order to comply with its functions in relevant matters.

#### ***Appointments and Corporate Governance Committee***

The Appointments and Corporate Governance Committee assists the Board of Directors in matters relating to the selection and appointment of members of the Board of Directors; the assessment of performance; the drafting of succession plans; the Bank's corporate governance system; and the supervision of the conduct of directors and any conflicts of interest that may affect them.

In compliance with the Board of Directors Regulations, this Committee will be composed of a minimum of three directors who must be non-executive directors appointed by the Board of Directors, which will also appoint its Chair. The Chair and the majority of its members must be independent directors.

As of the date of this Annual Report, the Appointments and Corporate Governance Committee is composed of three independent directors, including its Chair, and of two external directors, who are the following:

<b>Position (type of directorship)</b>	<b>Name</b>
Chair (Independent)	Mr. José Miguel Andrés Torrecillas
Member (Independent)	Mrs. Belén Garijo López
Member (External)	Mr. José Maldonado Ramos
Member (Independent)	Mr. Juan Pi Llorens
Member (External)	Mrs. Susana Rodríguez Vidarte

The functions of the Appointments and Corporate Governance Committee according to its Regulations are as follows:

- Submit proposals to the Board of Directors for the appointment, re-election or removal of independent directors and report on proposals for the appointment, re-election or removal of the remaining directors.

To this end, the Committee will evaluate the balance of knowledge, skills and experience of the Board of Directors, as well as the conditions that the candidates must meet to cover the vacancies that arise, assessing the dedication of time considered necessary to adequately carry out their duties, in view of the needs that the corporate bodies have at any given time.

The Committee will ensure that selection procedures are not implicitly biased in such a way that may entail any kind of discrimination and, in particular, that may hinder the selection of directors of the underrepresented gender, endeavoring that directors of said gender who display the professional profile sought are included amongst potential candidates.

The Committee, when drafting the corresponding proposals for the appointment of directors, will take into consideration, in case they may be considered suitable, any requests that may be made by any member of the Board of Directors regarding potential candidates to fill the vacancies that have arisen.

- Submit proposals to the Board of Directors on policies on the selection and diversity of the members of the Board of Directors.
- Establish a target for representation of the underrepresented gender on the Board of Directors and draw up guidelines on how to reach that target.
- Analyze the structure, size and composition of the Board of Directors, at least once per year, when assessing its operation.
- Analyze the suitability of the members of the Board of Directors.
- Review the status of each director each year, so that this may be reflected in the Annual Corporate Governance Report.
- Report on proposals for the appointment of the Chair of the Board and Secretary and, where appropriate, the Deputy Chair and the Deputy Secretary, as well as the Chief Executive Officer.
- Submit to the Board of Directors proposals for the appointment, removal or re-election of the Lead Director.
- Determine the procedure for assessing the performance of the Chair of the Board of Directors, the Chief Executive Officer, the Board of Directors as a whole and the Board's committees, and to oversee its implementation.
- Report on the quality and efficiency of the performance of the Board of Directors.
- Report on the performance of the Chair of the Board of Directors and of the Chief Executive Officer, integrating for the latter the assessment made in this regard by the Executive Committee, for the purpose of the periodic assessment of both by the Board of Directors.
- Examine and organize the succession of the Chair of the Board of Directors, the Chief Executive Officer and, where applicable, the Deputy Chair, in coordination with the Lead Director in the case of the Chair of the Board and, where appropriate, submit proposals to the Board of Directors to ensure that the succession takes place in an orderly and planned manner.
- Review the Board of Directors' policy on the selection and appointment of members of the Senior Management, and submit recommendations to the Board when applicable.
- Report on proposals for the appointment and removal of senior managers.
- Regularly review and assess the Company's corporate governance system and, where applicable, submit proposals to the Board of Directors, for approval or subsequent submission to the General Shareholders' Meeting, on any amendments and updates that would contribute to its implementation and continuous improvement.
- Ensure compliance with the provisions applicable to directors contained in the Board of Directors Regulations or in the applicable legislation, as well as with the rules relating to conduct on the securities markets, and inform the Board of Directors of these if it deems it necessary.
- Report, prior to any decisions that may be made by the Board of Directors, on all matters within its remit as provided for in the law, the Bylaws, the Board of Directors Regulations and the Regulations of the Appointments and Corporate Governance Committee, and in particular on situations of conflict of interest of the directors.

In the performance of its duties, the Appointments and Corporate Governance Committee, through its chair, will consult with the Chair of the Board of Directors, particularly with respect to matters relating to executive directors and senior managers.

In accordance with the Regulations of the Appointments and Corporate Governance Committee, executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager.

Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Committee may, through its Secretary, engage external advisory services for relevant issues when it considers that these cannot be provided by experts or technical staff within the Group on grounds of specialization or independence. Furthermore, the Committee may solicit personal cooperation and reports from any employee or member of the Senior Management if deemed necessary in order to comply with its functions in relevant matters.

The Committee will meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agendas. The Committee will endeavor to establish an annual calendar of meetings, considering the amount of time to be devoted to its different tasks. During 2022, the Appointments and Corporate Governance Committee met six (6) times.

### ***Remuneration Committee***

The Remuneration Committee, in accordance with the Board of Directors Regulations, assists the Board of Directors in remuneration matters within its remit and, in particular, those relating to the remuneration of directors, senior managers and those employees whose professional activities have a significant impact on the Group's risk profile.

Under the Board of Directors Regulations, the Committee will be composed of a minimum of three directors appointed by the Board of Directors. All the members must be non-executive directors, with a majority of independent directors, including the Chair.

As of the date of this Annual Report, the Remuneration Committee is composed of four independent directors, including its Chair, and of one external director, who are the following:

<b>Position (type of directorship)</b>	<b>Name</b>
Chair (Independent)	Mrs. Belén Garijo López
Member (Independent)	Mrs. Lourdes Máiz Carro
Member (Independent)	Mrs. Ana Cristina Peralta Moreno
Member (External)	Mr. Carlos Salazar Lomelín
Member (Independent)	Mr. Jan Paul Marie Francis Verplancke

In accordance with the Regulations of the Remuneration Committee, the scope of the functions of the Remuneration Committee is as follows:

- Propose to the Board of Directors, for submission to the general shareholders' meeting, the remuneration policy for directors, and also submit its corresponding report, all in accordance with the terms established by applicable regulations at any given time.
- Determine the remuneration of non-executive directors, as provided for in the remuneration policy for directors, submitting the corresponding proposals to the Board.
- Determine the extent and amount of the individual remunerations, rights and other economic rewards, as well as the remaining contractual conditions for executive directors, so that these can be contractually agreed, in accordance with the remuneration policy for directors, submitting the corresponding proposals to the Board of Directors.
- Determine the objectives and criteria for measuring the variable remuneration of the executive directors and assess the degree of achievement thereof, submitting the corresponding proposals to the Board of Directors, which, in the case of the Chief Executive Officer, will take into account the assessment made by the Executive Committee and, in the case of other executive directors who may report to the Chair or to the Chief Executive Officer, the assessment made by these.
- Analyze, where appropriate, the need to make ex-ante or ex-post adjustments to variable remuneration, including the application of malus or clawback arrangements for variable remuneration, submitting the corresponding proposals to the Board of Directors, prior report of the corresponding committees in each case.





- Annually submit the proposal of the annual report on the remuneration of the Bank's directors to the Board of Directors, which will then be submitted to the annual general shareholders' meeting, in accordance with the provisions of the applicable law.
- Propose to the Board of Directors the remuneration policy for senior managers and employees whose professional activities have a significant impact on the Group's risk profile. Likewise, oversee its implementation, including supervision of the process for identifying such employees.
- Submit a proposal to the Board of Directors, and supervise the implementation of, the Group's remuneration policy, which may include the policy for senior managers and the policy for employees whose professional activities have a significant impact on the Group's risk profile, stated in the previous paragraph.
- Submit to the Board of Directors the proposals for basic contractual conditions for senior managers, including their remuneration and severance indemnity in the event of termination.
- Directly oversee the remuneration of senior managers and determine, within the framework of the remuneration model applicable to Senior Management at any given time, the objectives and criteria for measuring variable remuneration of the heads of the Regulation and Internal Control function and of the Internal Audit function, submitting the corresponding proposals to the Board of Directors, on the basis of those submitted to it in this regard by the Risk and Compliance Committee and the Audit Committee, respectively.
- Ensure observance of the remuneration policies established by the Company and review them periodically, proposing, where appropriate, any modifications deemed necessary to ensure, amongst other things, that they are adequate for the purposes of attracting and retaining the best professionals, that they contribute to the creation of long-term value and adequate control and management of risks, and that they attend to the principle of pay equity. In particular, ensure that the remuneration policies established by the Company are subject to internal, central and independent review at least once a year.
- Verify the information on the remuneration of directors and senior managers contained in the various corporate documents, including the annual report on the remuneration of directors.
- Oversee the selection of external advisers, whose advice or support is required for the performance of their functions in remuneration matters, ensuring that any potential conflicts of interest do not impair the independence of the advice provided.

In the performance of its duties, the Committee, through its chair, will consult with the Chair of the Board of Directors, particularly with respect to matters relating to executive directors and senior managers.

Pursuant to the Regulations of the Remuneration Committee, executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, as well as, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager.

Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Remuneration Committee will meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agendas. The Committee will endeavor to establish an annual calendar of meetings, considering the amount of time to be devoted to its different tasks. During 2022, the Remuneration Committee met on seven (7) occasions.

### ***Risk and Compliance Committee***

The Board's Risk and Compliance Committee's essential function is to assist the Board of Directors in the determination and monitoring of the Group's risk control and management policy, including risk internal control and non-financial risks, with the exception of those related to internal financial control, which are within the Audit Committee's remit; and those related to technological risk, which are within the Technology and Cybersecurity Committee's remit; in each case in accordance with the Board of Directors Regulations and the Regulations of the committees. It will also assist the Board of Directors in the oversight of the Compliance functions and the implementation of a risk and compliance culture in the Group.

The Risk and Compliance Committee will consist of a minimum of three directors appointed by the Board of Directors, which will also appoint its Chair. All the members of this Committee must be non-executive directors and the majority, including the Chair, must be independent directors. The Board of Directors will endeavor to ensure that the members of the Committee possess the appropriate knowledge, ability and experience to understand and control the risk strategy.

As of the date of this Annual Report, the Risk and Compliance Committee is composed of four independent directors, including its Chair, and of one external director, who are the following:

<b>Position (type of directorship)</b>	<b>Name</b>
Chair (Independent)	Mr. Juan Pi Llorens
Member (Independent)	Mr. Jaime Félix Caruana Lacorte
Member (Independent)	Mr. Raúl Catarino Galamba de Oliveira
Member (Independent)	Mrs. Ana Leonor Revenga Shanklin
Member (External)	Mrs. Susana Rodríguez Vidarte

Under the Regulations of the Risk and Compliance Committee, such Committee has the following duties:

- Based on the strategic elements established by either the Board of Directors or the Executive Committee at any given time, analyze and submit to the Board proposals regarding the Group's risk strategy, management and control, identifying in particular:
  - a. The Group's risk appetite; and
  - b. Determination of the level of risk considered acceptable in terms of risk profile and capital at risk, broken down by the Group's businesses and areas of activity.

The foregoing will include the Bank's Risk Appetite Framework, the internal capital and liquidity adequacy assessment processes, which the Committee will analyze and submit to the Board of Directors, based on the strategic-financial approaches determined by both the Board of Directors and the Executive Committee.

- Address, in a manner consistent with the Risk Appetite Framework established by the Board of Directors, the control and management policies for the different risks, including financial risks, and, to the extent that they do not correspond to another Board committee, non-financial risks, as well as information and internal control systems.
- Oversee the effectiveness of the Regulation and Internal Control function (integrated by the Regulation, Supervisors and Compliance areas, as well as the Risk Internal Control and the Non-Financial Risks areas), which will hierarchically report to the Board of Directors, through the Committee, and in particular:
  - a. Propose to the Board of Directors the appointment and removal of the head of Regulation and Internal Control function, based on candidates from within the executive level preselected by the Talent & Culture area.
  - b. Analyze and establish objectives for the head of Regulation and Internal Control function and assess his or her performance, incorporating the assessment of the Chair of the Board regarding the Regulation and Supervisors functions, submitting its proposal on both matters to the Remuneration Committee in order to ensure alignment with the remuneration model applicable to the Senior Management at any given time, submitting the corresponding proposals to the Board of Directors.
  - c. Ensure that the Regulation and Internal Control function has the necessary material and human resources for the effective performance of its functions.
  - d. Analyze and, where appropriate, approve the annual work plan for the Regulation and Internal Control function, as well as its modifications, and monitor compliance thereof.
- Receive monthly information from the head of Regulation and Internal Control function regarding the activities carried out by this area, as well as regarding any incidents that may arise, and verify that the Senior Management takes into account the conclusions and recommendations of his or her reports. Notwithstanding the foregoing, the head of Regulation and Internal Control function will also report quarterly to the full Board of Directors.

The Committee will also receive periodic information, as often as appropriate, from the heads of the Compliance, Risk Internal Control and Non-Financial Risk areas, integrated in the Regulation and Internal Control function.



- Monitor the evolution of the Group's risks and their degree of compatibility with established strategies and policies, and with the Group's Risk Appetite Framework, and oversee procedures, tools and risk measurement indicators established at Group level to obtain a global view of the Bank's and the Group's risks. Likewise, monitor compliance with prudential regulation and supervisory requirements regarding risks.

Furthermore, analyze, where appropriate, the measures envisaged to mitigate the impact of identified risks, should these materialize, to be adopted by the Executive Committee or the Board of Directors, as appropriate.

- Analyze, within its remit, the risks associated with projects that are considered strategic for the Group or with corporate transactions to be submitted to consideration by the Board of Directors or, where appropriate, to consideration by the Executive Committee and, where necessary, submit the corresponding report.
- Analyze, prior to their submission to the Board of Directors or to the Executive Committee those risk operations to be submitted to their consideration.
- Examine whether the prices of the assets and liabilities offered to customers fully take into account the Bank's business model and risk strategy and, if not, submit a plan to the Board of Directors aimed at rectifying the situation.
- Participate in the process of establishing the remuneration policy, ascertaining that it is compatible with an adequate and effective risk management strategy and that it does not offer incentives to assume risks that exceed the level tolerated by the Bank.
- Verify that the Company and the Group have means, systems, structures and resources that are consistent with best practices that enable to implement their risk management strategy, ensuring that the Bank's risk management mechanisms are adequate in relation thereto.
- Report, prior to any decisions that may have to be adopted by the Board of Directors, on all matters within its remit as provided for in the law, the Bylaws, the Board of Directors Regulations and the Regulations of the Risk and Compliance Committee.
- Ensure compliance with applicable national or international regulations on matters related to money laundering, conduct on the securities markets, data protection and the scope of Group activities with respect to competition, and ensure that requests for information or action made by official authorities on these matters are dealt with in due time and in an appropriate manner.
- Be informed on any breach of the applicable internal or external regulations, as well as the relevant events that the areas reporting to the Committee may have identified within their oversight and control functions. Likewise, the Committee shall be informed on those issues related to legal risks which may arise in the course of Group's activity.
- Examine draft codes of ethics and conduct and their respective modifications prepared by the corresponding area of the Group, and issue its opinion in advance of the proposals to be drawn up to the corporate bodies.
- Be apprised of reports, documents or communications from external supervisory bodies, notwithstanding any communication made with the remaining committees with regard to their respective remits. Likewise, verify that the instructions, requirements and recommendations received from the supervisory bodies in order to correct the irregularities, shortfalls or inadequacies identified in the inspections performed are fulfilled in due time and appropriate manner.
- Ensure the promotion of risk culture across the Group.
- Supervise the Group's criminal risk prevention model.
- Review and supervise the systems under which Group professionals may confidentially report any possible irregularities in the field of financial information or other matters.

Pursuant to the Regulations of the Risk and Compliance Committee, executives responsible for the areas that manage matters within the Committee's remit may be called to meetings, in particular, Regulation and Internal Control area and Risks area, and, at the request thereof, those persons within the Group who have knowledge of or responsibility for the matters covered by the agenda, when their presence at the meeting is deemed convenient. The Committee may also call any other Group employee or manager, and even arrange for them to attend without the presence of any other manager.



Notwithstanding the foregoing, it will seek to ensure that the presence of persons outside the Committee during these meetings, such as Bank managers and employees, be limited to those cases where it is necessary and to the items on the agenda for which they are called.

The Committee will meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agendas. The Committee will endeavor to establish an annual calendar of meetings, considering the amount of time to be devoted to its different tasks. In 2022, it held twenty-two (22) meetings.

### ***Technology and Cybersecurity Committee***

The Technology and Cybersecurity Committee's essential function is to assist the Board of Directors in the oversight of technological risk and cybersecurity management and in monitoring the Group's technology strategy.

The Technology and Cybersecurity Committee will consist of a minimum of three directors appointed by the Board of Directors, which will also appoint its Chair. The Board of Directors will endeavor to ensure that the members of the Committee have the knowledge and experience appropriate to the duties they are called upon to perform.

As of the date of this Annual Report, the Technology and Cybersecurity Committee is composed of one executive director and four independent directors, who are the following:

<b>Position (type of directorship)</b>	<b>Name</b>
Chair (Executive)	Mr. Carlos Torres Vila
Member (Independent)	Mr. Raúl Catarino Galamba de Oliveira
Member (Independent)	Mr. Juan Pi Llorens
Member (Independent)	Mrs. Ana Leonor Revenga Shanklin
Member (Independent)	Mr. Jan Paul Marie Francis Verplancke

Under its regulations, the Technology and Cybersecurity Committee has the following functions:

- Oversight of technological risk and cybersecurity management:

- Review the Group's exposures to the main technological risks, including the risks related to information security and cybersecurity, as well as the procedures adopted by the executive area to monitor and control such exposures.
- Review the policies and systems for the assessment, control and management of the Group's technological infrastructures and risks, including the response and recovery plans in the event of cyber-attacks.
- Be informed of business continuity plans in matters of technology and technological infrastructure.
- Be informed, as appropriate, of:
  - a. Compliance risks associated with information technologies; and
  - b. Procedures established to identify, assess, oversee, manage and mitigate these risks.
- Be informed of any relevant events that may have occurred with regard to cybersecurity, i.e. events that, either in isolation or as a whole, may cause significant impact or harm to the Group's equity, results or reputation. In any case, such events will be communicated, as soon as they are identified, to the Chair of the Committee.
- Be informed, with the frequency required by the head of the Technological Security area, of the activities carried out thereby, as well as of any incidents that may arise.

- Monitoring the Technology Strategy:

- Be informed, as appropriate, of the technology strategy and trends that may affect the Group's strategic plans, including the monitoring of general industry trends.
- Be informed, as appropriate, of the metrics established by the Group for the management and control in the technological field, including the Group's developments and investments in this field.
- Be informed, as appropriate, of matters related to new technologies, applications, information systems and best practices that may affect the Group's technology strategy or plans.
- Be informed, as appropriate, of the main policies, strategic projects and plans defined by the Engineering area.
- Report to the Board of Directors and, where appropriate, to the Executive Committee, on information technology-related matters falling within its remit.

For a better performance of its functions, appropriate coordination systems will be established between the Technology and Cybersecurity Committee and the Audit Committee to facilitate:

- That the Committee is aware of the conclusions of the work carried out by the Internal Audit area in technology and cybersecurity matters.
- That the Audit Committee is informed of the information technology related systems and processes that are related to or affect the Group's internal control systems and other matters within its remit.

The Committee will meet whenever it is convened by its Chair, who is empowered to call the Committee meetings and to set their agenda. The Committee will endeavor to establish an annual calendar of meetings, considering the amount of time to be devoted to its different tasks. In 2022 it held six (6) meetings.

## D. Employees

As of December 31, 2022, we had 115,675 employees. Approximately 92.5% of our employees in Spain held technical, managerial and executive positions, while the remainder were clerical and support staff. The table below sets forth the number of BBVA employees by geographical area.

Country	As of December 31, 2022			Total
	BBVA	Bank Subsidiaries	Non-bank Subsidiaries	
Spain	20,796	—	5,149	25,945
United Kingdom	128	—	—	128
France	68	—	—	68
Italy	52	—	—	52
Germany	43	—	—	43
Switzerland	—	120	—	120
Portugal	349	78	—	427
Belgium	21	—	—	21
The Netherlands	—	219	—	219
Russia	—	—	—	—
Romania	—	1,137	—	1,137
Ireland	—	—	—	—
Luxembourg	—	—	—	—
Turkey	—	20,208	—	20,208
Malta	—	14	—	14
Cyprus	—	106	—	106
Finland	—	—	—	—
<b>Total Europe</b>	<b>21,457</b>	<b>21,882</b>	<b>5,149</b>	<b>48,488</b>
<b>The United States</b>	<b>266</b>	<b>102</b>	<b>—</b>	<b>368</b>
Argentina	—	5,687	182	5,869
Brazil	—	6	—	6
Colombia	—	5,253	1,425	6,678
Venezuela	—	1,776	28	1,804
Mexico	—	40,998	2,513	43,511
Uruguay	—	517	56	573
Paraguay	—	—	—	—
Bolivia	—	—	466	466
Chile	—	—	767	767
Cuba	1	—	—	1
Peru	—	6,699	286	6,985
<b>Total Latin America</b>	<b>1</b>	<b>60,936</b>	<b>5,723</b>	<b>66,660</b>
Hong Kong	93	—	—	93
Japan	4	—	—	4
China	27	—	—	27
Singapore	15	—	—	15
India	2	—	—	2
South Korea	2	—	—	2
United Arab Emirates	2	—	—	2
Taiwan	12	—	—	12
Indonesia	2	—	—	2
<b>Total Asia</b>	<b>159</b>	<b>—</b>	<b>—</b>	<b>159</b>
<b>Total</b>	<b>21,883</b>	<b>82,920</b>	<b>10,872</b>	<b>115,675</b>





As of December 31, 2021, we had 110,432 employees. Approximately 94% of our employees in Spain held technical, managerial and executive positions, while the remainder were clerical and support staff. The table below sets forth the number of BBVA employees by geographical area.

<b>As of December 31, 2021</b>				
<b>Country</b>	<b>BBVA</b>	<b>Bank Subsidiaries</b>	<b>Non-bank Subsidiaries</b>	<b>Total</b>
Spain	20,186	—	4,657	24,843
United Kingdom	118	—	—	118
France	66	—	—	66
Italy	51	—	1	52
Germany	41	—	—	41
Switzerland	—	117	—	117
Portugal	360	80	—	440
Belgium	22	—	—	22
The Netherlands	—	220	—	220
Russia	—	—	—	—
Romania	—	1,119	—	1,119
Ireland	—	—	—	—
Luxembourg	—	—	—	—
Turkey	—	20,064	—	20,064
Malta	—	14	—	14
Cyprus	—	106	—	106
Finland	—	—	—	—
<b>Total Europe</b>	<b>20,844</b>	<b>21,720</b>	<b>4,658</b>	<b>47,222</b>
<b>The United States</b>	<b>197</b>	<b>98</b>	<b>—</b>	<b>295</b>
Argentina	—	5,852	—	5,852
Brazil	—	6	—	6
Colombia	—	6,723	18	6,741
Venezuela	—	1,764	—	1,764
Mexico	—	39,491	752	40,243
Uruguay	—	579	—	579
Paraguay	—	—	—	—
Bolivia	—	—	468	468
Chile	—	714	—	714
Cuba	1	—	—	1
Peru	—	6,394	—	6,394
<b>Total Latin America</b>	<b>1</b>	<b>61,523</b>	<b>1,238</b>	<b>62,762</b>
Hong Kong	90	—	—	90
Japan	4	—	—	4
China	28	—	—	28
Singapore	12	—	—	12
India	2	—	—	2
South Korea	2	—	—	2
United Arab Emirates	2	—	—	2
Taiwan	11	—	—	11
Indonesia	2	—	—	2
<b>Total Asia</b>	<b>153</b>	<b>—</b>	<b>—</b>	<b>153</b>
<b>Total</b>	<b>21,195</b>	<b>83,341</b>	<b>5,896</b>	<b>110,432</b>



As of December 31, 2020, we had 123,174 employees. Approximately 93% of our employees in Spain held technical, managerial and executive positions, while the remainder were clerical and support staff. The table below sets forth the number of BBVA employees by geographical area.

Country	As of December 31, 2020			Total
	BBVA	Bank Subsidiaries	Non-bank Subsidiaries	
Spain	23,971	—	5,359	29,330
United Kingdom	118	—	—	118
France	68	—	—	68
Italy	49	—	2	51
Germany	42	1	—	43
Switzerland	—	113	—	113
Portugal	367	80	—	447
Belgium	22	—	—	22
The Netherlands	—	236	—	236
Russia	1	—	—	1
Romania	—	1,199	—	1,199
Ireland	—	—	—	—
Luxembourg	—	—	—	—
Turkey	—	20,358	—	20,358
Malta	—	13	—	13
Cyprus	—	103	—	103
Finland	—	—	125	125
<b>Total Europe</b>	<b>24,638</b>	<b>22,103</b>	<b>5,486</b>	<b>52,227</b>
<b>The United States</b>	<b>149</b>	<b>10,746</b>	<b>—</b>	<b>10,895</b>
Argentina	—	6,052	—	6,052
Brazil	—	—	6	6
Colombia	—	6,592	—	6,592
Venezuela	—	2,012	—	2,012
Mexico	—	36,699	154	36,853
Uruguay	—	590	—	590
Paraguay	—	430	—	430
Bolivia	—	—	476	476
Chile	—	696	—	696
Cuba	1	—	—	1
Peru	—	6,204	—	6,204
<b>Total Latin America</b>	<b>1</b>	<b>59,275</b>	<b>636</b>	<b>59,912</b>
Hong Kong	80	—	—	80
Japan	3	—	—	3
China	28	—	—	28
Singapore	10	—	—	10
India	2	—	—	2
South Korea	2	—	—	2
United Arab Emirates	2	—	—	2
Taiwan	11	—	—	11
Indonesia	2	—	—	2
<b>Total Asia</b>	<b>140</b>	<b>—</b>	<b>—</b>	<b>140</b>
<b>Total</b>	<b>24,928</b>	<b>92,124</b>	<b>6,122</b>	<b>123,174</b>



The number of employees increased by 4.7% during 2022 and decreased by 10.3% in 2021, mainly due to the increase in the number of employees in Mexico and, to a lesser extent, Peru. The decrease in the number of employees in 2021 was mainly attributable to the closing of the USA Sale and, to a lesser extent, the collective layoff procedure in Spain.

The basic terms and conditions of employment in the private bank sector in Spain are negotiated with the unions representing bank employees in the sector. Wage negotiations take place on a sector level. This process has historically resulted in binding collective bargaining agreements for all Spanish banks and their employees. The XXIV Banking Collective Bargaining Agreement (BCBA) was signed in 2021 and will remain in force until December 31, 2023.

As of December 31, 2022, 2021 and 2020, we had 299, 390 and 746 temporary employees in Spain, respectively.

### ***Employee Pension Plans***

Under the relevant collective labor agreements, BBVA and some of its subsidiaries provide supplemental pension payments to certain active and retired employees and their beneficiaries. These payments supplement social security benefits from the Spanish government. See Note 2.2.11 and Note 25 to our Consolidated Financial Statements.

### **E. Share Ownership**

As of February 27, 2023, the members of the Board of Directors owned an aggregate of BBVA shares as shown in the table below:

<b>Name</b>	<b>Directly owned shares</b>	<b>Indirectly owned shares</b>	<b>Total shares</b>	<b>% Capital Stock</b>
Carlos Torres Vila	1,153,570	—	1,153,570	0.019
Onur Genç *	698,910	—	698,910	0.012
José Miguel Andrés Torrecillas	10,828	—	10,828	0.000
Jaime Caruana Lacorte	35,000	10,000	45,000	0.001
Raúl Galamba de Oliveira	30,000	—	30,000	0.000
Belén Garijo López	—	—	—	—
Connie Hedegaard Koksang	—	—	—	—
Lourdes Máiz Carro	—	—	—	—
José Maldonado Ramos	38,761	—	38,761	0.001
Ana Peralta Moreno	—	—	—	—
Juan Pi Llorens	—	—	—	—
Ana Revenga Shanklin*	10,000	—	10,000	0.000
Susana Rodríguez Vidarte	26,980	—	26,980	0.000
Carlos Salazar Lomelín	397,929	130,000	527,929	0.007
Jan Verplancke	—	—	—	—
<b>TOTAL</b>	<b>2,401,978</b>	<b>140,000</b>	<b>2,541,978</b>	<b>0.040</b>

\* Onur Genç, Ana Revenga Shanklin and Carlos Salazar Lomelín owned 31,326, 10,000 and 267,000 shares in the form of ADSs, respectively.

BBVA has not granted options on its shares to any members of its administrative, supervisory or management bodies.

As of February 27, 2023 the Senior Management (excluding executive directors) owned an aggregate of BBVA shares as shown in the table below:

Name	Directly owned shares	Indirectly owned shares	Total shares	% Capital Stock
Domingo Armengol Calvo	169,759	—	169,759	0.003
María Jesús Arribas de Paz	122,544	—	122,544	0.002
Pello Belausteguigoitia Mateache	119,173	—	119,173	0.002
Carlos Casas Moreno	47,945	—	47,945	0.001
Victoria del Castillo Marchese	53,371	—	53,371	0.001
José Luis Elechiguerra Joven*	118,649	—	118,649	0.002
Ana Fernández Manrique	112,654	105,031	217,685	0.004
María Luisa Gómez Bravo	229,055	—	229,055	0.004
Joaquín Gortari Diez	96,006	—	96,006	0.002
Ricardo Martín Manjón	31,795	10,307	42,102	0.001
Eduardo Osuna Osuna	169,836	—	169,836	0.003
David Puente Vicente	192,230	—	192,230	0.003
Francisco Javier Rodríguez Soler	191,092	—	191,092	0.003
Jaime Sáenz de Tejada Pulido	438,017	211	438,228	0.007
Jorge Sáenz-Azcúnaga Carranza	160,983	—	160,983	0.003
Rafael Salinas Martínez de Lecea	359,162	22,785	381,947	0.006
<b>TOTAL</b>	<b>2,612,271</b>	<b>138,334</b>	<b>2,750,605</b>	<b>0.046</b>

\* José Luis Elechiguerra Joven and Francisco Javier Rodríguez Soler owned 65,313 and 40,423 shares in the form of ADSs, respectively.

As of February 27, 2023 a total of 12,943 employees (excluding the members of the Senior Management and executive directors) owned 48,376,049 shares, which represented 0.80% of our capital stock.

#### F. Disclosure of a registrant's action to recover erroneously awarded compensation

Not Applicable.

### ITEM 7. MAJOR SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

#### A. Major Shareholders

On February 24, 2023, BlackRock, Inc. reported to the SEC that it beneficially owned 7.4% of BBVA's common stock.

As of February 27, 2023, no other person, corporation or government beneficially owned, directly or indirectly, five percent or more of BBVA's shares. BBVA's major shareholders do not have voting rights which are different from those held by the rest of its shareholders. To the extent known to us, BBVA is not controlled, directly or indirectly, by any other corporation, government or any other natural or legal person. As of February 27, 2023, there were 783,560 registered holders of BBVA's shares, with an aggregate of 6,030,116,564 shares, of which 713 shareholders with registered addresses in the United States held a total of 1,528,846,164 shares (including shares represented by American Depositary Shares evidenced by American Depositary Receipts ("ADRs")). Since certain of such shares and ADRs are held by nominees, the foregoing figures are not representative of the number of beneficial holders.

#### B. Related Party Transactions

BBVA entities engage, on a regular and routine basis, in a number of customary transactions with other BBVA entities, including overnight call deposits, time deposits, foreign exchange purchases and sales, derivative transactions (such as forward purchases and sales), money market fund transfers, letters of credit for imports and exports, financial guarantees and service level agreements.

They also engage in other similar transactions within the scope of the ordinary course of their business, such as loans and other banking services, with our shareholders, employees, associates and family members of all the above and other BBVA non-banking subsidiaries or affiliates. These transactions are made in the ordinary course of business; on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions with other persons; and do not involve more than the normal risk of collectability or present other unfavorable features.

For information on these transactions as of December 31, 2022, 2021 and 2020, see Note 53 to our Consolidated Financial Statements.





## C. Interests of Experts and Counsel

Not Applicable.

## ITEM 8. FINANCIAL INFORMATION

### A. Consolidated Statements and Other Financial Information

#### Financial Information

See *Item 18*.

#### Dividends

“Final” dividends for a year may be proposed by the Board of Directors to be approved by the annual general shareholders’ meeting following the end of the year to which they relate. Additionally, the Board of Directors may approve the payment of “interim” dividends on account of the year’s end profits following the fulfillment of certain requirements under Spanish law, which payment is endorsed by the annual general shareholders’ meeting. Interim and final dividends are payable to shareholders of record on the record date for the dividend payment. Any unclaimed cash dividends revert to BBVA five years after declaration.

The table below sets forth the gross amount of interim, final and total cash dividends and distributions paid or expected to be paid by BBVA on its shares for the years 2018 to 2022. The rate used to convert euro amounts to U.S. dollars was the noon buying rate at the end of each year.

	Per Share									
	First Interim		Second Interim		Third Interim		Final		Total	
2018	€0.100	\$0.115	—	—	—	—	€0.160	\$0.183	€0.260	\$0.298
2019	€0.100	\$0.112	—	—	—	—	€0.160	\$0.180	€0.260	\$0.292
2020	—	—	—	—	—	—	€0.059	\$0.072	€0.059	\$0.072
2021	€0.080	\$0.091	—	—	—	—	€0.230	\$0.260	€0.310	\$0.351
2022	€0.120	\$0.128	—	—	—	—	€0.310	\$0.332	€0.430	\$0.460

#### Dividend Policy

On February 1, 2017, BBVA updated its shareholders’ remuneration policy in order to implement a fully in cash remuneration policy after the execution of the 2017 “Dividend Option”, which took place during April 2017. Under such policy, remuneration was expected to be composed, for each financial year, of an interim dividend and a final dividend, subject to any applicable restrictions and authorizations.

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

On December 15, 2020 the ECB issued recommendation ECB/2020/62, repealing recommendation ECB/2020/35 and recommending that significant credit institutions exercise extreme prudence when deciding on or paying out dividends or performing share buy-backs aimed at remunerating shareholders. Recommendation ECB/2020/62 circumscribed prudent distributions to results of 2019 and 2020 but excluded distributions regarding 2021 until September 30, 2021. By means of an Inside Information communication on January 29, 2021 BBVA expressed its intention to reinstate its dividend policy of the Group announced on February 1, 2017 once recommendation ECB/2020/62 was repealed and no additional restrictions or limitations were in place. On July 23, 2021, the ECB made public the approval of recommendation ECB/2021/31 replacing recommendation ECB/2020/62, effective as from September 30, 2021, removing the remaining restrictions on dividends and buyback programs contained in such recommendation.

On November 18, 2021, BBVA announced that its Board of Directors had agreed to modify the Group's shareholder distribution policy (announced on February 1, 2017), establishing a policy consisting of an annual distribution of between 40% and 50% of the consolidated ordinary profit of each year (excluding amounts and items of an extraordinary nature included in the consolidated income statement), compared to the previous policy of distributing between 35% and 40%. This policy is implemented through the distribution of an interim dividend for the year (which is expected to be paid in October of each year) and a final dividend or final distribution (which is expected to be paid at the end of the year and once the application of the result is approved, foreseeably in April of each year), with the possibility of combining cash distributions with share buybacks, all subject to the relevant authorizations and approvals applicable at any given time.

While we expect to declare and pay dividends on our shares in the future, the payment of dividends will depend upon the results of BBVA, market conditions, the regulatory framework, the recommendations or restrictions regarding dividends that may be adopted by domestic or European regulatory bodies or authorities and other factors. In particular, BBVA may not pay dividends except out of its annual results and its distributable reserves, after taking into account the applicable capital adequacy requirements and any recommendations on payment of dividends, and any other required authorization or restriction, if applicable. Capital adequacy requirements are applied on both a consolidated and individual basis. See "*Item 4. Information on the Company— Business Overview—Supervision and Regulation—Capital Requirements, MREL and Resolution*" and "*Item 5. Operating and Financial Review and Prospects—Liquidity and Capital Resources—Capital*". Under applicable capital adequacy requirements, we estimate that as of December 31, 2022, BBVA had approximately €10.9 billion of reserves in excess of applicable capital and reserve requirements (based on a 12.76% phased-in total capital minimum requirement).

Subject to the terms of the deposit agreement entered into with the Bank of New York Mellon, holders of ADSs are entitled to receive dividends (in cash or scrip, as applicable) attributable to the shares represented by the ADSs evidenced by ADRs to the same extent as if they were holders of such shares.

### ***Cash Dividends***

The annual general shareholders' meeting held on April 20, 2021 approved a cash distribution of €0.059 (gross) per share from the share premium account, which was paid on April 29, 2021. On September 30, 2021 BBVA announced that its Board of Directors had approved the payment in cash of €0.08 per share, as a gross interim dividend against 2021 results, which was paid on October 12, 2021.

Additionally, the annual general shareholders' meeting held on March 18, 2022 approved a cash distribution from the voluntary reserves account as additional shareholder remuneration for the 2021 fiscal year in the amount of €0.23 gross per share, which was paid on April 8, 2022. The total amount paid, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €1,463 million. Further, the Board of Directors communicated on September 29, 2022 that the Board of Directors had approved the payment in cash of €0.12 per share, as a gross interim dividend against 2022 results, which was paid on October 11, 2022.

Finally, on February 1, 2023, BBVA announced that it intended to submit for the consideration of the corresponding BBVA governing bodies a cash distribution of €0.31 gross per share to be paid in April 2023 as final dividend for 2022.

### ***Share Buyback Programs***

#### ***2021-2022***

On October 26, 2021, BBVA received the required authorization from the ECB to repurchase up to 10% of its share capital in an amount of up to €3.5 billion, in one or more installments and for a maximum period of 12 months.

Upon receiving said authorization and making use of the delegation conferred by the BBVA general shareholders' meeting held on March 16, 2018, at its meeting of October 28, 2021, BBVA Board of Directors resolved to carry out a share buyback program scheme in compliance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Delegated Regulation (EU) No 2016/1052 of the Commission, of March 8, 2016, to be executed in various tranches up to a maximum amount of €3.5 billion (US\$4.0 billion, based on the exchange rate as of December 31, 2021) (the "**Program Scheme**"), with the purpose of reducing BBVA's share capital, notwithstanding the possibility of terminating or cancelling the Program Scheme at an earlier date.

In addition, the Board of Directors agreed, within the scope of the Program Scheme, to carry out a first share buyback program to be executed externally through a lead manager, J.P. Morgan AG, for a maximum amount of €1,500 million (US\$1,699 million, based on the exchange rate as of December 31, 2021) and a maximum number of 637,770,016 shares, representing, approximately, 9.6% of BBVA's share capital as of the date of the agreement (the "**First Tranche**"). The First Tranche was announced on October 29, 2021 and the appointment of J.P. Morgan AG was announced on November 19, 2021. The implementation of the First Tranche began on November 22, 2021 and was completed on March 3, 2022 upon reaching the maximum monetary amount of €1,500 million, having acquired 281,218,710 shares representing, approximately, 4.22% of BBVA's share capital as of that date.



On June 15, 2022, BBVA notified that it had partially executed the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each, acquired derivatively by the Bank in execution of the First Tranche.

On February 3, 2022, BBVA announced that its Board of Directors agreed, within the Program Scheme, to carry out a second buyback program (the "**Second Tranche**") aimed at reducing BBVA's share capital, for a maximum amount of €2,000 million (US\$2,265 million, based on the exchange rate as of December 31, 2021) and a maximum number of shares to be acquired equal to the result of subtracting from 637,770,016 shares (9.6% of BBVA's share capital at that date) the number of own shares finally acquired in execution of the First Tranche.

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

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

On June 28, 2022, BBVA communicated through an Inside Information filing with the CNMV that it would complete the Program Scheme by executing the Second Segment, for a maximum amount of €1,000 million and a maximum of 149,996,808 shares. The execution of the Second Segment carried out by Citigroup Global Markets Europe AG as lead manager, as BBVA informed through an Inside Information filing on June 29, 2022. By means of an Other Relevant Information filing dated August 19, 2022, BBVA announced the completion of the execution of the Second Segment upon reaching the maximum number of shares (149,996,808), representing, approximately, 2.3% of BBVA's share capital as of said date. On September 30, 2022, BBVA notified that it had, again, partially executed the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the Second Tranche and which were held as treasury shares.

2023

On February 1, 2023, BBVA announced that it intended to submit for the consideration of the corresponding BBVA governing bodies the execution of a share buyback program of BBVA for an amount of €422 million, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution (see Notes 4 and 56 to the Consolidated Financial Statements).

## Legal Proceedings

BBVA and its subsidiaries are involved in a number of legal and regulatory actions and proceedings, including legal claims and proceedings, civil and criminal regulatory proceedings, governmental investigations and proceedings, tax proceedings and other proceedings, in jurisdictions around the world. Legal and regulatory actions and proceedings are subject to many uncertainties, and their outcomes, including the timing thereof, the amount of fines or settlements or the form of any settlements, or changes in business practices we may need to introduce as a result thereof, any of which may be material, are often difficult to predict, particularly in the early stages of a particular legal or regulatory matter. See Note 24 to our Consolidated Financial Statements for information on the related provisions.

As of the date hereof, the Group is involved in a number of legal and regulatory actions and proceedings in various jurisdictions around the world (including, among others, Spain, Mexico and the United States), the adverse resolution of which may adversely impact the Group. See "*Item 3. Key Information—Risk Factors—Legal Risks—The Group is party to a number of legal and regulatory actions and proceedings*", "*Item 3. Key Information—Risk Factors—Legal Risks—The Spanish judicial authorities are carrying out a criminal investigation relating to possible bribery, revelation of secrets and corruption by BBVA*" and "*Item 3. Key Information—Risk Factors—Regulatory, Tax, Compliance and Reporting Risks*".

BBVA can provide no assurance that the legal and regulatory actions and proceedings to which it is subject, or to which it may become subject in the future or otherwise affected by, will not, if resolved adversely, result in a material adverse effect on the Group's business, financial position, results of operations or liquidity.



## B. Significant Changes

No significant change has occurred since the date of the Consolidated Financial Statements other than those mentioned in this Annual Report or our Consolidated Financial Statements.

## ITEM 9. THE OFFER AND LISTING

### A. Offer and Listing Details

BBVA's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the Sistema de Interconexión Bursátil Español (Mercado Continuo), as well as on the London and Mexico stock markets. BBVA's ADSs are listed on the New York Stock Exchange and are also traded on the Lima (Peru) Stock Exchange, by virtue of an exchange agreement entered into between these two exchanges. Each ADS represents the right to receive one share. For information on BBVA's shares and ADSs, see Note 26 to our Consolidated Financial Statements and "*Item 7. Major Shareholders and Related Party Transactions—Major Shareholders*".

Fluctuations in the exchange rate between the euro and the dollar will affect the dollar equivalent of the euro price of BBVA's shares on the Spanish Stock Exchanges and the price of BBVA's ADSs on the New York Stock Exchange. Cash dividends are paid by BBVA in euro, and exchange rate fluctuations between the euro and the dollar will affect the dollar amounts received by holders of ADRs on conversion by The Bank of New York Mellon (acting as depository) of cash dividends on the shares underlying the ADSs evidenced by such ADRs.

From January 1, 2022 through December 31, 2022 the percentage of outstanding shares held by BBVA and its affiliates ranged between 0.078% and 7.492% (as a result of the implementation of the share buyback program), calculated on a daily basis. As of January 31, 2023, the percentage of outstanding shares held by BBVA and its affiliates was 0.143%.

### Securities Trading in Spain

The Spanish securities market for equity securities consists of the Spanish Stock Exchange Interconnection System ("Sistema de Interconexión Bursátil" or "SIBE" in Spanish, and hereinafter referred to as "**Automated Quotation System**") and the four stock exchanges located in Madrid, Bilbao, Barcelona and Valencia. During 2022, the Automated Quotation System accounted for the majority of the total trading volume of equity securities on the Spanish Stock Exchanges.

*Automated Quotation System.* The Automated Quotation System links the four local exchanges, providing those securities listed on it with a uniform continuous market that eliminates certain of the differences among the local exchanges. The principal feature of the system is the computerized matching of buy and sell orders at the time of entry of the order. Each order shall be deemed valid when it takes place and definitively confirmed with full obligatory enforceability as soon as a matching order is entered. Exceptionally, the order may be cancelled, altered or corrected with the consent of the contracting parties and provided always that the appropriate authorization has been granted by the Supervision Department or the Trading and Control Committee of Sociedad de Bolsas, S.A. ("**Sociedad de Bolsas**"). The activity of the market can be continuously monitored by investors and brokers. The Automated Quotation System is operated and regulated by Sociedad de Bolsas, a corporation owned by the companies that manage the local exchanges. All trades on the Automated Quotation System must be placed through a bank, brokerage firm, an official stock broker or a dealer firm member of a Spanish Stock Exchange directly. Since January 1, 2000, Spanish banks have been allowed to place trades on the Automated Quotation System and have been allowed to become members of the Spanish Stock Exchanges. We are currently a member of the four Spanish Stock Exchanges and can trade through the Automated Quotation System.

Sociedad de Bolsas reinstated the Operating Rules of the Spanish Automated Quotation System by means of Sociedad de Bolsas Circular 1/2021, of March 17, which came into effect on March 30, 2021 with the aim of incorporating in a single regulatory text the rules governing trading in the Automated Quotation System, following their adaptation to the MiFID II standards and for the sake of greater clarity. BBVA, as an active market member in the Spanish market has adapted its technical means and procedures to such changes.

The general trading hours are as follows:

- a. In a pre-opening auction held from 8:30 a.m. to 9:00 a.m. each trading day, an opening price is established for each security traded on the Automated Quotation System based on orders placed at that time. In this period of time orders can be entered, altered and cancelled but no trades can be executed. At the start of each session, the closing price of the previous session shall be taken as the reference price. There are static and dynamic price ranges for each listed share, calculated on the basis of the most recent historical volatility of each share, and made publicly available and updated on a regular basis by Sociedad de Bolsas.



- b. The open session is from 9:00 a.m. to 5:30 p.m., when continuous trading is carried out.
- c. If, during the open session, the quoted price of a share exceeds the static or dynamic price ranges, volatility auctions are triggered, resulting in new static or dynamic price ranges being set for the share object of the same. A volatility auction will have a duration of five minutes and, during this period, orders can be entered, altered and cancelled but no trades can be made. Once the auction ends, the open session will restart. If a security's volatility auction overlaps with the closing auction, the security will remain under auction with the conditions of the closing auction.
- d. Between 5:30 p.m. and 5:35 p.m. a closing price of the session is established for each security through an auction system similar to the one held for the pre-opening early in the morning.

Exceptional trading hours: In the event of important news or events or particularly significant incidents arising during Automated Quotation System sessions, the usual duration of trading hours may exceptionally be altered in accordance with the provisions of the Operating Rules of the Spanish Automated Quotation System. The start of a session may also be brought forward for the same reasons. Such decision shall be properly announced and disseminated through the technical means of the Automated Quotation System as soon as possible.

Certain transactions may be executed in the Automated Quotation System outside the general trading hours between 5:40 p.m. and 8:00 p.m., such as block trades (consisting of previously agreed trades out of the order book, provided that they meet certain requirements) or trades related to the hedging or the execution of futures and options carried out in MEFF, the Spanish Derivatives Exchange.

Information with respect to the computerized trades between 9:00 a.m. and 5:30 p.m. is made public immediately, and information with respect to trades outside the computerized matching system is reported to Sociedad de Bolsas by the end of the trading day and published in the "Boletín de Cotización" and in the computer system by the beginning of the next trading day.

Sociedad de Bolsas is also the manager of the IBEX 35® Index. This index is made up by the 35 most liquid securities traded on the Spanish Market and, technically, it is a price index that is weighted by capitalization and adjusted according to the free float of each company comprised in the index. Apart from its quotation on the four Spanish Exchanges, BBVA is also currently included in the IBEX 35® Index.

### **Clearing and Settlement System**

On April 1, 2003, by virtue of Law 44/2002 and of Order ECO 689/2003 of March 27, 2003 approved by the Spanish Ministry of Economy, the integration of the two main existing book-entry settlement systems existing in Spain at the time (the equity settlement system Servicio de Compensación y Liquidación de Valores ("SCLV") and the Public Debt settlement system Central de Anotaciones de Deuda del Estado ("CADE")) took place. As a result of this integration, a single entity, known as Sociedad de Gestión de los Sistemas de Registro Compensación y Liquidación de Valores ("**Iberclear**") assumed the functions formerly performed by SCLV and CADE according to the legal regime then stated in article 44 bis of the Spanish Securities Market Act (Law 24/1988).

Notwithstanding the above, rules concerning the book-entry settlement systems enacted before this date by SCLV and the Bank of Spain, as former manager of CADE, continued in force, but any reference to the SCLV or CADE was deemed to be substituted by Iberclear.

In addition, and according to Law 41/1999, Iberclear currently manages the ARCO Securities settlement system (the "**ARCO System**") for securities in book-entry form listed on the four Spanish Stock Exchanges, on the Spanish Public Debt Book-Entry Market, on "*ALAF Mercado de Renta Fija*", or on other Multilateral Trading Facilities that have appointed Iberclear for such purposes. Cash settlement for all systems is managed through the TARGET2-Banco de España payment system.

Laws 32/2011 and 11/2015 amended the Spanish Securities Market Act and Royal Decree 878/2015 replaced Royal Decree 116/1992 from February 3, 2016, introducing changes to the Spanish clearing, settlement and book-entry registry procedures applicable to securities transactions to allow post-trading Spanish systems to integrate into the TARGET2 Securities System ("**T2S**"). The project to reform Spain's clearing, settlement and registry system and connect it to the T2S (the "**Reform**") introduced significant changes that affected all classes of securities and all post-trade activities.



The Reform was implemented in two phases:

The first phase took place from April 27, 2016 and involved setting up a new system for equities including all the changes envisaged in the Reform, encompassing the incorporation of central counterparty clearing (performed by, among others, BME Clearing, S.A.U.) in a post-trading scheme compatible with the T2S (including with respect to messages, account structure, definition of operations, etc.). Accordingly, the SCLV (Servicio de Compensación y Liquidación de Valores) platform was discontinued.

The T+3 settlement cycle for trades executed in trading venues, affecting mainly equities, was reduced to T+2 from October 2016, in line with what is set forth in European Regulation 909/2014, of July 23 on improving securities settlement in the European Union and on Central Securities Depositories (“**CSDR**”).

The CADE platform continued to operate unchanged until the last quarter of 2017, and cash settlements in the new system continue to be made through the TARGET2-Bank of Spain cash accounts.

The second phase started on September 18, 2017, when Iberclear successfully connected itself to T2S. At this time, fixed-income securities were transferred to the new system (being the CADE discontinued), as well as equity securities, with both types of securities beginning to be also settled in accordance with the procedures, formats and time periods of the T2S and under the ARCO System. The Reform culminated with the successful migration to T2S.

The latest amendments to Iberclear’s Rulebook reflecting the Reform were officially published in the Spanish Official Gazette on May 3 and August 18, 2016 and September 14, 2017.

During the last quarter of 2017, Iberclear filed for authorization as Central Securities Depository pursuant to CSDR. On September 23, 2019, Iberclear made public that it had been granted the authorization to continue providing services as a Central Securities Depository.

Under Law 41/1999 and Royal Decree 878/2015 (which replaced Royal Decree 116/1992 on February 3, 2016), transactions carried out on the Spanish Stock Exchanges are cleared and settled through Iberclear and its participants (each an “entidad participante”), through the ARCO System. Only Iberclear participants to this ARCO System are entitled to use it, with participation restricted to credit entities, investment firms authorized to render custody services, certain public bodies, and Central Securities Depositories and Central Counterparties authorized under their respective European Union Regulations. BBVA is currently a participant in Iberclear. Iberclear and its participants are responsible for maintaining records of purchases and sales under the book-entry system. In order to be listed, shares of Spanish companies must be held in book-entry form. Iberclear, maintains a “two-step” book-entry registry reflecting the number of shares held by each of its participants as well as the amount of such shares held on behalf of beneficial owners. Each participant, in turn, maintains a registry of the owners of such shares. Spanish law considers the legal owner of the shares to be:

- the participant appearing in the records of Iberclear as holding the relevant shares in its own name, or
- the investor appearing in the records of the participant as holding the shares.

Obtaining legal title to shares of a company listed on a Spanish Stock Exchange requires the participation of an investment firm, bank or other entity authorized under Spanish law to record the transfer of shares in book-entry form in its capacity as Iberclear participant for the equity securities settlement system. To evidence title to shares, at the owner’s request the relevant participant entity must issue a certificate of ownership. In the event the owner is a participant entity, Iberclear is in charge of the issuance of the certificate with respect to the shares held in the participant entity’s own name.

Brokers’ fees, to the extent charged, will apply upon transfer of title of our shares from the depository to a holder of ADSs, and upon any later sale of such shares by such holder. Transfers of ADSs do not require the participation of a member of a Spanish Stock Exchange. The deposit agreement provides that holders depositing our shares with the depository in exchange for ADSs or withdrawing our shares in exchange for ADSs will pay the fees of the official stockbroker or other person or entity authorized under Spanish law applicable both to such holder and to the depository.

## Securities Market Legislation

The Securities Markets Act was enacted in 1988 with the purpose of reforming the organization and supervision of the Spanish securities markets. This legislation and the regulation implementing it:

- established an independent regulatory authority, the CNMV, to supervise the securities markets;
- established a framework for the regulation of trading practices, tender offers and insider trading;
- required stock exchange members to be corporate entities;
- required companies listed on a Spanish Stock Exchange to file annual audited financial statements and to make public quarterly financial information;
- established the legal framework for the Automated Quotation System;
- exempted the sale of securities from transfer and value added taxes;
- deregulated brokerage commissions; and
- provided for transfer of shares by book-entry or by delivery of evidence of title.

On February 14, 1992, Royal Decree No. 116/92 established the clearance and settlement system and the book-entry system, and required that all companies listed on a Spanish Stock Exchange adopt the book-entry system. On February 3, 2016 Royal Decree 878/2015 came into force and replaced Royal Decree 116/1992 (Royal Decree 827/2017, of September 1 and Royal Decree 1464/2018, of December 21, amended Royal Decree 878/2015 by reflecting certain aspects of the Reform and of MiFID II).

On April 12, 2007, the Spanish Congress approved Law 6/2007, which amends the Securities Markets Act in order to adapt it to Directive 2004/25/EC on takeover bids, and Directive 2004/109/EC on the harmonization of transparency requirements in relation to information about issuers whose securities are admitted to trading on a regulated market (amending Directive 2001/34/EC). Regarding the transparency of listed companies, Law 6/2007 amended the reporting requirements and the disclosure regime, and established changes in the supervision system. On the takeover bids side, Law 6/2007 has established the cases in which a company must launch a takeover bid and the ownership thresholds at which a takeover bid must be launched. It also regulates conduct rules for the board of directors of target companies and the squeeze-out and sell-out when a 90% of the share capital is held after a takeover bid. Additionally, Law 6/2007 was further developed by Royal Decree 1362/2007, on transparency requirements for issuers of listed securities, which was subsequently amended. See “—*Trading by the Bank and its Affiliates in the Shares*”.

On December 19, 2007, the Spanish Congress approved Law 47/2007, which amends the Securities Markets Act in order to adapt it to Directive 2004/37/EC on markets in financial instruments (MiFID), Directive 2006/49/EC on the capital adequacy of investment firms and credit institutions, and Directive 2006/73/EC implementing Directive 2004/39/EC with respect to organizational requirements and operating conditions for investment firms and defined terms for the purposes of that Directive. Further MiFID implementation was introduced by Royal Decree 217/2008. Royal Decree 217/2008 has been amended from time to time, including in 2018 by Royal Decree 1464/2018, of December 21, in order to adapt it to the MiFID II rules that became effective on January 3, 2018.

The Regulation of the European Parliament and of the Council on short selling and certain aspects of credit default swaps (EU) No 236/2012 (Regulation) has been in force since March 25, 2012 and became directly effective in EU countries from November 1, 2012. This Regulation introduced a pan-European regulatory framework for dealing with short selling and requires persons to disclose short positions in relation to shares of EU listed companies and EU sovereign debt. For significant net short positions in shares of EU listed companies, these regulations create a two-tier reporting model: (i) when a net short position reaches 0.20% of an issuer’s share capital (and at every 0.1% thereafter), such position must be privately reported to the relevant regulator; and (ii) when such position reaches 0.50% (and at every 0.1% thereafter) of an issuer’s share capital, apart from being disclosed to the regulators, such position must be publicly reported to the market.

In response to COVID-19, on March 16, 2020 ESMA lowered the aforementioned threshold from 0.2% to 0.1%, requiring net short position holders to report positions of 0.1% and above. This measure was renewed on September 18, 2020 and on December 17, 2020 until March 19, 2021. The European Commission adopted the decision to permanently lower the threshold from 0.2% to 0.1% on September 27, 2021, which decision was published in the Official Journal on January 11, 2022. Additionally, in line with other European supervisors, on March 16, 2020, the CNMV banned net short positions in shares admitted to trading to Spanish trading venues for which the CNMV is the competent authority as well as to all related instruments relevant for the calculation of the net short position. The CNMV ban became ineffective on May 18, 2020.

The Prospectus Regulation (EU) 2017/1129 of the European Parliament and of the Council, of October 14, which became effective on July 21, 2019, aims to achieve greater harmonization of prospectus rules throughout the European Union. Such rules are applicable to issuers which offer debt or equity securities to the public or which seek admission to trading on a regulated market in the EU.

Directive 2014/65/EU of the European Parliament and of the Council of May 15, 2014 on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU (MiFID II) and Regulation (EU) 600/2014 of the European Parliament and Council of May 15, 2014 on markets in financial instruments and amending Regulation (EU) 648/2012 (MiFIR), were published on June 12, 2014 and became applicable on January 3, 2018, affecting the Spanish securities market legislation, markets and infrastructures and implying higher compliance costs for financial institutions. MiFID II has been implemented into Spanish Law by Royal Decree-Law 21/2017, of December 29, by Royal Decree-Law 14/2018, of September 28, and by Royal Decree 1464/2018, of December 21.

Royal Legislative Decree 4/2015, of October 23, approved the reinstated text of the Securities Markets Act, which has been affected and amended, among others, by the aforementioned MiFID II implementation rules.

On April 12, 2021, Law 5/2021, implementing Directive (EU) 2017/828 of the European Parliament and of the Council of May 17, 2017, as regards the encouragement of long-term shareholder engagement was published, amending the Corporate Enterprises Act.

On December 23, 2022, the Official Bulletin of the Spanish Parliament published the draft bill of the new reinstated text of the Securities Market Act, which is currently in final discussion and voting stage in the Spanish Senate.

#### **Trading by the Bank and its Affiliates in the Shares**

Trading by subsidiaries in their parent companies shares is restricted by the Corporate Enterprises Act.

Neither BBVA nor its affiliates may purchase BBVA's shares unless the making of such purchases is authorized at a meeting of BBVA's shareholders by means of a resolution establishing, among other matters, the maximum number of shares to be acquired and the authorization term, which cannot exceed five years. Restricted reserves equal to the purchase price of any shares that are purchased by BBVA or its subsidiaries must be made by the purchasing entity. The total number of shares held by BBVA and its subsidiaries may not exceed 10% of BBVA's total share capital, as per the treasury stock limits set forth in the Corporate Enterprises Act. It is the practice of Spanish banking groups, including the BBVA Group, to establish subsidiaries to trade in their parent company's shares in order to meet imbalances of supply and demand, to provide liquidity (especially for trades by their customers) and to modulate swings in the market price of their parent company's shares.

Upon receiving the required authorization from the ECB to repurchase up to 10% of its share capital in an amount of up to €3.5 billion, in one or more installments and for a maximum period of 12 months on October 28, 2021, the Board approved a buyback scheme for a maximum amount of €3.5 billion that was executed in two tranches.

In addition, on February 1, 2023, BBVA announced that it intended to submit for the consideration of the corresponding BBVA governing bodies the execution of a share buyback program of BBVA for an amount of €422 million, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution. For additional information, see "*Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividends*".

#### **Spanish Financial Transaction Tax Bill**

The Financial Transaction Tax (FTT) was enacted by means of Law 5/2020, of October 15, 2020 and became effective on January 16, 2021. The Spanish FTT is a new indirect tax, amounting to 0.2%, to be charged on acquisitions of shares in Spanish companies, regardless of the tax residence of the participants in such transactions, provided that such companies are listed and their respective market capitalization is above €1,000 million. Accordingly, any purchaser of BBVA's shares not falling under an exemption will be subject to the Spanish FTT. The FTT law was further developed by Royal Decree 366/2021 and Ministerial Order HAC/510/2021.

## Reporting Requirements

Royal Decree 1362/2007, as amended, requires that any person or entity which acquires or transfers shares and as a consequence the number of voting rights held exceeds, reaches or is below the thresholds of 3%, 5%, 10%, 15%, 20%, 25%, 30%, 35%, 40%, 45%, 50%, 60%, 70%, 75%, 80% and 90% of the capital stock of a company listed on a Spanish Stock Exchange must, within four stock exchange business days after that acquisition or transfer, report it to such company, and to the CNMV. This duty to report the holding of a significant stake is applicable not only to the acquisitions and transfers in the terms described above, but also to those cases in which in the absence of an acquisition or transfer of shares, the ratio of an individual's voting rights exceeds, reaches or is below the thresholds that trigger the duty to report, as a consequence of an alteration in the total number of voting rights of an issuer.

In addition, any company listed on a Spanish Stock Exchange must report on a non-public basis to the CNMV, within four Stock Exchange business days, any acquisition by such company (or an affiliate) of the company's own shares if such acquisition, together with any previous one from the date of the last communication, exceeds 1% of its capital stock, regardless of the balance retained. Members of the board of directors must report the ratio of voting rights held at the time of their appointment as members of the board, when they are ceased as members, and each time they transfer or acquire share capital of a company listed on the Spanish Stock Exchanges, regardless of the size of the transaction. Additionally, since we are a credit entity, any individual or company who intends to acquire a significant participation in BBVA's share capital must obtain prior approval from the Bank of Spain in order to carry out the transaction. See "*Item 10. Additional Information—Exchange Controls—Restrictions on Acquisitions of Shares*".

Royal Decree 1362/2007 also establishes reporting requirements in connection with any entity acting from a tax haven or a country where no securities regulatory commission exists, in which case the threshold of three percent is reduced to one percent.

Royal Decree 1362/2007 was amended in 2015 in order to, among other matters, include some changes to the reporting requirements applicable to major shareholdings. In particular, cash settled instruments creating long positions on underlying listed shares shall be disclosed if the specified shareholding threshold is reached or exceeded; cash holdings and holdings as a result of financial instruments shall be aggregated for disclosure purposes and a disclosure exemption for shareholding positions held by financial entities in their trading books is available.

Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse ("**MAR**") and its implementing regulations entered into force on July 3, 2016, involving a number of changes for BBVA as a listed issuer, including in relation to areas such as disclosure of inside information to the market, maintenance of insider lists and disclosure of restrictions on dealings by directors and persons discharging managerial responsibilities.

Through Royal Decree-Law 19/2018 of November 23, on payment services and other urgent financial measures, the consolidated text of the Securities Market Act was adapted to the European MAR framework, including the following changes:

- the Spanish legislator opted for certain solutions among those permitted by the European MAR framework in certain specific cases;
- several amendments were introduced in the sanctioning regime on market abuse (inside information and market manipulation); and
- some special provisions applicable to listed companies in this area which were not compatible with this European regulatory framework or not consistent with the objective of MAR of achieving full harmonization throughout the European Union were expressly repealed.

Organic Law 1/2019, of February 20, modifies, among other laws and regulations, the Spanish Criminal Code in order to implement in Spain Directive 2014/57/UE regarding applicable criminal sanctions related to market abuse, complementing the MAR framework.

Banks are required to inform the Bank of Spain of any acquisitions or disposals of holdings in their capital that cross any of the levels indicated in Articles 16 (at least 10% of the capital or of the voting rights of the credit institution), 17 (either the percentage of voting rights or capital held is equal to or greater than 20%, 30% or 50%, or the acquisition entails acquiring control of the credit institution) and 21 (the percentage of voting rights or of capital held falls below 20%, 30% or 50% or the disposal entails the loss of control of the credit institution) of Law 10/2014, of June 26, 2014.

## **Tax Requirements**

According to Law 10/2014, an issuer's parent company (credit entity or listed company) is required, on an annual basis, to provide the Spanish tax authorities with the following: (i) disclosure of information regarding those investors with Spanish Tax residency obtaining income from securities and (ii) the amount of income obtained by them in each period.

### **B. Plan of distribution**

Not Applicable.

### **C. Markets**

See "*Item 9. The Offer and Listing*".

### **D. Selling Shareholders**

Not Applicable.

### **E. Dilution**

Not Applicable.

### **F. Expenses of the Issue**

Not Applicable.

## ITEM 10. ADDITIONAL INFORMATION

### A. Share Capital

Not Applicable.

### B. Memorandum and Articles of Association

Spanish law and BBVA's Bylaws are the main sources of regulation affecting the Company. All rights and obligations of BBVA's shareholders are contained in BBVA's Bylaws and in Spanish law. Pursuant to Royal Decree 84/2015 of February 13, implementing Law 10/2014, amendments of the bylaws of a bank are subject to notice or prior authorization of the Bank of Spain.

#### Registry and Company's Objects and Purposes

BBVA is registered with the Commercial Registry of Bizkaia (Spain). Its registration number at the Commercial Registry of Bizkaia is volume 2,083, Company section folio 1, sheet BI-17-A, 1st entry. Its corporate purpose is to carry out all kinds of activities, operations, acts, contracts and services within the banking business or directly or indirectly related to it, which are permitted or not prohibited by the provisions in force and supplementary activities. Its corporate purpose also includes the acquisition, possession, use and disposal of securities, public offering of acquisition and sale of securities, as well as all types of holdings in any entity or company. BBVA's corporate purpose is contained in Article 3 of BBVA's Bylaws.

#### Certain Powers of the Board of Directors

In general, provisions regarding directors are contained in our Bylaws. Also, our Board of Directors Regulations govern the internal procedures and the operation of the Board of Directors and its committees and directors' rights and duties as described in their charter. The referred Board of Directors Regulations establishes that directors must refrain from participating in deliberations and votes on resolutions or decisions in which they or a related party may have a direct or indirect conflict of interest, unless these are decisions relating to the appointment or removal of positions of the management body. Directors are not required to hold shares of BBVA in order to be appointed as such. As regards compensation in shares for executive directors, please see "*Item 6. Directors, Senior Management and Employees—Compensation*".

Lastly, the Board of Directors Regulations contain a series of ethical standards. For more information please see "*Item 6. Directors, Senior Management and Employees*".

#### Certain Provisions Regarding Privileged Shares

Our Bylaws authorize us to issue ordinary, non-voting, redeemable and privileged shares. As of the date of this Annual Report, we have no non-voting, redeemable or privileged shares outstanding.

The Company may issue shares that confer some privilege over ordinary shares under the legally established terms and conditions, complying with the formalities prescribed for amending our Bylaws.

The Company may issue shares that are redeemable at the request of the issuing company, the holders of said shares or both, for a nominal amount not exceeding one quarter of the share capital. The resolution of the issue will set the conditions for the exercise of the right or redemption. If the aforementioned right is attributed exclusively to the issuing company, it may not be exercised within three years of the issuance. Redeemable shares must be fully paid up at the time of subscription. Redemption of redeemable shares must be charged to profits or free reserves or with the proceeds of a new share issue resolved by the general shareholders' meeting or, where appropriate, the Board of Directors, for the purpose of financing the redemption transaction. If the redemption of these shares is charged to profits or free reserves, the Company must constitute a reserve for the amount of the nominal value of the redeemed shares. If the redemption is not charged to profits or free reserves or with the issue of new shares, it may only be carried out under the requirements established for the reduction of the share capital by the refund of contributions.

Holders of non-voting shares, if issued, are entitled to receive a minimum annual dividend, fixed or variable, as resolved by the general shareholders' meeting and/or the Board of Directors at the time of deciding to issue the shares. Once the minimum dividend has been agreed, holders of non-voting shares will be entitled to the same dividend as corresponds to ordinary shares. Where there are distributable profits, the Company is required to agree the distribution of the aforementioned minimum dividend. If there are no distributable profits or insufficient amounts thereof, the unpaid part of the minimum dividend will or not be accumulated in the terms agreed upon by the general shareholders' meeting at the time of deciding to issue the shares. Holders of non-voting shares may exercise their pre-emptive subscription right in the event that this be resolved by the general shareholders' meeting and/or the Board of Directors at the time of issuing shares or convertible bonds. Recovery of voting rights must be resolved at the same time.



## Certain Provisions Regarding Shareholders Rights

As of the date of the filing of this Annual Report, our capital is comprised of one class of ordinary shares, all of which have the same rights.

Once the allocation requirements established by law and in our Bylaws have been covered, dividends may be paid out to shareholders and charged to the year's profit or to unrestricted reserves, in proportion to the capital they may have paid up, provided the value of the total net assets is not, or as a result of such distribution would not be, less than the share capital. In addition, BBVA must take into account any applicable capital adequacy requirements and any recommendations on payment of dividends, and any other required authorization or restriction that may be applicable. See "*Item 4. Information on the Company—Business Overview—Supervision and Regulation—Dividends*" and "*Item 8. Financial Information—Consolidated Statements and Other Financial Information—Dividends*". Shareholders will participate in the distribution of profit in proportion to their capital paid-up. The right to collect a dividend lapses after five years as of the date in which it was first available to the shareholders. Shareholders also have the right to participate in proportion to their capital paid-up in any distribution of net assets resulting from our liquidation.

Each voting share will confer the right to one vote on the holder present or represented at the general shareholders' meeting. However, unpaid shares with respect to which a shareholder is in default of the resolutions of the Board of Directors relating to their payment will not be entitled to vote. Our Bylaws contain no provisions regarding cumulative voting.

Our Bylaws do not contain any provisions relating to sinking funds or potential liability of shareholders to further capital calls by us.

Our Bylaws do not establish that special quorums are required to change the rights of shareholders. Under Spanish law, the rights of shareholders may only be changed by an amendment to the Bylaws that complies with the requirements explained below under "*Shareholders' Meetings*", plus the affirmative vote of the majority of the shares of the class that will be affected by the amendment.

### Shareholders' Meetings

The annual general shareholders' meeting has its own set of regulations on issues such as how it operates and what rights shareholders enjoy regarding general shareholders' meetings. These establish the possibility of voting or delegating votes over remote communication media.

General shareholders' meeting may be annual or extraordinary. The annual general shareholders' meeting is required to meet within the first six months of each financial year to, where appropriate, approve corporate management, as well as the financial statements for the previous financial year and decide on the allocation of results, without prejudice to the fact that it may also adopt resolutions on any other matter within its remit included in the agenda or allowed by law. Extraordinary general shareholders' meetings are those meetings that are not ordinary. In any case, the requirements mentioned below for constitution and adoption of resolutions are applicable to both categories of general shareholders' meetings.

General shareholders' meetings will be called at the initiative of and according to the agenda determined by the Board of Directors, which must necessarily call them whenever it deems necessary or advisable for the corporate interests, and in any case on the dates or periods determined by law and the Company Bylaws, or upon the request of one or more shareholders representing at least three percent of our share capital.

Our General Meeting Regulations establish that annual and extraordinary general shareholders' meetings must be called within the notice period required by law. This will be done by means of a notice published by the Board of Directors, or its proxy, in the Official Gazette of the Commercial Registry ("**BORME**") or one of the highest-readership daily newspapers in Spain, and will be published on the National Securities Market Commission ("**CNMV**") website and the Company website, except when legal provisions establish other media for disseminating the notice.

The general shareholders' meetings may be attended by shareholders who own the minimum number of shares established in our Bylaws (500), provided that these shares are recorded in the corresponding accounting register five days before the scheduled date of the general shareholders' meeting and that, at least, the same number of shares are retained until the general shareholders' meeting is held. Holders of fewer shares may group together to make up at least that number and appointing a representative.



General shareholders' meetings, both annual and extraordinary, will be validly constituted at first summons with the presence of at least 25% of our voting capital, either in person or by proxy. No minimum quorum is required to hold a general shareholders' meeting at second summons. In either case, resolutions will be agreed by the majority of the votes. However, a general shareholders' meeting will only be validly held with the presence of 50% of our voting capital at first summons or of 25% of the voting capital at second summons, in the case of resolutions concerning the following matters:

- debt issuances;
- share capital increases or decreases;
- the exclusion or limitation of the pre-emptive subscription rights over new shares;
- transformation, merger of BBVA or spin-off and global assignment of assets and liabilities;
- the off-shoring of domicile, and
- any other amendment to the Bylaws.

In these cases, resolutions may only be approved with the vote of the absolute majority of the shares if at least 50% of the voting capital is present or represented at the general shareholders' meeting. If the voting capital present or represented at the meeting at second summons is less than 50% (but over 25%), then resolutions may only be adopted by two-thirds of the shares present or represented.

Additionally, our Bylaws state that, in order to adopt resolutions approving the replacement of the corporate purpose, the transformation, total spin-off, the winding up of BBVA and amending that paragraph of the relevant article of our Bylaws, two-thirds of the subscribed voting capital must attend the general shareholders' meeting at first summons, or 60% of that capital at second summons.

### **Restrictions on the Ownership of Shares**

Our Bylaws do not provide for any restrictions on the ownership of our ordinary shares. Spanish law, however, provides for certain restrictions which are described below under “—Exchange Controls—Restrictions on Acquisitions of Shares” and “—Restrictions on Foreign Investments”.

### **Restrictions on Foreign Investments**

Exchange controls and foreign investments are regulated under Law 19/2003, of July 4 (“**Law 19/2003**”), as amended pursuant to Royal Decree-Law 8/2020, of March 17, Royal Decree-Law 11/2020, of March 31 and Royal Decree-Law 34/2020, of November 17. Foreign investments are generally liberalized unless they fall within the scope of article 7 bis of Law 19/2003, enacted in March 2020, Sole Transitional Provision of Royal Decree-Law 34/2020, of November 17, or—only with respect to investments in the defense sector—article 11 of Royal Decree 664/1999, of April 23.

Article 7 bis of Law 19/2003 establishes a screening mechanism for certain investments made by non-EU and non-EFTA residents (“foreign investors”), based on public order, public health and public security reasons (the “**Screening Mechanism**”). The Screening Mechanism aligns part of the Spanish foreign investment legal framework with Regulation (EU) 2019/452 of March 19, 2019 establishing a framework for the screening of foreign direct investments into the European Union. Certain provisions of Regulation (EU) 2019/452—such as the list of sectors affecting public order and public security or the definition of state-owned enterprises and other similar investors—are mirrored in the regulations establishing the Screening Mechanism.

In addition, and according to Sole Transitional Provision of Royal Decree-Law 34/2020, of November 17 (as amended first by article 4 of Royal Decree-Law 27/2021, of November 23, and ultimately by article 62 of Royal Decree-Law 20/2022, of December 27), effective November 19, 2020 and until December 31, 2024, the following persons will also be deemed to be foreign investors, provided they invest in listed companies or the investment value exceeds 500 million euros—for investments in private – non listed – companies:

- EU and EFTA residents in countries other than Spain, and
- Spanish residents beneficially owned by EU or EFTA residents in countries other than Spain, that is, those in which a EU or EFTA resident other than in Spain ultimately owns or controls more than 25% of the share capital or voting rights of, or otherwise exercises control over, the Spanish resident.



Foreign direct investments (“**FDI**”) are:

- investments that result in a foreign investor reaching a stake of at least 10% of the share capital of a Spanish company; and
- any corporate transaction, business action or legal transaction which enables effective participation in the management or control of a Spanish company.

Not all foreign direct investments are subject to the Screening Mechanism. Investors are subject to the Screening Mechanism only if they qualify as FDI and the investment is made in one of the critical sectors mentioned in article 7 bis of Law 19/2003, is made pursuant to what is foreseen in Sole Transitional Provision of Royal Decree-Law 34/2020, of November 17, or—only where the investor is a Non-UE or non-EFTA investor—by investors that meet certain subjective criteria regardless of the business of the target.

Foreign direct investments by the following “foreign investors” are also subject to the Screening Mechanism, regardless of the business of the target:

- Investors directly or indirectly controlled by the government, including state bodies or armed forces, of a non EU/EFTA country.
- Investors that have already made an investment affecting national security, public order or public health in another EU Member State, including an investment in any of the above-mentioned sectors.
- Investors subject to ongoing judicial or administrative proceedings for engaging in illegal or criminal activities.

Foreign direct investments by the following non-EU and non-EFTA investors are also subject to the Screening Mechanism, regardless of the business of the target:

- Investors directly or indirectly controlled by a non-EU and non-EFTA government, including state bodies, armed forces or sovereign wealth funds; the possibility of exercising decisive influence as a result of an agreement or through the ownership of shares or interests in another person (directly or indirectly) is deemed to constitute “control” for these purposes.
- Investors that have already made an investment affecting national security, public order or public health in another EU Member State, including an investment in any of the above-mentioned sectors.
- If there is a serious risk that the investor engages in illegal or criminal activities affecting national security, public order or public health in Spain.

Foreign direct investments described above shall be subject to prior administrative authorization granted by the relevant Spanish Authority, in accordance with the administrative conditions established.

In addition to the above, pursuant to Council Regulation (EU) 2022/318 of February 25, 2022, it shall be prohibited to sell euro denominated transferable securities issued after April 12, 2022 or units in collective investment undertakings providing exposure to such securities, to any Russian national or natural person residing in Russia or any legal person, entity or body established in Russia. This restriction shall not apply to nationals of a Member State or natural persons having a temporary or permanent residence permit in a Member State.

## **C. Material Contracts**

### ***Sale of BBVA USA to The PNC Financial Services Group***

On November 15, 2020, Banco Bilbao Vizcaya Argentaria, S.A. entered into a Stock Purchase Agreement (the “**Stock Purchase Agreement**”) with The PNC Financial Services Group, Inc. (“**PNC**”) for the sale of 100% of the issued and outstanding shares of its subsidiary BBVA USA Bancshares, Inc., a financial holding company (“**BBVA USA Holdco**”) conducting its business operations primarily through its U.S. banking subsidiary, BBVA USA, an Alabama-chartered bank (“**BBVA USA Bank**”) as well as through other companies of the BBVA group in the United States with activities related to this banking business.

On June 1, 2021, after obtaining the relevant regulatory authorizations from the competent authorities, BBVA completed the USA Sale. The consideration received in cash by BBVA as a consequence of the USA Sale amounted to approximately \$11.5 billion (the price provided in the Stock Purchase Agreement minus the agreed closing price adjustments).

The following businesses of BBVA in the United States were not included within the scope of the USA Sale: BBVA Securities, Inc. (except for its retail brokerage business, which was acquired by PNC), Propel Venture Partners US Fund I, L.P. and BBVA Processing Services, Inc. In addition, BBVA continues to develop a wholesale business in the United States through its New York branch.

Under the Stock Purchase Agreement, BBVA agreed to take or refrain from taking certain actions, including, among others, not to (subject to certain exceptions) (i) engage in a retail banking business in the U.S. for two years following the closing of the USA Sale (i.e., June 1, 2021), or (ii) solicit or hire any employees of BBVA USA Holdco or its subsidiaries, including BBVA USA Bank, for one year following the closing of the USA Sale.

Under the Stock Purchase Agreement, PNC agreed to take or refrain from taking certain actions, including, among others, subject to certain exceptions contained in the Stock Purchase Agreement, not to solicit or hire any BBVA employees retained by BBVA for one year following the closing of the USA Sale.

The Stock Purchase Agreement contains customary representations and warranties of BBVA and PNC. The Stock Purchase Agreement also contains certain indemnification obligations of each party with respect to breaches of representations, warranties and covenants and certain other specified matters.

The foregoing description of the USA Sale and the Stock Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Stock Purchase Agreement, which is filed as Exhibit 10.1 hereto, and is incorporated into this report by reference. The Stock Purchase Agreement and the above description of the Stock Purchase Agreement have been included to provide investors and security holders with information regarding the terms of the Stock Purchase Agreement. It is not intended to provide any other factual information about BBVA, PNC or their respective subsidiaries and affiliates. The Stock Purchase Agreement contains representations and warranties of each of BBVA, on the one hand, and PNC, on the other hand, made solely for the benefit of the other. The assertions embodied in those representations and warranties are qualified by information in confidential disclosure schedules that the parties have exchanged in connection with signing the Stock Purchase Agreement. The disclosure schedules contain information that modifies, qualifies and creates exceptions to the representations and warranties set forth in the Stock Purchase Agreement. In addition, such representations and warranties may apply standards of materiality in a way that is different from what may be viewed as material by security holders of, or other investors in, BBVA or PNC. Moreover, the representations and warranties in the Stock Purchase Agreement were used for the purpose of allocating risk between BBVA, on the one hand, and PNC, on the other hand, and not necessarily for establishing matters as fact, and information concerning the subject matter of the representations, warranties and covenants may change after the date of the Stock Purchase Agreement, which subsequent information may or may not be fully reflected in the parties' public disclosures. Security holders and investors are not third-party beneficiaries under the Stock Purchase Agreement. Accordingly, you should read the representations and warranties in the Stock Purchase Agreement not in isolation but only in conjunction with the other information about BBVA and PNC, or any of their respective subsidiaries or affiliates.

#### **D. Exchange Controls**

In 1991, Spain adopted the EU Standards for free movement of capital and services. As a result, foreign investors may transfer invested capital, capital gains and dividends out of Spain without limitation as to amount, subject to applicable taxes. See “—*Taxation*”.

Pursuant to Royal Decree 664/1999, of April 23, on the Applicable rules to Foreign Investments, foreign investors may freely invest in shares of Spanish companies except in the case they fall within the scope of article 7 bis of Law 19/2003, enacted in March 2020, Sole Transitional Provision of Royal Decree-Law 34/2020, of November 17 (as amended by article 62 of Royal Decree-Law 20/2022, of December 27), or—only with respect to investments in the defense sector—article 11 of Royal Decree 664/1999, of April 23. For information on certain additional regulation applicable to foreign direct investments, see “—*Memorandum and Articles of Association—Restrictions on Foreign Investments*”. Likewise, Royal Decree 664/1999, of April 23, and Law 19/2003, on exchange controls and foreign transactions, require notification of all foreign investments in Spain and liquidations of such investments upon completion of such investments to the Investments Registry of the Ministry of Economy Affairs and Digital Transformation for administrative statistical and economical purposes. Shares in listed Spanish companies acquired or held by foreign investors must be reported to the Spanish Registry of Foreign Investments by the depositary bank or relevant Iberclear member. When a foreign investor acquires shares that are subject to the reporting requirements of the CNMV regarding significant stakes, notice must be given directly by the foreign investor to the relevant authorities.

Moreover, investments by foreigners domiciled in enumerated tax haven jurisdictions, under Royal Decree 1080/1991, are subject to special reporting requirements.

For information on certain additional regulation applicable to foreign direct investments, see “—*Memorandum and Articles of Association—Restrictions on Foreign Investments*”.



### ***Restrictions on Acquisitions of Shares***

Pursuant to Spanish Law 10/2014, any individual or corporation, acting alone or in concert with others, intending to directly or indirectly acquire a significant holding in a Spanish financial institution (as defined in article 16 of the aforementioned Law 10/2014) or to directly or indirectly increase its holding in one in such a way that either the percentage of voting rights or of capital owned were equal to or exceed 20%, 30% or 50%, or by virtue of the acquisition, might take control over the financial institution, must first notify the Bank of Spain.

For the purpose of this Law, a significant participation is considered 10% of the outstanding share capital of a financial institution or a lower percentage if such holding allows for the exercise of a significant influence.

The Bank of Spain will be responsible for evaluating the proposed transaction, in accordance with the terms established by Royal Decree 84/2015, of February 13 (as stated in Article 25.1 of said Royal Decree 84/2015) in order to guarantee the sound and prudent operation on the target financial institution. The Bank of Spain will submit a proposition before the European Central Bank, which will be in charge of deciding upon the proposed transaction in the term of 60 working days after the date on which the notification was received.

Any acquisition without such prior notification, or before the period established in the Royal Decree 84/2015 has elapsed or against the objection of the Bank of Spain, will produce the following results:

- the acquired shares will have no voting rights;
- if considered appropriate, the target bank may be taken over or its directors replaced; and
- the sanctions established in Title IV of Law 10/2014.

Regarding the transparency of listed companies, such matter is mainly regulated in Spain in Royal Decree 4/2015, of October 23, approving the restated text of the Securities Market Act. The transparency requirements set out in such Act are further developed by Royal Decree 1362/2007 developing the Securities Market Act on transparency requirement for issuers of listed securities, which stipulates among other matters a communication threshold of 3% for significant stakes and extends the disclosure obligations to the acquisition or transfer of financial instruments that grant rights to acquire shares with voting rights. For more information see “*Item 9. The Offer and Listing—Offer and Listing Details—Reporting Requirements*”.

### ***Tender Offers***

The Spanish legal regime concerning takeover bids, which reflects the related EU regulation (mainly Directive 2004/25/EC), is set forth in Royal Decree 4/2015, of October 23, approving the restated text of the Securities Market Act, and Royal Decree 1066/2007, of July 29, on takeover bids.

## **E. Taxation**

### **Spanish Tax Considerations**

The following is a summary of the material Spanish tax consequences to U.S. Residents (as defined below) of the acquisition, ownership and disposition of BBVA’s ADSs or ordinary shares as of the date of the filing of this Annual Report. This summary does not address all tax considerations that may be relevant to all categories of potential purchasers, some of whom (such as life insurance companies, tax-exempt entities, dealers in securities or financial institutions) may be subject to special rules. In particular, the summary deals only with U.S. Holders (as defined below) that will hold ADSs or ordinary shares as capital assets and who do not at any time own individually, and are not treated as owning, 10% or more of BBVA’s shares, including ADSs.

As used in this particular section, the following terms have the following meanings:

(1) “U.S. Holder” means a beneficial owner of BBVA’s ADSs or ordinary shares that is for U.S. federal income tax purposes:

- a citizen or an individual resident of the United States,
- a corporation or other entity treated as a corporation, created or organized under the laws of the United States, any state therein or the District of Columbia, or
- an estate or trust the income of which is subject to U.S. federal income tax without regard to its source.

(2) “Treaty” means the Convention between the United States and the Kingdom of Spain for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with Respect to Taxes on Income, together with a related Protocol.



(3) “U.S. Resident” means a U.S. Holder that is a resident of the United States for the purposes of the Treaty and entitled to the benefits of the Treaty, whose holding is not effectively connected with (1) a permanent establishment in Spain through which such holder carries on or has carried on business, or (2) a fixed base in Spain from which such holder performs or has performed independent personal services.

Holders of ADSs or ordinary shares should consult their tax advisors, particularly as to the applicability of any tax treaty. The statements regarding Spanish tax laws set out below are based on interpretations of those laws in force as of the date of this Annual Report. Such statements also assume that each obligation in the Deposit Agreement and any related agreement will be performed in full accordance with the terms of those agreements.

### ***Taxation of Dividends***

Under Spanish law, cash dividends paid by BBVA to a holder of ordinary shares or ADSs who is not resident in Spain for tax purposes and does not operate through a permanent establishment in Spain, are subject to Spanish Non-Resident Income Tax, withheld at source at a 19% tax rate. For these purposes, upon distribution of the dividend, BBVA or its paying agent will withhold an amount equal to the tax due according to the rules set forth above (applying a withholding tax rate of 19%), transferring the resulting net amount to the depository. However, in the case of cash distribution of share premium no withholding tax would be applicable.

However, under the Treaty, in cash dividends distributions, if you are a U.S. Resident, you are entitled to a reduced withholding tax rate of 15%. To benefit from the Treaty-reduced rate of 15%, if you are a U.S. Resident, you must provide to BBVA through our paying agent depository, before the tenth day following the end of the month in which the dividends were payable, a certificate from the U.S. Internal Revenue Service (“IRS”) stating that, to the best knowledge of the IRS, you are a resident of the United States within the meaning of the Treaty and entitled to its benefits.

If the paying agent depository provides timely evidence (i.e., by means of the IRS certificate) of your right to apply the Treaty-reduced rate it will immediately receive the surplus amount withheld, which will be credited to you. The IRS certificate is valid for a period of one year from issuance.

To help shareholders obtain such certificates, BBVA has set up an online procedure to make this as easy as possible.

If the certificate referred to in the above paragraph is not provided to us through our paying agent depository within said term, you may afterwards obtain a refund of the amount withheld in excess of the rate provided for in the Treaty.

### ***Spanish Refund Procedure***

According to Spanish Regulations on Non-Resident Income Tax, approved by Royal Decree 1776/2004 dated July 30, 2004, as amended, a refund for the amount withheld in excess of the Treaty-reduced rate can be obtained from the relevant Spanish tax authorities. To pursue the refund claim, if you are a U.S. Resident, you are required to file:

- the corresponding Spanish tax form,
- the certificate referred to in the preceding section, and
- evidence of the Spanish Non-Resident Income Tax that was withheld with respect to you.

The refund claim must be filed within four years from the date in which the withheld tax was collected by the Spanish tax authorities, but not before February 1 of the following year.

U.S. Residents (including U.S. Holders, as defined below under “—U.S. Tax Considerations”) are urged to consult their own tax advisors regarding refund procedures and any U.S. tax implications thereof.

### ***Taxation of Rights***

Distribution of preemptive rights to subscribe for new shares made with respect to shares in BBVA will not be treated as income under Spanish law and, therefore, will not be subject to Spanish Non-Resident Income Tax. The exercise of such preemptive rights is not considered a taxable event under Spanish law and thus is not subject to Spanish tax. Capital gains derived from the disposition of preemptive rights received by U.S. Residents are generally not taxed in Spain provided that certain conditions are met (see “—Taxation of Capital Gains” below).



### ***Taxation of Capital Gains***

Under Spanish law, any capital gains derived from securities issued by persons residing in Spain for tax purposes are considered to be Spanish-source income and, therefore, are taxable in Spain. For Spanish tax purposes, gain recognized by U.S. Residents from the sale of BBVA's ADSs or ordinary shares will be treated as capital gains. Spanish Non-Resident Income Tax is currently levied at a 19% tax rate, on capital gains recognized by persons who are not residents of Spain for tax purposes, who are not entitled to the benefit of any applicable treaty for the avoidance of double taxation and who do not operate through a fixed base or a permanent establishment in Spain.

Notwithstanding the discussion above, capital gains derived from the transfer of shares on an official Spanish secondary stock market by any holder who is resident in a country that has entered into a treaty for the avoidance of double taxation with an "exchange of information" clause (the Treaty contains such a clause) will be exempt from taxation in Spain. Additionally, capital gains realized by non-residents of Spain who are entitled to the benefit of an applicable treaty for the avoidance of double taxation will, in the majority of cases, not be taxed in Spain (since most tax treaties provide for taxation only in the taxpayer's country of residence). Under the Treaty, U.S. Residents' capital gains arising from the disposition of ordinary shares or ADSs will not be taxed in Spain. U.S. Residents will be required to establish that they are entitled to this exemption by providing to the relevant Spanish tax authorities a certificate of residence in the United States from the IRS (discussed above in "*Taxation of Dividends*"), together with the corresponding Spanish tax form.

### ***Spanish Inheritance and Gift Taxes***

Transfers of BBVA's shares or ADSs upon death or by gift to individuals are subject to Spanish inheritance and gift taxes (Spanish Law 29/1987), if the transferee is a resident in Spain for tax purposes, or if BBVA's shares or ADSs are located in Spain, regardless of the residence of the transferee. In this regard, the Spanish tax authorities may argue that all shares of a Spanish corporation and all ADSs representing such shares are located in Spain for Spanish tax purposes. The applicable tax rate for individuals, after applying all relevant factors, ranges between approximately 7.65% and 81.6% under Spanish Law 29/1987. After determining the tax rate, multipliers that range from 1.0 to 2.4, are applied in order to assess the tax due. Those multipliers take into account the preexisting wealth of the inheritor / donee, and the kinship with the deceased / donor.

Corporations that are non-residents of Spain that receive BBVA's shares or ADSs as a gift are subject to Spanish Non-Resident Income Tax at a 19% tax rate on the fair market value of such ordinary shares or ADSs as a capital gain tax. If the donee is a U.S. resident corporation, the exclusions available under the Treaty described in "*Taxation of Capital Gains*" above will be applicable.

### ***Spanish Transfer Tax***

Transfers of BBVA's ordinary shares or ADSs will be exempt from Transfer Tax (Impuesto sobre Transmisiones Patrimoniales) or Value-Added Tax. Additionally, no stamp duty will be levied on such transfers.

### **U.S. Tax Considerations**

The following summary describes material U.S. federal income tax consequences of the ownership and disposition of ADSs or ordinary shares, but it does not purport to be a comprehensive description of all of the tax considerations that may be relevant to a particular person's decision to hold the securities. The summary applies only to U.S. Holders that are eligible for the benefits of the Treaty (in each case, as defined under "*Spanish Tax Considerations*" above) and that hold ADSs or ordinary shares as capital assets for tax purposes. This discussion does not address all of the tax consequences that may be relevant to any particular U.S. Holder, including the potential application of the provisions of the Internal Revenue Code of 1986, as amended (the "**Code**") known as the Medicare contribution tax, and tax consequences that may be relevant to holders subject to special rules, such as:

- certain financial institutions;
- dealers or traders in securities who use a mark-to-market method of accounting;
- persons holding ADSs or ordinary shares as part of a hedging transaction, straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the ADSs or ordinary shares;
- persons whose "functional currency" for U.S. federal income tax purposes is not the U.S. dollar;
- persons liable for the alternative minimum tax;
- tax-exempt entities;



- partnerships or other entities classified as partnerships for U.S. federal income tax purposes;
- persons holding ADSs or ordinary shares in connection with a trade or business conducted outside of the United States;
- persons who acquired our ADSs or ordinary shares pursuant to the exercise of any employee stock option or otherwise as compensation; or
- persons who own or are deemed to own 10% or more of our stock, by vote or value.

If an entity that is classified as a partnership for U.S. federal income tax purposes holds ADSs or ordinary shares, the U.S. federal income tax treatment of a partner will generally depend on the status of the partner and the activities of the partnership. Partnerships holding ADSs or ordinary shares and partners in such partnerships should consult their tax advisors as to the particular U.S. federal income tax consequences of holding and disposing of the ADSs or ordinary shares.

The summary is based upon the tax laws of the United States, including the Code, the Treaty, administrative pronouncements, judicial decisions and final, temporary and proposed Treasury regulations, all as of the date hereof. These laws are subject to change, possibly with retroactive effect. In addition, the summary is based in part on representations by the depository and assumes that each obligation provided for in or otherwise contemplated by BBVA's deposit agreement and any other related document will be performed in accordance with its terms. Prospective purchasers or owners of the ADSs or ordinary shares are urged to consult their tax advisors as to the U.S., Spanish or other tax consequences of the ownership and disposition of ADSs or ordinary shares in their particular circumstances, including the effect of any U.S. state or local tax laws.

In general, for United States federal income tax purposes, a U.S. Holder who owns ADSs will be treated as the owner of the underlying ordinary shares represented by those ADSs. Accordingly, no gain or loss will be recognized if a U.S. Holder exchanges ADSs for the underlying ordinary shares represented by those ADSs.

Except as described in "*—Passive Foreign Investment Company Rules*" below, this discussion assumes that BBVA has not been, and will not become, a passive foreign investment company ("**PFIC**").

### ***Taxation of Distributions***

Distributions, before reduction for any Spanish income tax withheld by BBVA or its paying agent, made with respect to ADSs or ordinary shares (other than certain pro rata distributions of ordinary shares or rights to subscribe for ordinary shares of BBVA's capital stock) will be includible in the income of a U.S. Holder as ordinary income, to the extent paid out of BBVA's current or accumulated earnings and profits as determined in accordance with U.S. federal income tax principles. Because we do not maintain calculations of our earnings and profits under U.S. federal income tax principles, it is expected that distributions generally will be reported to U.S. Holders as dividends. The amount of such dividends will generally be treated as foreign-source dividend income and will not be eligible for the "dividends-received deduction" generally allowed to U.S. corporations under the Code. Subject to applicable limitations (including the satisfaction of a minimum holding period and certain other requirements), dividends paid to certain non-corporate U.S. Holders of ADSs will be taxable as "qualified dividend income" and therefore will be taxable at favorable rates applicable to long-term capital gains. U.S. Holders should consult their own tax advisors to determine the availability of these favorable rates in their particular circumstances.

The amount of dividend income will equal the U.S. dollar value of the euro received, calculated by reference to the exchange rate in effect on the date of receipt (which, for U.S. Holders of ADSs, will be the date such distribution is received by the depository), whether or not the depository or U.S. Holder in fact converts any euro received into U.S. dollars at that time. If the dividend is converted into U.S. dollars on the date of receipt, a U.S. Holder should not be required to recognize foreign currency gain or loss in respect of the dividend income. A U.S. Holder may have foreign currency gain or loss if the dividend is converted into U.S. dollars after the date of receipt.

Subject to applicable limitations that vary depending upon a U.S. Holder's circumstances, a U.S. Holder will be entitled to a credit against its U.S. federal income tax liability for Spanish income taxes withheld by BBVA or its paying agent at a rate not exceeding the rate the U.S. Holder is entitled to under Spanish domestic law or the Treaty. Spanish taxes withheld in excess of the rate applicable under Spanish domestic law or the Treaty or that are otherwise refundable will not be eligible for credit against the U.S. Holder's U.S. federal income tax liability. See "*Spanish Tax Considerations—Taxation of Dividends*" for a discussion of how to obtain the Treaty rate. The rules governing foreign tax credits are complex. For example, under applicable Treasury Regulations, in the absence of an election to apply the benefits of an applicable income tax treaty, in order to be creditable, foreign income tax rules must be consistent with certain U.S. federal income tax principles, and we have not determined whether the Spanish income tax system meets all these requirements. U.S. Holders should consult their tax advisors regarding the availability of foreign tax credits in their particular circumstances. Instead of claiming a credit, the U.S. Holder may, at its election and subject to applicable limitations, deduct such Spanish taxes in computing its U.S. federal taxable income. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all taxes paid or accrued in the taxable year to foreign countries and possessions of the United States.

### ***Sale or Other Disposition of ADSs or Shares***

For U.S. federal income tax purposes, gain or loss realized by a U.S. Holder on the sale or other disposition of ADSs or ordinary shares will be capital gain or loss in an amount equal to the difference between the U.S. Holder's tax basis in the ADSs or ordinary shares disposed of and the amount realized on the disposition, in each case as determined in U.S. dollars. Such gain or loss will be long-term capital gain or loss if the U.S. Holder held the ordinary shares or ADSs for more than one year at the time of disposition. Gain or loss, if any, will generally be U.S. source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations. Spanish taxes (if any) on sales or dispositions of ADSs will not be creditable.

### ***Passive Foreign Investment Company Rules***

Based upon certain proposed Treasury regulations, which are proposed to be effective for taxable years beginning after December 31, 1994 ("**Proposed Regulations**") and upon which taxpayers are currently permitted to rely, we believe that we were not a PFIC for U.S. federal income tax purposes for our 2022 taxable year. However, since our PFIC status depends upon the composition of our income and assets and the market value of our assets (including, among others, less than 25% owned equity investments) from time to time and since there is no guarantee that the Proposed Regulations will be adopted in their current form and because the manner of the application of the Proposed Regulations is not entirely clear, there can be no assurance that we will not be considered a PFIC for any taxable year.

If we were treated as a PFIC for any taxable year during which a U.S. Holder held ADSs or ordinary shares, gain recognized by such U.S. Holder on a sale or other disposition (including certain pledges) of an ADS or an ordinary share would be allocated ratably over the U.S. Holder's holding period for the ADS or the ordinary share. The amounts allocated to the taxable year of the sale or other exchange and to any year before we became a PFIC would be taxed as ordinary income. The amount allocated to each other taxable year would be subject to tax at the highest rate in effect for individuals or corporations, as applicable for that taxable year, and an interest charge would be imposed on the amount of tax allocated to such taxable year. The same treatment would apply to distributions received by a U.S. Holder on its ordinary shares or ADSs in a taxable year to the extent that such distributions exceeds 125% of the average of the annual distributions on the ordinary shares or ADSs received during the preceding three taxable years or the U.S. Holder's holding period, whichever is shorter. In addition, if we were a PFIC or, with respect to a particular U.S. Holder, were treated as a PFIC for the taxable year in which we paid a dividend or the prior taxable year, the favorable tax rates discussed above with respect to dividends paid to certain non-corporate U.S. Holders would not apply. Certain elections may be available (including a mark-to-market election) that may provide alternative tax treatments. U.S. Holders should consult their tax advisors regarding whether we are or were a PFIC, the potential application of the PFIC rules to their ownership and disposition of ordinary shares or ADSs, whether any elections for alternative treatment would be available and, if so, what the consequences of the alternative treatments would be in their particular circumstances. If we were a PFIC for any taxable year during which a U.S. Holder owned our shares, the U.S. Holder would generally be required to file IRS Form 8621 with their annual U.S. federal income tax returns, subject to certain exceptions.

### ***Information Reporting and Backup Withholding***

Information returns may be filed with the IRS in connection with payments of dividends on, and the proceeds from a sale or other disposition of, ADSs or ordinary shares. A U.S. Holder may be subject to U.S. backup withholding on these payments if the U.S. Holder fails to provide its taxpayer identification number to the paying agent and comply with certain certification procedures or otherwise establish an exemption from backup withholding. The amount of any backup withholding from a payment to a U.S. Holder will be allowed as a credit against the U.S. Holder's U.S. federal income tax liability and may entitle the U.S. Holder to a refund, provided that the required information is timely furnished to the IRS.

Certain U.S. Holders who are individuals or specified entities may be required to report information relating to securities of non-U.S. companies, or non-U.S. accounts through which they are held. U.S. Holders should consult their tax advisors regarding the effect, if any, of these rules on their ownership or disposition of ordinary shares or ADSs.

**F. Dividends and Paying Agents**

Not Applicable.

**G. Statement by Experts**

Not Applicable.

**H. Documents on Display**

We are subject to the information requirements of the Exchange Act, except that as a foreign private issuer, we are not subject to the proxy rules or the short-swing profit disclosure rules of the Exchange Act. In accordance with these statutory requirements, we file or furnish reports and other information with the SEC. Reports and other information filed or furnished by BBVA with the SEC may be inspected and copied at the public reference facilities maintained by the SEC at 100 F Street, N.E., Washington, D.C. 20549. Copies of such material may also be inspected at the offices of the New York Stock Exchange, 11 Wall Street, New York, New York 10005, on which BBVA's ADSs are listed. In addition, the SEC maintains a web site that contains information filed or furnished electronically with the SEC, which can be accessed over the internet at <http://www.sec.gov>. Except as otherwise expressly indicated herein, any such information does not form part of this Annual Report on Form 20-F.

**I. Subsidiary Information**

Not Applicable.

**ITEM 11. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

For quantitative and qualitative disclosures about market risk, see Notes 7.4 and 7.3 to our Consolidated Financial Statements.

**ITEM 12. DESCRIPTION OF SECURITIES OTHER THAN EQUITY SECURITIES**

**A. Debt Securities**

Not Applicable.

**B. Warrants and Rights**

Not Applicable.

**C. Other Securities**

Not Applicable.

## D. American Depositary Shares

Our ADSs are listed on the New York Stock Exchange under the symbol “BBVA”. The Bank of New York Mellon is the depositary (the “**Depositary**”) issuing ADSs pursuant to an amended and restated deposit agreement dated June 29, 2007 among BBVA, the Depositary and the holders from time to time of ADSs (the “**Deposit Agreement**”). Each ADS represents the right to receive one share. The table below sets forth the fees payable, either directly or indirectly, by a holder of ADSs as of the date of this Annual Report.

Category	Depositary Actions	Associated Fee / By Whom Paid
(a) Depositing or substituting the underlying shares	Issuance of ADSs	Up to \$5.00 for each 100 ADSs (or portion thereof) delivered (charged to person depositing the shares or receiving the ADSs)
(b) Receiving or distributing dividends	Distribution of cash dividends or other cash distributions; distribution of share dividends or other free share distributions; distribution of securities other than ADSs or rights to purchase additional ADSs	Not applicable
(c) Selling or exercising rights	Distribution or sale of securities	Not applicable
(d) Withdrawing an underlying security	Acceptance of ADSs surrendered for withdrawal of deposited securities	Up to \$5.00 for each 100 ADSs (or portion thereof) surrendered (charged to person surrendering or to person to whom withdrawn securities are being delivered)
(e) Transferring, splitting or grouping receipts	Transfers, combining or grouping of depositary receipts	Not applicable
(f) General depositary services, particularly those charged on an annual basis	Other services performed by the Depositary in administering the ADSs	Not applicable
(g) Expenses of the Depositary	Expenses incurred on behalf of holders in connection with <ol style="list-style-type: none"> <li>stock transfer or other taxes (including Spanish income taxes) and other governmental charges;</li> <li>cable, telex and facsimile transmission and delivery charges incurred at request of holder of ADS or person depositing shares for the issuance of ADSs;</li> <li>transfer, brokerage or registration fees for the registration of shares or other deposited securities on the share register and applicable to transfers of shares or other deposited securities to or from the name of the custodian;</li> <li>reasonable and customary expenses of the depositary in connection with the conversion of foreign currency into U.S. dollars</li> </ol>	Expenses payable by holders of ADSs or persons depositing shares for the issuance of ADSs; expenses payable in connection with the conversion of foreign currency into U.S. dollars are payable out of such foreign currency

The Depositary may remit to us all or a portion of the fees charged for the reimbursement of certain of the expenses we incur in respect of the ADS program established pursuant to the Deposit Agreement upon such terms and conditions as we may agree from time to time. In the year ended December 31, 2022, the Depositary reimbursed us \$565,169 with respect to certain fees and expenses. The table below sets forth the types of expenses that the Depositary has agreed to reimburse and the amounts reimbursed in 2022.

Category of Expenses	Amount Reimbursed in the year ended December 31, 2022
	(In Dollars)
NYSE Listing Fees	310,602
Investor Relations Marketing	12,663
Professional Services	60,468
Annual General Shareholders’ Meeting Expenses	180,887
Other	549

## PART II

### ITEM 13. DEFAULTS, DIVIDEND ARREARAGES AND DELINQUENCIES

Not Applicable.

### ITEM 14. MATERIAL MODIFICATIONS TO THE RIGHTS OF SECURITY HOLDERS AND USE OF PROCEEDS

Not Applicable.

### ITEM 15. CONTROLS AND PROCEDURES

#### Conclusion Regarding the Effectiveness of Disclosure Controls and Procedures

As of December 31, 2022, BBVA, under the supervision and with the participation of BBVA's management, including our Group Executive Chairman, Chief Executive Officer and Chief Financial Officer, performed an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) under the Exchange Act). There are inherent limitations to the effectiveness of any control system, including disclosure controls and procedures. Accordingly, even effective disclosure controls and procedures can provide only reasonable assurance of achieving their control objectives.

Based upon their evaluation, BBVA's Group Executive Chairman, Chief Executive Officer and Chief Financial Officer concluded that BBVA's disclosure controls and procedures are effective at a reasonable assurance level in ensuring that information relating to BBVA, including its consolidated subsidiaries, required to be disclosed in reports that it files under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and (2) accumulated and communicated to the management, including principal financial officers, as appropriate to allow timely decisions regarding required disclosure.

#### *Management's Report on Internal Control Over Financial Reporting*

The management of BBVA is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) under the Exchange Act. BBVA's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles and includes those policies and procedures that:

- pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of BBVA;
- provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that our receipts and expenditures are being made only in accordance with authorizations of BBVA's management and directors; and
- provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of our assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Under the supervision and with the participation of BBVA's management, including our Group Executive Chairman, Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting based on the criteria established in "Internal Control – Integrated Framework (2013)" issued by the Committee of Sponsoring Organizations of the Treadway Commission ("COSO"). Based on this assessment, our management concluded that, as of December 31, 2022 our internal control over financial reporting was effective based on those criteria.

***Changes in Internal Control Over Financial Reporting***

There have been no changes in BBVA's internal control over financial reporting (as defined in Rule 13a-15(f) under the Exchange Act) which have materially affected or are reasonably likely to materially affect BBVA's internal control over financial reporting during the year ended December 31, 2022.

Our internal control over financial reporting as of December 31, 2022 has been audited by Ernst & Young, S.L., an independent registered public accounting firm, as stated in their report which follows below.



## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Banco Bilbao Vizcaya Argentaria, S.A.:

### *Opinion on Internal Control Over Financial Reporting*

We have audited Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries' internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2022, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheet of the Company as of December 31, 2022, the related consolidated income statement, recognized income and expense, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"), and our report dated March 6, 2023 expressed an unqualified opinion thereon.

### *Basis for Opinion*

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### *Definition and Limitations of Internal Control Over Financial Reporting*

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

/s/ Ernst & Young, S.L.

Madrid, Spain

March 6, 2023

## ITEM 16. [RESERVED]

### ITEM 16A. AUDIT COMMITTEE FINANCIAL EXPERT

The Regulations of the Audit Committee establish that committee members will be appointed by the Board of Directors, seeking to ensure that they possess the necessary dedication, skills and experience to carry out their duties. In any event, at least one member will be appointed taking into account his or her knowledge and experience in accounting, auditing or both. As a whole, the Committee members will possess relevant technical knowledge in the financial sector.

We have determined that Mr. Jaime Félix Caruana Lacorte, current Chair of the Audit Committee, and the Audit Committee members Mr. José Miguel Andrés Torrecillas, Mrs. Belén Garijo López and Mrs. Ana Cristina Peralta Moreno are “audit committee financial experts” as such term is defined by the SEC.

Mr. Jaime Félix Caruana Lacorte, Mr. José Miguel Andrés Torrecillas, Mrs. Belén Garijo López and Mrs. Ana Cristina Peralta Moreno are independent within the meaning of Rule 10A-3 under the Exchange Act.

### ITEM 16B. CODE OF ETHICS

The BBVA Group Code of Conduct, which was updated by the Board of Directors on February 9, 2022, applies to all companies and persons which form part of the BBVA Group. This Code sets out the standards of behavior that should be adhered to so that the Group’s conduct towards its customers, colleagues and the society be consistent with BBVA’s values. The BBVA Group Code of Conduct can be found on BBVA’s website at [www.bbva.com](http://www.bbva.com).

### ITEM 16C. PRINCIPAL ACCOUNTANT FEES AND SERVICES

The following table provides information on the aggregate fees paid and payable to our independent registered public accounting firms (Ernst & Young, S.L., Madrid, Spain, Auditor Firm ID 1461 with respect to 2022 and KPMG Auditores, S.L., Madrid, Spain, Auditor Firm ID 1027 with respect to 2021), and their worldwide affiliates, by type of service rendered for the periods indicated.

Services Rendered	Year ended December 31,	
	2022	2021
	(In Millions of Euros)	
Audit Fees (1)	25.0	25.0
Audit-Related Fees (2)	0.9	1.1
Tax Fees (3)	—	—
All Other Fees (4)	—	—
<b>Total</b>	<b>25.9</b>	<b>26.1</b>

- (1) Aggregate fees paid and payable by BBVA for professional services rendered by our principal accountants (Ernst & Young, S.L., Madrid, Spain, Auditor Firm ID 1461 with respect to 2022 and KPMG Auditores, S.L., Madrid, Spain, Auditor Firm ID 1027 with respect to 2021) and their worldwide affiliates for the audit of BBVA’s annual financial statements, review of interim financial statements, SEC regulatory filings or services that are normally provided by our principal accountants and their worldwide affiliates in connection with statutory and regulatory filings or engagements for the relevant fiscal year.
- (2) Aggregate fees paid and payable by BBVA for assurance and related services by our principal accountants (Ernst & Young, S.L., Madrid, Spain, Auditor Firm ID 1461 with respect to 2022 and KPMG Auditores, S.L., Madrid, Spain, Auditor Firm ID 1027 with respect to 2021) and their worldwide affiliates that are reasonably related to the performance of the audit or review of BBVA’s financial statements and are not reported under (1) above. This includes work related to the corporate social responsibility report of certain Group entities and certain regulatory work rendered by the independent auditor.
- (3) Aggregate fees paid and payable by BBVA for professional services rendered by our principal accountants (Ernst & Young, S.L., Madrid, Spain, Auditor Firm ID 1461 with respect to 2022 and KPMG Auditores, S.L., Madrid, Spain, Auditor Firm ID 1027 with respect to 2021) and their worldwide affiliates for tax compliance, tax advice, and tax planning.
- (4) Aggregate fees paid and payable by BBVA for products and services provided by our principal accountants (Ernst & Young, S.L., Madrid, Spain, Auditor Firm ID 1461 with respect to 2022 and KPMG Auditores, S.L., Madrid, Spain, Auditor Firm ID 1027 with respect to 2021) and their worldwide affiliates other than the services reported in (1), (2) and (3) above. Services in this category consisted primarily of consultancy and implementation of new regulation.

The fees of our independent registered public accounting firms are recorded under “Other administrative expense” in our consolidated income statements for the relevant years.

## The Audit Committee's Pre-Approval Policies and Procedures

In order to assist in ensuring the independence of our external auditor, the regulations of our Audit Committee provides that our external auditor is generally prohibited from providing us with non-audit services, other than under the specific circumstance described below. For this reason, our Audit Committee has developed a pre-approval policy regarding the contracting of BBVA's external auditor, or any affiliate of the external auditor, for professional services. The professional services covered by such policy include audit and non-audit services provided to BBVA or any of its subsidiaries reflected in agreements dated on or after May 6, 2003.

The pre-approval policy is as follows:

1. The hiring of BBVA's external auditor or any of its affiliates is prohibited, unless there is no other firm available to provide the needed services at a comparable cost and that could deliver a similar level of quality.
2. In the event that there is no other firm available to provide needed services at a comparable cost and delivering a similar level of quality, the external auditor (or any of its affiliates) may be hired to perform such services, but only with the pre-approval of the Audit Committee.
3. The Chairman of the Audit Committee has been delegated the authority to approve the hiring of BBVA's external auditor (or any of its affiliates). In such an event, however, the Chairman would be required to inform the Audit Committee of such decision at the Committee's next meeting.
4. The hiring of the external auditor for any of BBVA's subsidiaries must also be pre-approved by the Audit Committee.

## ITEM 16D. EXEMPTIONS FROM THE LISTING STANDARDS FOR AUDIT COMMITTEES

Not Applicable.

## ITEM 16E. PURCHASES OF EQUITY SECURITIES BY THE ISSUER AND AFFILIATED PURCHASERS

The below table shows the purchases of BBVA shares made by or on behalf of BBVA or any affiliated purchaser during 2022.

2022	Total Number of Shares Purchased (1)	Average Price Paid per Share in Euro	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Euro Value) of Shares that May Yet Be Purchased Under the Plans or Programs (3)
January	60,140,602	5.61	58,951,275	466,564,505
February	97,162,311	5.64	80,013,830	386,550,675
March	54,058,234	5.10	38,539,671	348,011,004
April	102,027,371	4.92	92,985,933	255,025,071
May	107,260,198	4.75	105,028,263	149,996,808
June	10,389,464	4.54	—	149,996,808
July	90,872,753	4.21	89,250,000	60,746,808
August	62,069,634	4.67	60,746,808	—
September	4,201,521	4.82	—	—
October	6,291,695	4.83	—	—
November	1,951,219	5.43	—	—
December	2,032,022	5.43	—	—
<b>Total</b>	<b>598,457,024</b>	<b>4.96</b>	<b>525,515,780</b>	

(1) All of the purchases made in June 2022 and in the period from September to December 2022 (both inclusive), as well as the purchase of 1,189,327, 17,148,481, 15,518,563, 9,041,438, 2,231,935, 1,622,753 and 1,322,826 shares in January, February, March, April, May, July and August 2022, respectively, were made other than through a publicly announced plan or program and were made in open-market transactions.

(2) Refers to the number of shares purchased under the share buyback program in the relevant month. See "*Share Buyback Programs*".

(3) Refers to the maximum number of shares yet to be purchased under the share buyback program as of the end of the relevant month. See "*Share Buyback Programs*". As of January 31, February 28, March 31, April 30, May 31 and July 31, 2022, the dollar value of such shares was approximately \$2,920 million (based on a euro/dollar exchange rate on January 31, 2022 of €1.00=\$1.12), \$2,440 million (based on a euro/dollar exchange rate on February 28, 2022 of €1.00=\$1.12), \$1,970 million (based on a euro/dollar exchange rate on March 31, 2022 of €1.00=\$1.11), \$1,324 million (based on a euro/dollar exchange rate on April 30, 2022 of €1.00=\$1.05), \$764 million (based on a euro/dollar exchange rate on May 31, 2022 of €1.00=\$1.07) and \$261 million (based on a euro/dollar exchange rate on July 31, 2022 of €1.00=\$1.02), respectively. No purchases were undertaken in June 2022 and the information as of June 30, 2022 reiterates the information as of May 31, 2022, calculated as indicated above.

During 2022, we sold 82,834,993 shares through open-market transactions for an average price of €5.22 per share and we cancelled 637,770,016 shares pursuant to the share capital reductions that took place on June 16, 2022 and September 30, 2022.



## Share Buyback Programs

### 2021-2022

On October 26, 2021, BBVA received the required authorization from the ECB to repurchase up to 10% of its share capital in an amount of up to €3.5 billion, in one or more installments and for a maximum period of 12 months.

Upon receiving said authorization and making use of the delegation conferred by the BBVA general shareholders' meeting held on March 16, 2018, at its meeting of October 28, 2021, BBVA Board of Directors resolved to carry out a share buyback program scheme in compliance with Regulation (EU) No 596/2014 of the European Parliament and of the Council of April 16, 2014 on market abuse and Delegated Regulation (EU) No 2016/1052 of the Commission, of March 8, 2016, to be executed in various tranches up to a maximum amount of €3.5 billion (US\$4.0 billion, based on the exchange rate as of December 31, 2021) (the "**Program Scheme**"), with the purpose of reducing BBVA's share capital, notwithstanding the possibility of terminating or cancelling the Program Scheme at an earlier date.

In addition, the Board of Directors agreed, within the scope of the Program Scheme, to carry out a first share buyback program to be executed externally through a lead manager, J.P. Morgan AG, for a maximum amount of €1,500 million (US\$1,699 million, based on the exchange rate as of December 31, 2021) and a maximum number of 637,770,016 shares, representing, approximately, 9.6% of BBVA's share capital as of the date of the agreement (the "**First Tranche**"). The First Tranche was announced on October 29, 2021 and the appointment of J.P. Morgan AG was announced on November 19, 2021. The implementation of the First Tranche began on November 22, 2021 and was completed on March 3, 2022 upon reaching the maximum monetary amount of €1,500 million, having acquired 281,218,710 shares representing, approximately, 4.22% of BBVA's share capital as of that date.

On June 15, 2022, BBVA notified that it had partially executed the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each, acquired derivatively by the Bank in execution of the First Tranche.

On February 3, 2022, BBVA announced that its Board of Directors agreed, within the Program Scheme, to carry out a second buyback program (the "**Second Tranche**") aimed at reducing BBVA's share capital, for a maximum amount of €2,000 million (US\$2,265 million, based on the exchange rate as of December 31, 2021) and a maximum number of shares to be acquired equal to the result of subtracting from 637,770,016 shares (9.6% of BBVA's share capital at that date) the number of own shares finally acquired in execution of the First Tranche.

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

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

On June 28, 2022, BBVA communicated through an Inside Information filing with the CNMV that it would complete the Program Scheme by executing the Second Segment, for a maximum amount of €1,000 million and a maximum of 149,996,808 shares. The execution of the Second Segment carried out by Citigroup Global Markets Europe AG as lead manager, as BBVA informed through an Inside Information filing on June 29, 2022. By means of an Other Relevant Information filing dated August 19, 2022, BBVA announced the completion of the execution of the Second Segment upon reaching the maximum number of shares (149,996,808), representing, approximately, 2.3% of BBVA's share capital as of said date. On September 30, 2022, BBVA notified that it had, again, partially executed the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the Second Tranche and which were held as treasury shares.

### 2023

On February 1, 2023, BBVA announced that it intended to submit for the consideration of the corresponding BBVA governing bodies the execution of a share buyback program of BBVA for an amount of €422 million, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution.



## **ITEM 16F. CHANGE IN REGISTRANT'S CERTIFYING ACCOUNTANT**

On July 1, 2021, we announced that the Board of Directors selected Ernst & Young, S.L. to be our independent registered public accounting firm for the 2022, 2023 and 2024 fiscal years. Such selection and change of independent registered public accounting firm was adopted at the proposal of the Audit Committee. This selection was approved by the shareholders at the annual shareholders' meeting held on March 18, 2022.

The disclosure called for by paragraph (a) of Item 16F was previously reported, as that term is defined in Rule 12b-2 under the Exchange Act, in the Bank's Annual Report on Form 20-F for the year ended December 31, 2021, filed with the SEC on March 4, 2022.

## **ITEM 16G. CORPORATE GOVERNANCE**

### ***Compliance with NYSE Listing Standards on Corporate Governance***

On November 4, 2003, the SEC approved rules proposed by the New York Stock Exchange (the "NYSE") intended to strengthen corporate governance standards for listed companies. In compliance therewith, the following is a summary of the significant differences between our corporate governance practices and those applicable to domestic issuers under the NYSE listing standards.

### ***Independence of the Directors on the Board of Directors and Board Committees***

Under the NYSE corporate governance rules, (i) a majority of a U.S. company's board of directors must be composed of independent directors, (ii) all members of the audit committee must be independent and (iii) all U.S. companies listed on the NYSE must have a compensation committee and a nominations committee and all members of such committees must be independent. In each case, the independence of directors must be established pursuant to highly detailed rules promulgated by the NYSE and, in the case of the audit committee, the NYSE and the SEC.

The Spanish Corporate Enterprises Act sets out a definition of what constitutes independence for the purpose of board or committee membership. Such definition is in line with the definition provided by our Board of Directors Regulations.

In addition, pursuant to the Spanish Corporate Enterprises Act, listed companies shall have, at least, an audit committee and an appointments and remuneration committee. This Act also establishes that such committees (i) shall be composed exclusively of non-executive directors, (ii) shall have a majority of independent directors (in the case of the audit committee) or at least two of their members shall be independent directors (in the case of the appointments and remuneration committee) and (iii) they shall be chaired by an independent director.

Likewise, Law 10/2014, which completes the transposition of CRD IV into Spanish legislation, includes rules on corporate governance, among others, as regards board committees and their membership, establishing that the remuneration committee, the appointments committee and risk committee shall be composed of non-executive directors and at least one third of their members shall be independent and, in any event, the chair of these committees shall also be an independent director.

Moreover, pursuant to the Good Governance Code for Listed Companies of the CNMV, which includes non-binding recommendations applicable to listed companies in Spain, under the comply or explain principle: (i) independent directors must represent, at least, half of the total board members; (ii) the majority of the members of the appointments and remuneration committee must be independent; and (iii) companies with high market capitalization must have two separate committees, an appointments committee and a remuneration committee.

Pursuant to Article 1 of our Board of Directors Regulations, BBVA considers that independent directors are non-executive directors appointed based on their personal and professional qualities and who may perform their duties without being constrained by their relationship with the Company, or its Group, significant shareholders or managers. Directors may not be considered independent in any of the following situations:

- a) They have been employees or have been executive directors of Group companies in the last three or five years, respectively.
- b) They receive from the Bank, or from Group companies, any amount or benefit for any item other than director's remuneration, except for those amounts which are not significant for such director. For the purposes of this item, neither dividends nor pension allowances received by directors relating to their previous professional or employment relations will be taken into account, provided that said allowances are unconditional in nature and, therefore, the company that provides said allowances may not suspend, modify or revoke their accrual at its discretion without breaching its obligations.





c) They are, or have been in the past three years, a partner of an external auditor or have been responsible during this time for the auditor's report for the Company or any other company within its Group.

d) They are executive directors or senior managers of another company for which an executive director or senior manager of the Company is an external director.

e) They have, or have had over the last year, a significant business relationship with the Bank or any company within its Group, whether in their own name or as a significant shareholder, director or senior manager of a company that has, or has had, such a relationship. Business relationships include supplying goods or services, including financial services, as well as acting as an adviser or consultant.

f) They are significant shareholders, executive directors or senior managers of a company that receives, or has received in the past three years, donations from the Company or from its Group. Those who are simply trustees of a foundation receiving donations will not be considered to be included in this category.

g) They are spouses, partners in a similar relationship of affection or relatives up to the second degree of an executive director or senior manager of the Company.

h) They have not been proposed for appointment or renewal by the Appointments and Corporate Governance Committee.

i) They have been directors for a continuous period of more than twelve years.

j) In relation to a significant shareholder or shareholder represented on the Board of Directors, any of the circumstances referred to in items (a), (e), (f) or (g) above shall apply. In the event of the kinship relations referred to in item (g), the limitation will apply not only to the shareholder, but also to any proprietary directors of the company in which shares are held.

The directors with a shareholding in the Company may be considered independent provided that they do not meet the conditions above and, in addition, that their shareholding is not legally regarded as significant.

As of the date of this Annual Report, 13 of the 15 members of our Board of Directors are non-executive directors and ten out of the 15 members of our Board are independent under the definition of independence described above, which is in line with the definition provided by the Spanish Corporate Enterprises Act.

In addition, our Audit Committee is composed exclusively of independent directors and the Committee chair has experience in accounting, auditing and technical knowledge in the financial sector, in accordance with the specific regulations of the Audit Committee. Our Risk and Compliance Committee is composed exclusively of non-executive directors, the majority of whom (including its chair) are independent directors. Also, in accordance with the Spanish Corporate Enterprises Act and with corporate governance non-binding recommendations, our Board of Directors has two separate committees: an Appointments and Corporate Governance Committee and a Remuneration Committee, which are composed exclusively of non-executive directors, the majority of whom (including their chairs) are independent directors.

#### *Separate Meetings for Independent Directors*

In accordance with the NYSE corporate governance rules, independent directors must meet periodically outside of the presence of the executive directors. Under Spanish law, this requirement is not contemplated as such. We note, however, that our non-executive directors meet periodically outside the presence of our executive directors every time a committee with oversight functions meets, since these committees are comprised solely of non-executive directors. Furthermore, the Board of Directors has appointed a Lead Director with powers to coordinate and meet with the non-executive directors, among other faculties conferred by applicable law and in Article 21 of our Board of Directors Regulations. The Lead Director also maintains ongoing contact, holds meetings and has conversations with other Bank directors in order to seek their opinions on the corporate governance and operation of the Bank's corporate bodies. In addition, in accordance with Article 37 of the Board of Directors Regulations, the Lead Director coordinated during 2022 monthly meetings with non-executive directors, which took place following the meetings of the Board of Directors.

#### *Code of Ethics*

The NYSE listing standards require U.S. companies to adopt a code of business conduct and ethics for directors, officers and employees, and promptly disclose any waivers of the code for directors or executive officers. For information with respect to BBVA's code of business conduct and ethics see "*Item 16 B. Code of Ethics*".

## ITEM 16H. MINE SAFETY DISCLOSURE

Not Applicable.

## ITEM 16I. DISCLOSURE REGARDING FOREIGN JURISDICTIONS THAT PREVENT INSPECTIONS

Not Applicable.

## PART III

## ITEM 17. FINANCIAL STATEMENTS

We have responded to Item 18 in lieu of responding to this Item.

## ITEM 18. FINANCIAL STATEMENTS

Please see pages F-1 through F-219.

## ITEM 19 EXHIBITS

Exhibit Number	Description
1.1	<a href="#">Amended and Restated Bylaws (Estatutos) of the Registrant (English translation)</a>
2.1	<a href="#">Description of Registrant's Securities Registered under Section 12 of the Exchange Act</a>
4.1	<a href="#">Information on Compensation Plans (*)</a>
8.1	<a href="#">Subsidiaries of Registrant (see Appendix I to IX to our Consolidated Financial Statements included herein)</a>
10.1	<a href="#">Share Purchase Agreement between Banco Bilbao Vizcaya Argentaria, S.A. and The PNC Financial Services Group of November 15, 2020 (**)</a>
12.1	<a href="#">Section 302 Group Executive Chairman Certification</a>
12.2	<a href="#">Section 302 Chief Executive Officer Certification</a>
12.3	<a href="#">Section 302 Chief Financial Officer Certification</a>
13.1	<a href="#">Section 906 Certification</a>
15.1	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
15.2	<a href="#">Consent of Independent Registered Public Accounting Firm</a>
101	Inline XBRL Instance Document — the instance document does not appear on the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document
101.SCH	Inline XBRL TAXONOMY EXTENSION SCHEMA DOCUMENT
101.CAL	Inline XBRL TAXONOMY EXTENSION CALCULATION LINKBASE DOCUMENT
101.DEF	Inline XBRL TAXONOMY EXTENSION DEFINITION LINKBASE DOCUMENT
101.LAB	Inline XBRL TAXONOMY EXTENSION LABELS LINKBASE DOCUMENT
101.PRE	Inline XBRL TAXONOMY EXTENSION PRESENTATION LINKBASE DOCUMENT
104	Cover Page Interactive Data File — the cover page interactive data file does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document

(\*) Incorporated by reference to BBVA's report on Form 6-K submitted on February 15, 2023 (SEC Accession No. 0001193125-23-040053), excluding the following sections of the Annual Report on the Remuneration of BBVA Directors: (i) "Executive summary of remunerations 2022" and (ii) section 4.3 B.(a) - "Annual Variable Remuneration 2022".

(\*\*) Incorporated by reference to BBVA's Annual Report on Form 20-F for the year ended December 31, 2020.

We will furnish to the Commission, upon request, copies of any unfiled instruments that define the rights of holders of our long-term debt.



**SIGNATURES**

Pursuant to the requirements of Section 12 of the Securities Exchange Act of 1934, the Registrant certifies that it meets all of the requirements for filing on Form 20-F and had duly caused this Annual Report to be signed on its behalf by the undersigned, thereto duly authorized.

BANCO BILBAO VIZCAYA ARGENTARIA, S.A.

By:

/s/ Rafael Salinas Martínez de Lecea

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Name: Rafael Salinas Martínez de Lecea

Title: Chief Financial Officer

Date: March 6, 2023

**Consolidated Financial  
Statements and Reports of  
Independent Registered  
Public Accounting Firms for  
the years 2022, 2021 and  
2020**

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## GLOSSARY

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## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Banco Bilbao Vizcaya Argentaria, S.A.:

### *Opinion on the Financial Statements*

We have audited the accompanying consolidated balance sheet of Banco Bilbao Vizcaya Argentaria, S.A. (the Company) as of December 31, 2022, the related consolidated statements of income, recognized income and expense, changes in equity, and cash flows for the year then ended, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2022, and the results of its operations and its cash flows for the year then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the Company's internal control over financial reporting as of December 31, 2022, based on criteria established in Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission, and our report dated March 6, 2023 expressed an unqualified opinion thereon.

### *Basis for Opinion*

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audit included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

### *Critical Audit Matters*

The critical audit matters communicated below are matters arising from the current period audit of the financial statements that were communicated or required to be communicated to the audit committee and that: (1) relate to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matters below, providing separate opinions on the critical audit matters or on the accounts or disclosures to which they relate.

### *Expected credit losses related to loans and advances to customers*

**Description of the Matter** As discussed in note 7 to the consolidated financial statements, the Company's expected credit losses (ECL) related to loans and advances to customers was €11,237 million as of December 31, 2022. The recognition and measurement of ECL is complex and involves the use of significant analysis and estimation, including formulation and incorporation of forward-looking economic conditions into the ECL model.

Auditing the assessment of the ECL related to loans and advances to customers involved subjective and complex auditor judgment as well as specialized skills and knowledge due to significant measurement uncertainty, including: (i) the Company's overall methodology for estimating ECL related to loans and advances to customers, inclusive of the models and significant assumptions used to estimate the probability of default (PD), exposure at default (EAD) and loss given default (LGD), (ii) the need for and measurement of certain qualitative adjustments to the collective ECL, (iii) the significant assumptions used to estimate the ECL for certain individually evaluated loans, including the present value of estimated future cashflows and the estimation of the recoverable amount of collateral, (iv) the complexity of mathematical calculations of the ECL of loans collectively and individually evaluated for impairment, and (v) the maintenance of updated and accurate relevant data elements and assumptions, including forward-looking information that could be affected by future economic conditions.



*How We Addressed the Matter in Our Audit* We obtained an understanding, evaluated the design and tested the operating effectiveness of controls over the Company's ECL assessment process related to loans and advances to customers, which included controls over management's review of the data, models and assumptions used in the estimation process, including adjustments to the models.

Our audit procedures, in which we involved professionals with specialized skills and knowledge, included, among others: (i) evaluating the Company's ECL methodology, (ii) evaluating a sample of models used in calculating the PD, EAD and LGD by inspecting model documentation, assessing the theoretical soundness and ongoing performance of the models, which included assessing the methodologies used and the assumptions incorporated into the models by management, (iii) assessing the need for and measurement of certain qualitative adjustments to the ECL by inspecting the documentation supporting the adjustment, evaluating the inputs and assumptions used by management and recalculating the amounts measured, (iv) recalculating the ECL for a sample of collective models and a sample of loans individually evaluated for impairment, including the present value of estimated future cashflows, and (v) testing the accuracy of underlying relevant data elements for a sample of loans by comparing it to contractual documentation and, for the forward-looking information, developing independent estimates of future economic conditions and comparing them to management's estimates.

We also involved valuation specialists who assisted in testing the significant assumptions used to estimate the ECL for a sample of individually evaluated loans, by comparing management's estimated recoverable amount of collateral to an independent range estimate for a sample of collaterals.

We assessed the adequacy of the related disclosures in the Company's consolidated financial statements.

#### *Measurement of fair value of certain financial instruments*

*Description of the Matter* As discussed in note 8 to the consolidated financial statements, the Company has recorded €179,343 million of financial assets measured at fair value (of which €97,911 million were classified as Level 2 and €3,850 million were classified as Level 3) and €109,495 million of financial liabilities measured at fair value (of which €86,040 million were classified as Level 2 and €2,744 million were classified as Level 3) as of December 31, 2022. Fair value measurement of Level 2 and Level 3 financial instruments is based on valuation techniques, hypothesis and observable and unobservable inputs.

We identified as a critical audit matter the measurement of fair value of those financial instruments classified as Level 2 and Level 3 that require complex valuation techniques that use observable and unobservable market inputs and involve the application of management judgement, as further disclosed in note 8.1.1. Specifically, there was a high degree of subjectivity and judgment involved in evaluating the models and methodologies used to estimate the fair value of these financial instruments. Subjective auditor judgment was also required to evaluate the models' significant inputs and/or assumptions, which were not directly observable in financial markets, such as certain interest rates, correlations and volatility inputs.

*How We Addressed the Matter in Our Audit* We obtained an understanding, evaluated the design and tested the operating effectiveness of the Company's internal controls over the Company's fair value measurement of Level 2 and Level 3 financial instruments assessment process. For example, management's controls over the development and approval and/or reassessment of the Company's valuation models and methodologies.

Our audit procedures, in which we involved professionals with specialized skills and knowledge, included, among others, evaluating the Company's valuation models and methodologies by performing an independent revaluation of a sample of Level 2 and Level 3 financial instruments using independent models and inputs, and comparing our estimate to the Company's fair value estimate.

We assessed the adequacy of the related disclosures in the Company's consolidated financial statements.

/s/ Ernst & Young, S.L.

We have served as the Company's auditor since 2022.

Madrid, Spain  
March 6, 2023

## Report of Independent Registered Public Accounting Firm

To the Shareholders and Board of Directors  
Banco Bilbao Vizcaya Argentaria, S.A.:

### *Opinion on the Consolidated Financial Statements*

We have audited the accompanying consolidated balance sheets of Banco Bilbao Vizcaya Argentaria, S.A. and subsidiaries (the Company) as of December 31, 2021 and 2020, the related consolidated statements of income, recognized income and expense, changes in equity, and cash flows for the years then ended, and the related notes (collectively, the consolidated financial statements). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended, in conformity with International Financial Reporting Standards as issued by the International Accounting Standards Board.

### *Basis for Opinion*

These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ KPMG Auditores, S.L.

We served as the Company's auditor from 2017 to 2021.

Madrid, Spain  
March 4, 2022



## Consolidated balance sheets as of December 31, 2022, 2021 and 2020

ASSETS (Millions of Euros)				
	Notes	2022	2021	2020
<b>CASH, CASH BALANCES AT CENTRAL BANKS AND OTHER DEMAND DEPOSITS</b>	<b>9</b>	<b>79,756</b>	<b>67,799</b>	<b>65,520</b>
<b>FINANCIAL ASSETS HELD FOR TRADING</b>	<b>10</b>	<b>110,671</b>	<b>123,493</b>	<b>105,878</b>
Derivatives		39,908	30,933	40,183
Equity instruments		4,404	15,963	11,458
Debt securities		24,367	25,790	23,970
Loans and advances to central banks		1,632	3,467	53
Loans and advances to credit institutions		25,231	31,916	18,317
Loans and advances to customers		15,130	15,424	11,898
<b>NON-TRADING FINANCIAL ASSETS MANDATORILY AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>11</b>	<b>6,888</b>	<b>6,086</b>	<b>5,198</b>
Equity instruments		6,511	5,303	4,133
Debt securities		129	128	356
Loans and advances to customers		247	655	709
<b>FINANCIAL ASSETS DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>12</b>	<b>913</b>	<b>1,092</b>	<b>1,117</b>
Debt securities		913	1,092	1,117
<b>FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME</b>	<b>13</b>	<b>58,980</b>	<b>60,421</b>	<b>69,440</b>
Equity instruments		1,198	1,320	1,100
Debt securities		57,755	59,074	68,308
Loans and advances to credit institutions		26	27	33
<b>FINANCIAL ASSETS AT AMORTIZED COST</b>	<b>14</b>	<b>422,061</b>	<b>372,676</b>	<b>367,668</b>
Debt securities		43,606	34,781	35,737
Loans and advances to central banks		4,401	5,681	6,209
Loans and advances to credit institutions		16,031	13,276	14,575
Loans and advances to customers		358,023	318,939	311,147
<b>DERIVATIVES - HEDGE ACCOUNTING</b>	<b>15</b>	<b>1,891</b>	<b>1,805</b>	<b>1,991</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	<b>15</b>	<b>(148)</b>	<b>5</b>	<b>51</b>
<b>JOINT VENTURES AND ASSOCIATES</b>	<b>16</b>	<b>916</b>	<b>900</b>	<b>1,437</b>
Joint ventures		100	152	149
Associates		816	749	1,288
<b>INSURANCE AND REINSURANCE ASSETS</b>	<b>23</b>	<b>210</b>	<b>269</b>	<b>306</b>
<b>TANGIBLE ASSETS</b>	<b>17</b>	<b>8,737</b>	<b>7,298</b>	<b>7,823</b>
Properties, plant and equipment		8,441	7,107	7,601
For own use		7,911	6,874	7,311
Other assets leased out under an operating lease		530	233	290
Investment properties		296	191	222
<b>INTANGIBLE ASSETS</b>	<b>18</b>	<b>2,156</b>	<b>2,197</b>	<b>2,345</b>
Goodwill		707	818	910
Other intangible assets		1,449	1,379	1,435
<b>TAX ASSETS</b>	<b>19</b>	<b>16,472</b>	<b>15,850</b>	<b>16,526</b>
Current tax assets		1,978	932	1,199
Deferred tax assets		14,494	14,917	15,327
<b>OTHER ASSETS</b>	<b>20</b>	<b>2,614</b>	<b>1,934</b>	<b>2,513</b>
Insurance contracts linked to pensions		—	—	—
Inventories		325	424	572
Other		2,289	1,510	1,941
<b>NON-CURRENT ASSETS AND DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE</b>	<b>21</b>	<b>1,022</b>	<b>1,061</b>	<b>85,987</b>
<b>TOTAL ASSETS</b>	<b>3 / 6</b>	<b>713,140</b>	<b>662,885</b>	<b>733,797</b>

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated balance sheets as of December 31, 2022, 2021 and 2020

<b>LIABILITIES AND EQUITY (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>FINANCIAL LIABILITIES HELD FOR TRADING</b>	<b>10</b>	<b>95,611</b>	<b>91,135</b>	<b>84,109</b>
Derivatives		37,909	31,705	41,680
Short positions		13,487	15,135	12,312
Deposits from central banks		3,950	11,248	6,277
Deposits from credit institutions		28,924	16,176	14,377
Customer deposits		11,341	16,870	9,463
<b>FINANCIAL LIABILITIES DESIGNATED AT FAIR VALUE THROUGH PROFIT OR LOSS</b>	<b>12</b>	<b>10,580</b>	<b>9,683</b>	<b>10,050</b>
Customer deposits		700	809	902
Debt certificates		3,288	3,396	4,531
Other financial liabilities		6,592	5,479	4,617
<i>Memorandum item: Subordinated liabilities</i>		—	—	—
<b>FINANCIAL LIABILITIES AT AMORTIZED COST</b>	<b>22</b>	<b>528,629</b>	<b>487,893</b>	<b>490,606</b>
Deposits from central banks		38,323	47,351	45,177
Deposits from credit institutions		26,935	19,834	27,629
Customer deposits		393,856	349,761	342,661
Debt certificates		55,429	55,763	61,780
Other financial liabilities		14,086	15,183	13,358
<i>Memorandum item: Subordinated liabilities</i>		12,509	14,808	16,488
<b>DERIVATIVES - HEDGE ACCOUNTING</b>	<b>15</b>	<b>3,303</b>	<b>2,626</b>	<b>2,318</b>
<b>FAIR VALUE CHANGES OF THE HEDGED ITEMS IN PORTFOLIO HEDGES OF INTEREST RATE RISK</b>	<b>15</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>LIABILITIES UNDER INSURANCE AND REINSURANCE CONTRACTS</b>	<b>23</b>	<b>11,848</b>	<b>10,865</b>	<b>9,951</b>
<b>PROVISIONS</b>	<b>24</b>	<b>4,933</b>	<b>5,889</b>	<b>6,141</b>
Pensions and other post-employment defined benefit obligations		2,632	3,576	4,272
Other long term employee benefits		466	632	49
Provisions for taxes and other legal contingencies		685	623	612
Commitments and guarantees given		770	691	728
Other provisions		380	366	479
<b>TAX LIABILITIES</b>	<b>19</b>	<b>2,742</b>	<b>2,413</b>	<b>2,355</b>
Current tax liabilities		1,415	644	545
Deferred tax liabilities		1,326	1,769	1,809
<b>OTHER LIABILITIES</b>	<b>20</b>	<b>4,880</b>	<b>3,621</b>	<b>2,802</b>
<b>LIABILITIES INCLUDED IN DISPOSAL GROUPS CLASSIFIED AS HELD FOR SALE</b>	<b>21</b>	<b>—</b>	<b>—</b>	<b>75,446</b>
<b>TOTAL LIABILITIES</b>		<b>662,526</b>	<b>614,125</b>	<b>683,777</b>

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated balance sheets as of December 31, 2022, 2021 and 2020

<b>LIABILITIES AND EQUITY (Continued) (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>SHAREHOLDERS' FUNDS</b>				
<b>Capital</b>	<b>26</b>	<b>2,955</b>	<b>3,267</b>	<b>3,267</b>
Paid up capital		2,955	3,267	3,267
Unpaid capital which has been called up		—	—	—
<b>Share premium</b>	<b>27</b>	<b>20,856</b>	<b>23,599</b>	<b>23,992</b>
<b>Equity instruments issued other than capital</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Other equity</b>		<b>63</b>	<b>60</b>	<b>42</b>
<b>Retained earnings</b>	<b>28</b>	<b>32,536</b>	<b>31,841</b>	<b>30,508</b>
<b>Revaluation reserves</b>	<b>28</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other reserves</b>	<b>28</b>	<b>2,345</b>	<b>(1,857)</b>	<b>(164)</b>
Reserves or accumulated losses of investments in joint ventures and associates		(221)	(247)	(164)
Other		2,566	(1,610)	—
<b>Less: treasury shares</b>	<b>29</b>	<b>(29)</b>	<b>(647)</b>	<b>(46)</b>
<b>Profit or loss attributable to owners of the parent</b>		<b>6,420</b>	<b>4,653</b>	<b>1,305</b>
<b>Less: Interim dividends</b>	<b>4</b>	<b>(722)</b>	<b>(532)</b>	<b>—</b>
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>30</b>	<b>(17,432)</b>	<b>(16,476)</b>	<b>(14,356)</b>
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gains (losses) on defined benefit pension plans		(760)	(998)	(1,474)
Non-current assets and disposal groups classified as held for sale		—	—	(65)
Share of other recognized income and expense of investments in joint ventures and associates		—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income		(1,194)	(1,079)	(1,256)
Hedge ineffectiveness of fair value hedges for equity instruments measured at fair value through other comprehensive income		—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		72	2	(21)
<b>Items that may be reclassified to profit or loss</b>		<b>(15,550)</b>	<b>(14,401)</b>	<b>(11,541)</b>
Hedge of net investments in foreign operations (effective portion)		(1,408)	(146)	(62)
Foreign currency translation		(13,103)	(14,988)	(14,185)
Hedging derivatives. Cash flow hedges (effective portion)		(458)	(533)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income		(562)	1,274	2,069
Hedging instruments (non-designated items)		—	—	—
Non-current assets and disposal groups classified as held for sale		—	—	644
Share of other recognized income and expense of investments in joint ventures and associates		(18)	(9)	(17)
<b>MINORITY INTERESTS (NON-CONTROLLING INTERESTS)</b>	<b>31</b>	<b>3,624</b>	<b>4,853</b>	<b>5,471</b>
Accumulated other comprehensive income (loss)		(3,112)	(8,414)	(6,949)
Other items		6,736	13,267	12,421
<b>TOTAL EQUITY</b>		<b>50,615</b>	<b>48,760</b>	<b>50,020</b>
<b>TOTAL EQUITY AND TOTAL LIABILITIES</b>		<b>713,140</b>	<b>662,885</b>	<b>733,797</b>

<b>MEMORANDUM ITEM (OFF-BALANCE SHEET EXPOSURES) (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Loan commitments given	33	136,920	119,618	132,584
Financial guarantees given	33	16,511	11,720	10,665
Other commitments given	33	39,137	34,604	36,190

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated income statements for the years ended December 31, 2022, 2021 and 2020

### CONSOLIDATED INCOME STATEMENTS (Millions of Euros)

	Notes	2022	2021	2020
Interest and other income	37.1	31,432	23,015	22,389
<i>Financial assets at fair value through other comprehensive income</i>		3,110	1,880	1,392
<i>Financial assets at amortized cost</i>		25,258	18,364	18,357
<i>Other interest income</i>		3,064	2,770	2,640
Interest expense	37.2	(12,279)	(8,329)	(7,797)
<b>NET INTEREST INCOME</b>		<b>19,153</b>	<b>14,686</b>	<b>14,592</b>
Dividend income	38	123	176	137
Share of profit or loss of entities accounted for using the equity method	39	21	1	(39)
Fee and commission income	40	8,261	6,997	5,980
Fee and commission expense	40	(2,907)	(2,232)	(1,857)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	41	64	134	139
<i>Financial assets at amortized cost</i>		8	27	106
<i>Other financial assets and liabilities</i>		56	106	33
Gains (losses) on financial assets and liabilities held for trading, net	41	562	341	777
<i>Reclassification of financial assets from fair value through other comprehensive income</i>		—	—	—
<i>Reclassification of financial assets from amortized cost</i>		—	—	—
<i>Other gains (losses)</i>		562	341	777
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	41	(67)	432	208
<i>Reclassification of financial assets from fair value through other comprehensive income</i>		—	—	—
<i>Reclassification of financial assets from amortized cost</i>		—	—	—
<i>Other gains (losses)</i>		(67)	432	208
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	41	150	335	56
Gains (losses) from hedge accounting, net	41	(45)	(214)	7
Exchange differences, net	41	1,275	883	359
Other operating income	42	528	661	492
Other operating expense	42	(3,438)	(2,041)	(1,662)
Income from insurance and reinsurance contracts	43	3,103	2,593	2,497
Expense from insurance and reinsurance contracts	43	(1,892)	(1,685)	(1,520)
<b>GROSS INCOME</b>		<b>24,890</b>	<b>21,066</b>	<b>20,166</b>
Administration costs		(9,432)	(8,296)	(7,799)
<i>Personnel expense</i>	44.1	(5,612)	(5,046)	(4,695)
<i>Other administrative expense</i>	44.2	(3,820)	(3,249)	(3,105)
Depreciation and amortization	45	(1,328)	(1,234)	(1,288)
Provisions or reversal of provisions	46	(291)	(1,018)	(746)
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	47	(3,379)	(3,034)	(5,179)
<i>Financial assets measured at amortized cost</i>		(3,303)	(3,017)	(5,160)
<i>Financial assets at fair value through other comprehensive income</i>		(76)	(17)	(19)
<b>NET OPERATING INCOME</b>		<b>10,460</b>	<b>7,484</b>	<b>5,153</b>
Impairment or reversal of impairment of investments in joint ventures and associates	48	42	—	(190)
Impairment or reversal of impairment on non-financial assets	49	(27)	(221)	(153)
<i>Tangible assets</i>		53	(161)	(125)
<i>Intangible assets</i>		(25)	(19)	(19)
<i>Other assets</i>		(55)	(41)	(9)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net		(11)	24	(7)
Negative goodwill recognized in profit or loss		—	—	—
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	50	(108)	(40)	444
<b>PROFIT (LOSS) BEFORE TAX FROM CONTINUING OPERATIONS</b>		<b>10,356</b>	<b>7,247</b>	<b>5,248</b>
Tax expense or income related to profit or loss from continuing operations	19	(3,529)	(1,909)	(1,459)
<b>PROFIT (LOSS) AFTER TAX FROM CONTINUING OPERATIONS</b>		<b>6,827</b>	<b>5,338</b>	<b>3,789</b>
Profit (loss) after tax from discontinued operations	21	—	280	(1,729)
<b>PROFIT (LOSS)</b>		<b>6,827</b>	<b>5,618</b>	<b>2,060</b>
<b>ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)</b>	<b>31</b>	<b>407</b>	<b>965</b>	<b>756</b>
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT</b>		<b>6,420</b>	<b>4,653</b>	<b>1,305</b>



## Consolidated income statements for the years ended December 31, 2022, 2021 and 2020 (continued)

<b>EARNINGS (LOSSES) PER SHARE (Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>EARNINGS (LOSSES) PER SHARE (Euros)</b>	<b>5</b>	<b>0.99</b>	<b>0.67</b>	<b>0.14</b>
Basic earnings (losses) per share from continuing operations		0.99	0.63	0.40
Diluted earnings (losses) per share from continuing operations		0.99	0.63	0.40
Basic earnings (losses) per share from discontinued operations		—	0.04	(0.26)
Diluted earnings (losses) per share from discontinued operations		—	0.04	(0.26)

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated statements of recognized income and expense for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED STATEMENTS OF RECOGNIZED INCOME AND EXPENSE (Millions of Euros)			
	2022	2021	2020
<b>PROFIT (LOSS) RECOGNIZED IN INCOME STATEMENT</b>	<b>6,827</b>	<b>5,618</b>	<b>2,060</b>
<b>OTHER RECOGNIZED INCOME (EXPENSE)</b>	<b>810</b>	<b>(3,977)</b>	<b>(5,375)</b>
<b>ITEMS NOT SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT</b>	<b>190</b>	<b>358</b>	<b>(822)</b>
Actuarial gains (losses) from defined benefit pension plans	354	218	(88)
Non-current assets and disposal groups held for sale	—	(3)	17
Share of other recognized income and expense of entities accounted for using the equity method	—	—	—
Fair value changes of equity instruments measured at fair value through other comprehensive income, net	(121)	189	(796)
Gains (losses) from hedge accounting of equity instruments at fair value through other comprehensive income, net	—	—	—
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk	100	33	4
Income tax related to items not subject to reclassification to income statement	(143)	(80)	40
<b>ITEMS SUBJECT TO RECLASSIFICATION TO INCOME STATEMENT</b>	<b>621</b>	<b>(4,335)</b>	<b>(4,553)</b>
<b>Hedge of net investments in foreign operations (effective portion)</b>	<b>(1,172)</b>	<b>(117)</b>	<b>378</b>
Valuation gains (losses) taken to equity	(1,172)	(117)	378
Transferred to profit or loss	—	—	—
Other reclassifications	—	—	—
<b>Foreign currency translation</b>	<b>3,387</b>	<b>(2,256)</b>	<b>(4,873)</b>
Translation gains (losses) taken to equity	3,387	(2,239)	(4,873)
Transferred to profit or loss	—	(17)	—
Other reclassifications	—	—	—
<b>Cash flow hedges (effective portion)</b>	<b>97</b>	<b>(691)</b>	<b>230</b>
Valuation gains (losses) taken to equity	116	(553)	230
Transferred to profit or loss	(19)	(137)	—
Transferred to initial carrying amount of hedged items	—	—	—
Other reclassifications	—	—	—
<b>Debt securities at fair value through other comprehensive income</b>	<b>(2,454)</b>	<b>(1,139)</b>	<b>460</b>
Valuation gains (losses) taken to equity	(2,484)	(1,082)	515
Transferred to profit or loss	30	(57)	(54)
Other reclassifications	—	—	—
<b>Non-current assets and disposal groups held for sale</b>	<b>—</b>	<b>(663)</b>	<b>(492)</b>
Valuation gains (losses) taken to equity	—	(30)	(472)
Transferred to profit or loss	—	(633)	(20)
Other reclassifications	—	—	—
<b>Entities accounted for using the equity method</b>	<b>(7)</b>	<b>8</b>	<b>(13)</b>
<b>Income tax relating to items subject to reclassification to income statements</b>	<b>770</b>	<b>523</b>	<b>(243)</b>
<b>TOTAL RECOGNIZED INCOME (EXPENSE)</b>	<b>7,637</b>	<b>1,640</b>	<b>(3,315)</b>
<b>Attributable to minority interest (non-controlling interests)</b>	<b>1,351</b>	<b>(500)</b>	<b>(606)</b>
<b>Attributable to the parent company</b>	<b>6,286</b>	<b>2,141</b>	<b>(2,709)</b>

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2022	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	Total
Balances as of January 1, 2022 <sup>(1)</sup>	3,267	23,599	—	60	31,841	—	(1,857)	(647)	4,653	(532)	(16,476)	(8,414)	13,267	48,760
<b>Total income/expense recognized</b>	—	—	—	—	—	—	—	—	6,420	—	(134)	944	407	7,637
<b>Other changes in equity</b>	(313)	(2,743)	—	3	695	—	4,202	617	(4,653)	(190)	(822)	4,358	(6,938)	(5,783)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	(313)	(2,743)	—	—	250	—	(355)	3,160	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,463)	—	—	—	—	(722)	—	—	(185)	(2,370)
Purchase of treasury shares	—	—	—	—	—	—	—	(2,966)	—	—	—	—	—	(2,966)
Sale or cancellation of treasury shares	—	—	—	—	—	—	9	423	—	—	—	—	—	432
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity <sup>(2)</sup> (see Note 2.2.19)	—	—	—	—	2,234	—	2,709	—	(4,653)	532	(822)	4,358	(4,358)	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity <sup>(2)</sup>	—	—	—	25	(326)	—	1,839	—	—	—	—	—	(2,395)	(857)
<b>Balance as of December 31, 2022</b>	<b>2,955</b>	<b>20,856</b>	<b>—</b>	<b>63</b>	<b>32,536</b>	<b>—</b>	<b>2,345</b>	<b>(29)</b>	<b>6,420</b>	<b>(722)</b>	<b>(17,432)</b>	<b>(3,112)</b>	<b>6,736</b>	<b>50,615</b>

(1) Balances as of December 31, 2021 as originally reported in the Consolidated Financial Statements for the year 2021.

(2) The headings "Transfers within equity" and "Other increases or decreases in equity" include the effects of the application of IAS 29 in the subsidiaries in Turkey (see Note 2.2.19) for amounts of €1,873 million in "Retained earnings", €1,862 million in "Accumulated other comprehensive income (loss)" and, under the heading of "Non-controlling interests" include, €1,621 million in "Other" and €1,480 million in "Accumulated other comprehensive income (loss)".

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020 (continued)

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2021	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest		Total
												Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	
Balances as of January 1, 2021 <sup>(1)</sup>	3,267	23,992	—	42	30,508	—	(164)	(46)	1,305	—	(14,356)	(6,949)	12,421	50,020
<b>Total income/expense recognized</b>	—	—	—	—	—	—	—	—	4,653	—	(2,512)	(1,465)	965	1,640
<b>Other changes in equity</b>	—	(393)	—	17	1,333	—	(1,693)	(600)	(1,305)	(532)	391	—	(119)	(2,900)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	(393)	—	—	—	—	—	—	—	(532)	—	—	(119)	(1,045)
Purchase of treasury shares	—	—	—	—	—	—	—	(1,022)	—	—	—	—	—	(1,022)
Sale or cancellation of treasury shares	—	—	—	—	—	—	17	421	—	—	—	—	—	438
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	1,693	—	(780)	—	(1,305)	—	391	—	—	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(11)	—	—	—	—	—	—	—	—	—	(11)
Other increases or (-) decreases in equity	—	—	—	28	(360)	—	(930)	—	—	—	—	—	1	(1,260)
<b>Balance as of December 31, 2021</b>	<b>3,267</b>	<b>23,599</b>	<b>—</b>	<b>60</b>	<b>31,841</b>	<b>—</b>	<b>(1,857)</b>	<b>(647)</b>	<b>4,653</b>	<b>(532)</b>	<b>(16,476)</b>	<b>(8,414)</b>	<b>13,267</b>	<b>48,760</b>

(1) Balances as of December 31, 2020 as originally reported in the Consolidated Financial Statements for the year 2020.

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated statements of changes in equity for the years ended December 31, 2022, 2021 and 2020 (continued)

### CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Millions of Euros)

2020	Capital (Note 26)	Share Premium (Note 27)	Equity instruments issued other than capital	Other Equity	Retained earnings (Note 28)	Revaluation reserves (Note 28)	Other reserves (Note 28)	(-) Treasury shares (Note 29)	Profit or loss attributable to owners of the parent	(-) Interim dividends (Note 4)	Accumulated other comprehensive income (loss) (Note 30)	Non-controlling interest		Total
												Accumulated other comprehensive income (loss) (Note 31)	Other (Note 31)	
Balances as of January 1, 2020 <sup>(1)</sup>	3,267	23,992	—	56	26,402	—	(125)	(62)	3,512	(1,084)	(7,234)	(3,527)	9,728	54,925
Effect of changes in accounting policies	—	—	—	—	2,986	—	6	—	—	—	(2,992)	(2,045)	2,045	—
<b>Adjusted initial balance</b>	<b>3,267</b>	<b>23,992</b>	<b>—</b>	<b>56</b>	<b>29,388</b>	<b>—</b>	<b>(119)</b>	<b>(62)</b>	<b>3,512</b>	<b>(1,084)</b>	<b>(10,226)</b>	<b>(5,572)</b>	<b>11,773</b>	<b>54,925</b>
<b>Total income/expense recognized</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,305</b>	<b>—</b>	<b>(4,014)</b>	<b>(1,361)</b>	<b>755</b>	<b>(3,315)</b>
Other changes in equity	—	—	—	(14)	1,120	—	(45)	16	(3,512)	1,084	(116)	(16)	(107)	(1,590)
Issuances of common shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuances of preferred shares	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Issuance of other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Settlement or maturity of other equity instruments issued	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Conversion of debt on equity	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Common Stock reduction	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Dividend distribution	—	—	—	—	(1,066)	—	—	—	—	—	—	—	(124)	(1,190)
Purchase of treasury shares	—	—	—	—	—	—	—	(807)	—	—	—	—	—	(807)
Sale or cancellation of treasury shares	—	—	—	—	—	—	—	823	—	—	—	—	—	823
Reclassification of other equity instruments to financial liabilities	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Reclassification of financial liabilities to other equity instruments	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Transfers within total equity	—	—	—	—	2,585	—	(41)	—	(3,512)	1,084	(116)	(16)	16	—
Increase/Reduction of equity due to business combinations	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Share based payments	—	—	—	(22)	—	—	—	—	—	—	—	—	—	(22)
Other increases or (-) decreases in equity	—	—	—	8	(399)	—	(4)	—	—	—	—	—	1	(394)
<b>Balance as of December 31, 2020</b>	<b>3,267</b>	<b>23,992</b>	<b>—</b>	<b>42</b>	<b>30,508</b>	<b>—</b>	<b>(164)</b>	<b>(46)</b>	<b>1,305</b>	<b>—</b>	<b>(14,356)</b>	<b>(6,949)</b>	<b>12,421</b>	<b>50,020</b>

(1) Balances as of December 31, 2019 as originally reported in the Consolidated Financial Statements for the year 2019.

The accompanying Notes are an integral part of the Consolidated Financial Statements.



## Consolidated statements of cash flows for the years ended December 31, 2022, 2021 and 2020

CONSOLIDATED FINANCIAL STATEMENTS OF CASH FLOWS (Millions of Euros)				
	Notes	2022	2021	2020
<b>A) CASH FLOWS FROM OPERATING ACTIVITIES</b>		<b>23,718</b>	<b>(1,242)</b>	<b>39,349</b>
Of which hyperinflation effect from operating activities	2.2.19	2,692	—	—
<b>Profit for the year</b>		<b>6,827</b>	<b>5,618</b>	<b>2,060</b>
<b>Adjustments to obtain the cash flow from operating activities</b>		<b>11,770</b>	<b>7,688</b>	<b>11,653</b>
Depreciation and amortization		1,328	1,234	1,288
Other adjustments		10,442	6,454	10,365
<b>Net increase/decrease in operating assets</b>		<b>(42,900)</b>	<b>(38,267)</b>	<b>(57,370)</b>
Financial assets held for trading		14,658	(17,031)	(10,351)
Non-trading financial assets mandatorily at fair value through profit or loss		(421)	(908)	(241)
Other financial assets designated at fair value through profit or loss		179	25	97
Financial assets at fair value through other comprehensive income		(1,014)	7,116	(16,649)
Financial assets at amortized cost		(55,754)	(28,062)	(30,212)
Other operating assets		(548)	592	(15)
<b>Net increase/decrease in operating liabilities</b>		<b>51,256</b>	<b>25,266</b>	<b>84,961</b>
Financial liabilities held for trading		2,907	6,479	247
Other financial liabilities designated at fair value through profit or loss		293	(837)	647
Financial liabilities at amortized cost		48,161	19,682	84,853
Other operating liabilities		(105)	(58)	(787)
<b>Collection/Payments for income tax</b>		<b>(3,234)</b>	<b>(1,546)</b>	<b>(1,955)</b>
<b>B) CASH FLOWS FROM INVESTING ACTIVITIES</b>		<b>(3,911)</b>	<b>(1,634)</b>	<b>(37)</b>
Of which hyperinflation effect from investing activities	2.2.19	759	—	—
<b>Investment</b>		<b>(4,506)</b>	<b>(12,472)</b>	<b>(1,185)</b>
Tangible assets		(1,812)	(396)	(632)
Intangible assets		(630)	(550)	(491)
Investments in joint ventures and associates		(81)	(50)	(62)
Subsidiaries and other business units		(1,389)	—	—
Non-current assets classified as held for sale and associated liabilities	21	(594)	(11,476)	—
Other settlements related to investing activities		—	—	—
<b>Divestments</b>		<b>596</b>	<b>10,838</b>	<b>1,148</b>
Tangible assets		29	78	558
Intangible assets		—	—	—
Investments in joint ventures and associates		127	80	307
Subsidiaries and other business units		—	10	—
Non-current assets classified as held for sale and associated liabilities	21	440	10,670	283
Other collections related to investing activities		—	—	—
<b>C) CASH FLOWS FROM FINANCING ACTIVITIES</b>		<b>(7,563)</b>	<b>(4,349)</b>	<b>(2,069)</b>
Of which hyperinflation effect from financing activities	2.2.19	—	—	—
<b>Payments</b>		<b>(7,996)</b>	<b>(4,786)</b>	<b>(5,316)</b>
Dividend distribution (shareholders remuneration)		(2,185)	(926)	(1,065)
Subordinated liabilities		(2,258)	(2,301)	(2,820)
Treasury share amortization		(313)	—	—
Treasury share acquisition		(2,670)	(1,022)	(807)
Other items relating to financing activities		(571)	(538)	(624)
<b>Collections</b>		<b>434</b>	<b>438</b>	<b>3,247</b>
Subordinated liabilities		—	—	2,425
Treasury shares increase		—	—	—
Treasury shares disposal		434	438	822
Other items relating to financing activities		—	—	—
<b>D) EFFECT OF EXCHANGE RATE CHANGES</b>		<b>(288)</b>	<b>(1,864)</b>	<b>(4,658)</b>
<b>E) NET INCREASE/DECREASE IN CASH OR CASH EQUIVALENTS (A+B+C+D)</b>		<b>11,957</b>	<b>(9,089)</b>	<b>32,585</b>
<b>F) CASH AND CASH EQUIVALENTS AT BEGINNING OF THE YEAR <sup>(1)</sup></b>		<b>67,799</b>	<b>76,888</b>	<b>44,303</b>
<b>G) CASH AND CASH EQUIVALENTS AT END OF THE YEAR (E+F) <sup>(2)</sup></b>		<b>79,756</b>	<b>67,799</b>	<b>76,888</b>
<b>COMPONENTS OF CASH AND EQUIVALENT AT END OF THE YEAR (Millions of Euros)</b>				
	Notes	2022	2021	2020
Cash	9	6,533	6,877	6,447
Balance of cash equivalent in central banks	9	67,314	55,004	53,079
Other financial assets	9	5,909	5,918	5,994
Less: Bank overdraft refundable on demand		—	—	—
<b>TOTAL CASH AND CASH EQUIVALENTS AT END OF THE YEAR</b>		<b>79,756</b>	<b>67,799</b>	<b>65,520</b>
<b>TOTAL CASH AND CASH EQUIVALENTS CLASSIFIED AS NON-CURRENT ASSETS AND DISPOSABLE GROUPS CLASSIFIED AS HELD FOR SALE IN THE UNITED STATES</b>	21	<b>—</b>	<b>—</b>	<b>11,368</b>

(1) In 2021 it includes the balance of the Group's businesses in the United States included within the scope of the USA Sale (see Notes 3 and 21).

(2) With respect to 2020 only, it includes the balance of the companies in the United States included within the scope of the USA Sale (see Notes 3 and 21).

The accompanying Notes are an integral part of the Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements

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

#### 1.1 Introduction

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

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

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

As of December 31, 2022, the BBVA Group had 203 consolidated entities and 43 entities accounted for using the equity method (see Notes 3 and 16 and Appendix I to V).

The Consolidated Financial Statements of the BBVA Group for the year ended December 31, 2022, were authorized for issue on March 6, 2023.

#### 1.2 Basis for the presentation of the Consolidated Financial Statements

The BBVA Group’s Consolidated Financial Statements are presented in compliance with IFRS-IASB (International Financial Reporting Standards as issued by the International Accounting Standards Board), as well as in accordance with the International Financial Reporting Standards endorsed by the European Union (“EU-IFRS”) applicable as of December 31, 2022, considering the Bank of Spain Circular 4/2017, as well as its successive amendments, and with any other legislation governing financial reporting which is applicable and with the format and mark-up requirements established in the EU Delegated Regulation 2019/815 of the European Commission.

The BBVA Group’s Consolidated Financial Statements for the year ended December 31, 2022 were prepared by the Group’s Directors (through the Board of Directors meeting held on February 9, 2023) by applying the principles of consolidation, accounting policies and valuation criteria described in Note 2, so that they present fairly the Group’s total consolidated equity and financial position as of December 31, 2022, together with the consolidated results of its operations and cash flows generated during the year ended December 31, 2022.

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

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

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

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

#### 1.3 Seasonal nature of income and expense

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

#### 1.4 Responsibility for the information and for the estimates made

The information contained in the BBVA Group’s Consolidated Financial Statements is the responsibility of the Group’s Directors.

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

- Loss allowances on certain financial assets (see Notes 7, 13, 14 and 16).
- The assumptions used to quantify certain provisions (see Notes 23 and 24) and for the actuarial calculation of post-employment benefit liabilities and commitments (see Note 25).
- The useful life and impairment losses of tangible and intangible assets (see Notes 17, 18, and 21).



- The valuation of goodwill and price allocation of business combinations (see Note 18).
- The fair value of certain unlisted financial assets and liabilities (see Notes 7, 8, 10, 11, 12, 13 and 15).
- The recoverability of deferred tax assets (see Note 19).

The great macroeconomic and geopolitical uncertainty (see Note 7.1) has resulted in greater complexity in developing reliable estimates and applying judgment. Therefore, while these estimates have been made on the basis of the best available information on the matters analyzed, as of December 31, 2022, it is possible that events may take place in the future which could make it necessary to amend these estimations (upward or downward), which would be carried out prospectively, recognizing the effects of the change in estimation in the consolidated financial statements.

During 2022 there have been no other significant changes in the estimates made as of December 31, 2021 and 2020, other than those indicated in these Consolidated Financial Statements.

## 1.5 BBVA Group's Internal Control over Financial Reporting

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

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

- The establishment of an appropriate control framework.
- The assessment of the risks that could arise during the preparation of the financial information.
- The design of the necessary controls to mitigate the identified risks.
- The establishment of an appropriate system of information to detect and report system weaknesses.
- The monitoring over the controls to support correct performance and effectiveness over time.

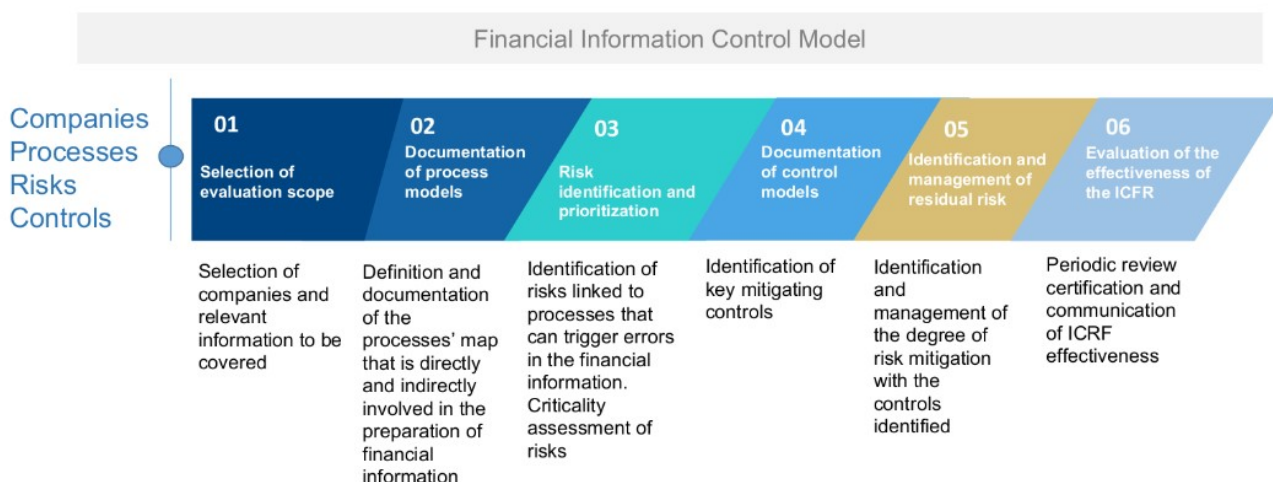
The ICFR model is a dynamic model that continuously evolves over time to reflect the reality of the BBVA Group's businesses and processes, as well as the risks and controls designed to mitigate them. It is subject to a continuous evaluation by the internal financial control units located in the different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

In order to guarantee the necessary independence of the aforementioned internal financial control units, they are integrated within the Regulation & Internal Control area, whose head reports to the Board of Directors through its Committees, and defines and coordinates the Group's entire internal control model, based on two pillars:

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

The RCA and RCS Finance (Internal Financial Control) units comply with a common and standard methodology established at the Group level, as set out in the following diagram:





The ICFR model is subject to evaluation on a regular basis by the Control areas (RCAs and RCSs), and annually by the Group's Internal Audit Unit. It is also supervised by the Audit Committee of the Bank's Board of Directors.

The BBVA Group also complies with the requirements of the Sarbanes-Oxley Act (hereafter, "SOX") for the preparation of the consolidated Financial Statements, as a company with securities registered with the U.S. Securities and Exchange Commission ("SEC"). The main senior executives of the Group are involved in the design and implementation of the internal control model with the aim of making it effective and to support the quality and accuracy of the financial information.

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

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

### 2.1 Principles of consolidation

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

#### – Subsidiaries

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

Note 3 includes information related to the main subsidiaries in the Group as of December 31, 2022, 2021 and 2020. Appendix I includes other significant information on all entities.

#### – Joint ventures

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

The investments in joint ventures are accounted for using the equity method (see Note 16). Appendix II shows the main figures for joint ventures accounted for using the equity method as of December 31, 2022.

#### – Associates

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

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

In contrast, some investments in entities in which the Group holds less than 20% of the voting rights are accounted for as Group associates, as the Group is considered to have the ability to exercise significant influence over these entities. As of December 31, 2022, 2021 and 2020, these entities are not significant to the Group.



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

– Structured entities

A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when the voting rights relate to administrative matters only and the relevant activities are directed by means of contractual arrangements (see Glossary).

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

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

– Structured entities subject to consolidation

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

- a. Evidence of the current ability to manage the relevant activities of the investee according to the specific business needs (including any decisions that may arise only in particular circumstances).
- b. Potential existence of a special relationship with the investee.
- c. Implicit or explicit Group commitments to support the investee.
- d. The ability to use the Group's power over the investee to affect the amount of the Group's returns.

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

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

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

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

– Non-consolidated structured entities

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

As of December 31, 2022, 2021 and 2020, there was no material financial support from the Bank or its subsidiaries to unconsolidated structured entities.

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

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

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

The consolidated financial statements of subsidiaries, associates and joint ventures used in the preparation of the Consolidated Financial Statements of the Group have the same presentation date as the Consolidated Financial Statements. If financial statements at those same dates are not available, the most recent will be used, as long as these are not older than three months, and adjusted to take into account the most significant transactions. As of December 31, 2022, financial statements as of December 31 of all Group entities were utilized except in the case of the consolidated financial statements of five associates deemed non-significant for which financial statements as of November 30, 2022 were used.

## 2.2 Accounting principles and policies and applied valuation methods

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

In preparing the Consolidated Financial Statements, the following accounting principles and policies and assessment criteria have been applied:

### 2.2.1 Financial instruments

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

#### Classification and measurement of financial assets

##### Classification of financial assets

IFRS 9 contains three main categories for financial assets classification: measured at amortized cost, measured at fair value with changes through other comprehensive income, and measured at fair value through profit or loss.

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

The assessment of the business model should reflect the way the Group manages groups of financial assets and does not depend on the intention for an individual instrument. Thus, for each entity within the BBVA Group there are different business models for managing assets.

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

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

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

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

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

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

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



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

The main criteria taken into account in the analysis are:

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

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

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

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

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

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

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

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

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

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

### Measurement of financial assets

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

All changes in the value of financial assets due to the interest accrual and similar items are recorded in the headings "Interest and other income" or "Interest expense", of the consolidated income statement of the year in which the accrual occurred (see Note 37), except for trading derivatives that are not economic and accounting hedges.

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

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

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

The assets recognized under these headings of the consolidated balance sheet are measured upon acquisition at fair value and changes in the fair value (gains or losses and foreign exchange differences) are recognized as their net value, when applicable, under the headings "Gains (losses) on financial assets and liabilities held for trading, net", "Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net" and "Gains (losses) on financial assets designated at fair value through profit or loss, net" in the consolidated income statement (see Note 41).

### "Financial assets at fair value through other comprehensive income"

- Debt instruments

Assets recognized under this heading in the consolidated balance sheets are measured at their fair value. This category of valuation implies the recognition of the information in the income statement as if it were an instrument valued at amortized cost, while the instrument is valued at fair value in the balance sheet. Thus, both interest income on these instruments and the exchange differences and impairment that arise in their case are recorded in the profit and loss account, while subsequent changes in its fair value (gains or losses) are recognized temporarily (by the amount net of tax effect) under the heading "Accumulated other comprehensive income (loss) - Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" in the consolidated balance sheets (see Note 30).

The amounts recognized under the headings "Accumulated other comprehensive income (loss) - Items that may be reclassified to profit or loss - Fair value changes of debt instruments measured at fair value through other comprehensive income" continue to form part of the Group's consolidated equity until the corresponding asset is derecognized from the consolidated balance sheet or until a loss allowance is recognized on the corresponding financial instrument. If these assets are sold, these amounts are derecognized and included under the headings "Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net" in the consolidated income statements (see Note 41).

The net loss allowances in "Financial assets at fair value through other comprehensive income" over the year are recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification - Financial assets at fair value through other comprehensive income" (see Note 47) in the consolidated income statement for the year. Interest income on these instruments is recorded in the consolidated profit and loss account (see Note 37). Changes in foreign exchange rates are recognized under the heading "Exchange differences, net" in the consolidated income statements (see Note 41).

- Equity instruments

At the time of initial recognition of specific investments in equity instruments, the BBVA Group may make the irrevocable decision to present subsequent changes in fair value in other comprehensive income. Subsequent changes in this valuation will be recognized in "Accumulated other comprehensive income - Items that will not be reclassified to profit or loss - Fair value changes of equity instruments measured at fair value through other comprehensive income" (see Note 30). Dividends received from these investments are recorded in the heading "Dividend income" in the consolidated income statement (see Note 38). These instruments are not subject to the impairment model of IFRS 9.

#### **“Financial assets at amortized cost”**

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

Net loss allowances of assets recorded under these headings arising in each year, calculated using the IFRS 9 model, are recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification – Financial assets measured at amortized cost" in the consolidated income statement for such year (see Note 47).

### **Classification and measurement of financial liabilities**

#### **Classification of financial liabilities**

Financial liabilities are classified in the following categories:

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

#### **Measurement of financial liabilities**

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

Variations in the value of financial liabilities due to the interest accrual and similar items are recorded in the headings "Interest and other income" or "Interest expense", of the consolidated income statement for the year in which the accrual occurred (see Note 37), except for trading derivatives that are not economic and accounting hedges.

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

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

The subsequent changes in the fair value (gains or losses) of the liabilities recognized under these headings of the consolidated balance sheets are recognized as their net value under the headings "Gains (losses) on financial assets and liabilities held for trading, net" and "Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net" in the consolidated income statements (see Note 41). The changes in the own credit risk of the liabilities designated under the fair value option is presented in "Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss – Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk", unless this treatment brings about or increases an asymmetry in the income statement. Changes in fair value resulting from variations in foreign exchange rates are recognized under the heading "Exchange differences, net" in the consolidated income statements (Note 41).

#### **“Financial liabilities at amortized cost”**

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

#### **Hybrid financial liabilities**

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



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

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

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

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

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

Hedging accounting follows IAS 39, and the effectiveness of hedges is evaluated both retrospectively and prospectively, so that they remain within a range between 80% and 125%. The ineffectiveness of hedges, defined as the difference between the change in value of the hedging instrument and the hedged item in each period, attributable to the hedged risk, is recognized in the income statement. This includes both the amount of the ineffectiveness of the hedges established to manage interest rate risk in the period, as well as the ineffectiveness of the hedges established to manage exchange risk, which is mainly attributable to the temporary value of hedges established to manage exchange rate risk (see Notes 15 and 41).

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

- In fair value hedges, the changes in the fair value of the derivative and the hedged item attributable to the hedged risk are recognized under the heading “Gains (losses) from hedge accounting, net” in the consolidated income statement, with a corresponding offset under the headings where hedging items (“Hedging derivatives”) and the hedged items are recognized, as applicable, except for interest-rate risks hedges (which are almost all of the hedges used by the Group), for which the valuation changes are recognized under the headings “Interest and other income” or “Interest expense”, as appropriate, in the consolidated income statement (see Note 37).
- In fair value hedges of interest rate risk of a portfolio of financial instruments (portfolio-hedges), the gains or losses that arise in the measurement of the hedging instrument are recognized in the consolidated income statement, with the corresponding offset on the headings “Derivatives-Hedge Accounting” and the gains or losses that arise from the change in the fair value of the hedged item (attributable to the hedged risk) are also recognized in the consolidated income statement (in both cases under the heading “Gains (losses) from hedge accounting, net”, using, as a corresponding offset, the headings “Fair value changes of the hedged items in portfolio hedges of interest rate risk” in the consolidated balance sheets, as applicable).
- In cash flow hedges, the gain or loss on the hedging instruments relating to the effective portion is recognized temporarily under the heading “Accumulated other comprehensive income (loss) - Items that may be reclassified to profit or loss - Hedging derivatives. Cash flow hedges (effective portion)” in the consolidated balance sheets, with a corresponding offset under the heading “Hedging derivatives” of the assets or liabilities of the consolidated balance sheets as applicable. These differences are recognized in the consolidated income statement at the time the gains or losses of the hedged item are recorded in the income statement, at the time the forecast transaction is executed or at the maturity date of the hedged item. Almost all of the cash flow hedges carried out by the Group relate to interest rate risk and inflation risk of financial instruments, so their valuation changes are recognized under the heading “Interest and other income” or “Interest expense” in the consolidated income statement (see Note 37).
- The changes in value of the hedging items corresponding to the ineffective portions of cash flow hedges are recognized directly in the heading “Gains (losses) from hedge accounting, net” in the consolidated income statement (see Note 41).
- In hedges of net investments in foreign businesses, the valuation changes attributable to the effective portions of hedging items are recognized temporarily under the heading “Accumulated other comprehensive income (loss) - Items that may be reclassified to profit or loss – Hedging of net investments in foreign operations (effective portion)” in the consolidated balance sheets with a corresponding offset under the heading “Hedging derivatives” of the assets or liabilities of the consolidated balance sheets, as applicable. These valuation changes will be recognized in the consolidated income statement when the investment in a foreign business is disposed of or derecognized (see Note 41).

#### **Loss allowances on financial assets**

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

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

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

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

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

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

– **Stage 3 – Impaired**

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

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

The BBVA Group has applied the following definitions:

– Credit-impaired asset

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

Historically, the definition of credit-impaired asset under IFRS 9 has been substantially aligned with the definition of default used by the Group for internal credit risk management, which is also the definition used for regulatory purposes. In 2021 the Group updated its definition of default to conform to that set forth in the European Banking Authority (hereinafter EBA) Guidelines, in compliance with article 178 of Regulation (EU) No 575/2013 (CRR). The Group consequently updated the definition of credit-impaired asset (stage 3), considering it a change in accounting estimates, re-establishing the consistency with the definition of default and guaranteeing the integration of both definitions in credit risk management.

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

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

According to IFRS 9, the 90-days past due default is a presumption that can be rebutted in those cases where the entity considers, based on reasonable and supportable information, that it is appropriate to use a longer term. As of December 31, 2022, the Group has not used terms exceeding 90 days past due.

- b. Impaired assets for subjective reasons (other than delinquency): when circumstances are identified that show, even in the absence of defaults, that it is not probable that the debtor will fully comply with its financial obligations. For this purpose, the following indicators are considered, among others:

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

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

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

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

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

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

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

The stage 3 classification will be maintained for a cure period of 3 months from the disappearance of all indicators of impairment during which the client must demonstrate good payment behavior and an improvement in their credit quality in order to corroborate the disappearance of the causes that motivated the classification of the debt as impaired. In the case of refinancing and restructuring, the cure period is one year (see Note 7.2.7 for more details).

These criteria are aligned in all the geographical areas of the Group, maintaining only minor differences to facilitate the integration of management at the local level.

- Significant increase in credit risk

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

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

- Quantitative criterion: the Group uses a quantitative analysis based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default, so that both values are comparable in terms of expected default probability for their residual life.
- Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating and scoring systems or macroeconomic scenarios, so the quantitative analysis covers the majority of circumstances. The Group uses additional qualitative criteria to identify significant increase in credit risk and thus, to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used. Such qualitative criteria are the following:
  - a. More than 30 days past due. According to IFRS 9, default of more than 30 days is a presumption that can be rebutted in those cases in which the entity considers, based on reasonable and documented information, that such non-payment does not represent a significant increase in risk. As of December 31, 2022, the Group has not considered periods higher than 30 days.
  - b. Watch List: They are subject to special watch by the Risk units because they show negative signs in their credit quality, even though there may be no objective evidence of impairment.
  - c. Refinance or restructuring that does not show evidence of impairment, or that, having been previously identified, the existence of significant increase in credit risk may still exist.

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



## Method for calculating Expected Credit Loss (ECL)

### Method for calculating expected loss

The measurement of expected losses must reflect:

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

Expected losses are measured both individually and collectively.

The individualized estimate of credit losses results from calculating the difference between the expected cash flows discounted at the effective interest rate of the transaction and the carrying amount of the instrument (see Note 7.2.1).

For the collective measurement of expected losses the instruments are classified into groups of assets based on their risk characteristics. Exposure within each group is grouped according to credit risk common characteristics, which indicate the payment capacity of the borrower according to the contractual conditions. These risk characteristics have to be relevant in estimating the future flows of each group. The characteristics of credit risk may consider, among others, the following factors (see Note 7.2.1):

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

The estimated losses are derived from the following parameters:

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

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

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

### Use of present, past and future information

IFRS 9 requires incorporation of present, past and future information to detect any significant increase in risk and measure expected loss, which must be carried out on a weighted probability basis.

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

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



The approach taken by the Group consists of using a methodology based on the use of three scenarios. The first is the most probable scenario (base scenario) that is consistent with that used in the Group's internal management processes, and two additional ones, one more positive and the other more negative. The combined outcome of these three scenarios is calculated considering the weight given to each of them. The main macroeconomic variables that are valued in each of the scenarios for each of the geographies in which the Group operates are the Gross Domestic Product (GDP), the real estate price index, interest rates and the unemployment rate. The main goal of the Group's approach is seeking the greatest predictive capacity with respect to the first two variables (see Note 7.2.1).

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

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

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

The classification of an operation as written-off, entails the recognition of losses for the carrying amount of the related debt and results in a derecognition in the same amount from the balance sheet (see Note 7.2.5).

#### **2.2.2 Transfers and derecognition of financial assets and liabilities**

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

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

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

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

#### **Treatment of securitizations**

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

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

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

#### **2.2.3 Financial guarantees**

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

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





Financial guarantees, irrespective of the guarantor, instrumentation or other circumstances, are reviewed periodically so as to determine the credit risk to which they are exposed and, if appropriate, to consider whether a provision is required for them. The credit risk is determined by application of criteria similar to those established for quantifying loss allowances on debt instruments measured at amortized cost (see Note 2.2.1).

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

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

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

## **2.2.4 Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale**

The heading "Non-current assets and disposal groups classified as held for sale" in the consolidated balance sheet includes the carrying amount of individual items or items integrated in a group ("disposal group") or that form part of a significant business line or geographical area that is intended to be disposed of ("discontinued operation") whose sale is highly probable to take place under the current conditions within a period of one year from the date to which the financial statements refer. Additionally, assets that were expected to be disposed of within a year but which disposal is delayed due to events and circumstances beyond the control of the Group can be classified as held for sale (see Note 21).

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

With respect to the subsidiaries of the BBVA Group, the heading "Non-current assets and disposal groups classified as held for sale" includes the assets received by the subsidiaries for the satisfaction, in whole or in part, of the payment obligations of their debtors (foreclosed or received in payment of debt or recoveries from financial leasing transactions, unless the Group has decided to make continued use of those assets). The BBVA Group has specific units focused on real estate management and sale of these types of assets.

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

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

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

Gains and losses generated on the disposal of assets and liabilities classified as non-current held for sale, and liabilities included in disposal groups classified as held for sale as well as impairment losses and, where pertinent, the related recoveries, are recognized in "Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" in the consolidated income statement (see Note 50). The remaining income and expense items associated with these assets and liabilities are classified in the consolidated income statement according to their nature.

Income and expense for discontinued operations, whatever their nature, generated during the year, even if they have occurred before their classification as discontinued operations, are presented net of the tax effect as a single amount under the heading "Profit (loss) after tax from discontinued operations" in the consolidated income statement (see Notes 3 and 21). This heading includes the earnings from their sale or other disposal (net of tax effects).

## **2.2.5 Tangible Assets**

### **Property, plant and equipment for own use**

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

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

Property, plant and equipment for own use are presented in the consolidated balance sheets at acquisition cost, less any accumulated depreciation and, where appropriate, any estimated impairment losses resulting from comparing the net carrying amount of each item with its corresponding recoverable amount (see Note 17).

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

The tangible asset depreciation charges are recognized in the consolidated income statements under the heading "Depreciation and Amortization" (see Note 45) and are based on the application of the following depreciation rates (determined on the basis of the average years of estimated useful life of the various assets):

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

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

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

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

Operating and maintenance expense relating to tangible assets held for own use are recognized as an expense in the year they are incurred and recognized in the consolidated income statements under the heading "Administration costs - Other administrative expense - Property, fixtures and materials" (see Note 44.2).

#### **Other assets leased out under an operating lease**

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

#### **Investment properties**

The heading "Tangible assets - Investment properties" in the consolidated balance sheets reflects the net values (purchase cost minus the corresponding accumulated depreciation and, if appropriate, estimated impairment losses) of the land, buildings and other structures that are held either to earn rental income or for capital appreciation through sale and that are neither expected to be sold off in the ordinary course of business nor are destined for own use (see Note 17).

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

### **2.2.6 Business combinations**

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

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

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

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

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

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

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

### 2.2.7 Intangible assets

#### Goodwill

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

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

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

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

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

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

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

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

#### Other intangible assets

These assets may have an indefinite useful life if, based on an analysis of all relevant factors, it is concluded that there is no foreseeable limit to the period over which the asset is expected to generate net cash flows for the consolidated entities. In all other cases they have a finite useful life (see Note 18.2).

Intangible assets with a finite useful life are amortized according to the duration of this useful life, using methods similar to those used to depreciate tangible assets. The defined useful life intangible asset is made up mainly of IT applications acquisition costs which have a useful life of 3 to 5 years. The amortization charge of these assets is recognized in the consolidated income statements under the heading "Depreciation and amortization" (see Note 45).

The consolidated entities recognize any impairment losses on the carrying amount of these assets with a charge to the heading "Impairment or reversal of impairment on non-financial assets- Intangible assets" in the consolidated income statements (see Note 49). The criteria used to recognize the impairment losses on these assets and, where applicable, the recovery of impairment losses recognized in prior years, are similar to those used for tangible assets.

### 2.2.8 Insurance and reinsurance contracts

The assets and liabilities of the BBVA Group's insurance subsidiaries are recognized according to their nature under the corresponding headings of the consolidated balance sheet.

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

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

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

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

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

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

- Life insurance provisions:

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

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

- Non-life insurance provisions:

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

- Provision for claims:

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

- Provision for bonuses and rebates:

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

- Technical provisions for reinsurance ceded:

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

- Other technical provisions:

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



## 2.2.9 Tax assets and liabilities

Expenses on corporate income tax applicable to the BBVA Group's Spanish entities and on similar income taxes applicable to consolidated foreign entities are recognized in the consolidated income statement, except when they result from transactions on which the profits or losses are recognized directly in equity, in which case the related tax effect is also recognized in equity.

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

Deferred tax assets and liabilities include temporary differences, defined as the amounts to be payable or recoverable in future years arising from the differences between the carrying amount of assets and liabilities and their tax bases (the "tax value"), and tax loss and tax credit or discount carry forwards. These amounts are calculated by applying to each temporary difference the tax rates that are expected to apply when the asset is realized or the liability settled (see Note 19).

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

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

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

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

## 2.2.10 Provisions, contingent assets and contingent liabilities

The heading "Provisions" in the consolidated balance sheets includes amounts recognized to cover the BBVA Group's current obligations arising as a result of past events. These are certain in terms of nature but uncertain in terms of amount and/or settlement date. The settlement of these obligations is deemed likely to entail an outflow of resources embodying economic benefits (see Note 24). The obligations may arise in connection with legal or contractual provisions, valid expectations formed by Group entities relative to third parties in relation to the assumption of certain responsibilities or through virtually certain developments of particular aspects of the regulations applicable to the operation of the entities; and, specifically, future legislation to which the Group will certainly be subject. The provisions are recognized in the consolidated balance sheets when each and every one of the following requirements is met:

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

Among other items, these provisions include the commitments made to employees by some of the Group entities mentioned in Note 2.2.11, as well as provisions for tax and legal litigation.

Contingent assets are possible assets that arise from past events and whose existence is conditional on, and will be confirmed only by, the occurrence or non-occurrence of events beyond the control of the Group. Contingent assets are not recognized in the consolidated balance sheet or in the consolidated income statement; however, they will be disclosed, should they exist, in the Notes to the Consolidated Financial Statements, provided that it is probable they will give rise to an increase in resources embodying economic benefits (see Note 34).

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

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

## **2.2.11 Pensions and other post-employment commitments**

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

### **Short-term employee benefits**

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

Costs are charged and recognized under the heading "Administration costs – Personnel expense – Other personnel expense" of the consolidated income statement (see Note 44.1).

### **Post-employment benefits – Defined-contribution plans**

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

The contributions made to these plans in each year by BBVA Group entities are charged and recognized under the heading "Administration costs – Personnel expense– Defined-contribution plan expense" of the consolidated income statement (see Note 44.1).

### **Post-employment benefits – Defined-benefit plans**

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

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

Furthermore, certain Group entities provide welfare and medical benefits which extend beyond the date of retirement of the employees entitled to the benefits.

All of these commitments are quantified based on actuarial valuations, with the amounts recorded under the heading "Provisions – Provisions for pensions and similar obligations" in the consolidated balance sheet and determined as the difference between the value of the defined-benefit commitments and the fair value of plan assets at the date of the consolidated financial statements (see Note 25).

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

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

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

### **Other long-term employee benefits**

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

These commitments are quantified based on actuarial valuations and the amounts recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet (see Note 24).

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

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

In establishing the actuarial assumptions we take into account that:

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



- Each assumption does not contradict the others and adequately reflects the existing relationship between economic variables such as price inflation, expected wage increases, discount rates and the expected return on plan assets, etc. Future wage and benefit levels should be based on market expectations, at the balance sheet date, for the period over which the obligations are to be settled.
- The interest rate used to discount benefit commitments is determined by reference to market yields, at the balance sheet date, on high quality bonds.

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

### 2.2.12 Equity-settled share-based payment transactions

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

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

### 2.2.13 Termination benefits

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

### 2.2.14 Treasury shares

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

These financial assets are recognized at acquisition cost, and the gains or losses arising on their disposal are credited or debited, as appropriate, to the heading "Shareholders' funds - Retained earnings" in the consolidated balance sheets (see Note 28).

In the event of a contractual obligation to acquire treasury shares, a financial liability is recorded as the present value of the amount committed (under the heading "Financial liabilities at amortized cost - Other financial liabilities") and the corresponding recognition in net equity (under the heading "Equity - Other Reserves") (see Notes 22.5 and 28).

### 2.2.15 Foreign-currency transactions and exchange differences

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

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

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

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

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

- Non-monetary items valued at their historical cost are converted to the functional currency at the exchange rate applicable on the purchase date.
- Non-monetary items valued at their fair value are converted at the exchange rate in force on the date on which such fair value was determined.





- Monetary items are converted to the functional currency at the closing exchange rate.
- Income and expense are converted at the period's average exchange rates for all the operations carried out during the year, except in those geographical areas where IAS 29 "Financial Reporting in Hyperinflationary Economies" applies (see Note 2.2.19). When applying this criterion the BBVA Group considers whether significant variations have taken place in exchange rates during the year which, owing to their impact on the statements as a whole, may require the application of exchange rates as of the date of the transaction instead of such average exchange rates.

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

### Conversion of functional currencies to euros

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

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

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

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

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

### Venezuela

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

As of December 31, 2022, 2021 and 2020, the impact on the consolidated financial statements that would have resulted by applying the last published official exchange rate instead of the exchange rate estimated by BBVA Group was not significant (see Note 2.2.19).

### 2.2.16 Recognition of income and expense

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

- Interest income and expense and similar items:

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

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

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



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

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

– Income from dividends received:

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

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

– Commissions, fees and similar items:

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

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

– Non-financial income and expense:

These are recognized for accounting purposes on an accrual basis.

– Deferred collections and payments:

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

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

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

### **2.2.18 Leases**

The lessee accounting model requires the lessee to record assets and liabilities for all lease contracts. A lessee is required to recognize a right-of-use asset representing its right to use the underlying leased asset, which is recorded under the headings "Tangible assets – Property plants and equipment" and "Tangible assets – Investment properties" of the consolidated balance sheet (see Note 17) and a lease liability representing its obligation to make lease payments which is recorded under the heading "Financial liabilities at amortized cost – Other financial liabilities" in the consolidated balance sheet (see Note 22.5). The standard provides two exceptions for the recognition of lease assets and liabilities that can be applied in the case of short-term contracts and those in which the underlying assets have low value. BBVA elected to apply both exceptions.

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

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

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

The interest expense on the lease liability is recorded in the consolidated income statements under the heading "Interest expense" (see note 37.2). Variable payments not included in the initial measurement of the lease liability are recorded under the heading "Administration costs – Other administrative expense" (see Note 44.2).

Amortization is calculated using the straight-line method over the lifetime of the lease contract, on the basis of the cost of the assets. The tangible asset depreciation charges are recognized in the consolidated income statements under the heading "Depreciation and Amortization" (see Note 45).

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

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

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

When the consolidated entities act as the lessor of an asset under finance leases, the aggregate present values of the lease payments receivable from the lessee plus the guaranteed residual value (normally the exercise price of the lessee's purchase option on expiration of the lease agreement) are recognized as financing provided to third parties and, therefore, are included under the heading "Loans and advances" in the consolidated balance sheets (see Note 14).

When the consolidated entities act as lessors of an asset in operating leases, the acquisition cost of the leased assets is recognized under "Tangible assets – Property, plant and equipment – Other assets leased out under an operating lease" in the consolidated balance sheets (see Note 17). These assets are depreciated in line with the criteria adopted for items of tangible assets for own use, while the income arising from the lease arrangements is recognized in the consolidated income statements on a straight-line basis within "Other operating income" and "Other operating expense" (see Note 42).

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

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

## **2.2.19 Entities and branches located in countries with hyperinflationary economies**

In accordance with the criteria established in IAS 29 "Financial Reporting in Hyperinflationary Economies", to determine whether an economy has a high inflation rate the country's economic situation is examined, analyzing whether certain circumstances are fulfilled, such as whether the population prefers to keep its wealth or savings in non-monetary assets or in a relatively stable foreign currency, whether prices can be set in that currency, whether interest rates, wages and prices are pegged to a price index or whether the accumulated inflation rate over three years approaches or exceeds 100%. The fact that any of these circumstances is fulfilled will not be a decisive factor in considering an economy hyperinflationary, but it does provide some reasons to consider it as such.

Since 2009 and 2018, the economies of Venezuela and Argentina, respectively, have been considered hyperinflationary under the above criteria. As a result, the financial statements of the BBVA Group's entities located in such geographies have, therefore, been adjusted to correct for the effects of inflation.

Additionally, since the first half of 2022, Turkey's economy was considered highly inflationary according to the aforementioned criteria. Consequently, the financial statements of the BBVA Group entities located in Turkey have also been adjusted to correct them for the effects of inflation in accordance with IAS 29, with retrospective application from January 1, 2022. The figures for years prior to 2022 have not been modified since the Group's presentation currency is the euro.

As a consequence of the application of IAS 29, the Group applies the following criteria in the financial statements of the Group companies that operate in these three geographies:

- The historical cost of non-monetary assets and liabilities (see Notes 17, 18 and 19), assets contractually linked to changes in prices and various headings in equity are adjusted to reflect changes in the purchasing power of the currency due to inflation from their date of acquisition or inclusion in the consolidated balance sheet, or if this is later, with the limit of its recoverable value. The restatement has been made using the Consumer Price Index.
- The different lines of the income statement are adjusted by the inflation index since their inception, with a corresponding entry under the heading "Accumulated other comprehensive income (loss)".
- The loss of the net monetary position, which represents the loss of purchasing power of the entity due to maintaining an excess of monetary assets not linked to inflation (mainly loans, credits and bonds) over monetary liabilities, is recorded in the line "Other operating expense" in the income statement and with a credit to "Accumulated other comprehensive income (loss)".



- All the components of the financial statements of the subsidiaries are converted at the closing exchange rate, recording the conversion differences to the euro within "Accumulated other comprehensive income (loss)" as stated in IAS 21.

## Turkey

The combined result derived from the application of the above criteria amounts to a loss of €2,711 million in 2022, of which €1,793 million is attributed to the parent company of the Group. This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €2,323 million and is recorded in the line "Other operating expense" in the consolidated income statement, partially offset by the positive impact of the revaluation of certain bonds linked to inflation, for a gross amount of €1,490 million, given that, under IAS 29, these types of bonds are considered protective assets (see Note 42).

The first application of IAS 29 in the Turkish subsidiaries led to an increase in equity of €130 million as of January 1, 2022, and is mainly the result of the revaluation of tangible assets and inflation-linked bonds.

According to the Turkish Statistical Institute (Turkstat), accumulated inflation in 2022 stood at 64.3% (36.1% in 2021) and the exchange rate used as of December 31, 2022 was 19.96 Turkish lira per euro (in 2021 the exchange rate used was 15.23 Turkish lira per euro).

## Argentina

The combined result derived from the application of the above criteria amounted to a loss of €1,031 million, of which €694 million is attributed to the parent company of the Group in 2022 (in 2021 and 2020 this result amounted to €258 million and €174 million, respectively). This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €822 million and is recorded in the line "Other operating expense" in the consolidated income statement in 2022 (in 2021 and 2020 this result amounted to €394 million and €244 million, respectively).

Furthermore, during 2022, 2021 and 2020 the impact on equity of Group entities located in Argentina derived from the application of IAS 29 and the conversion to the euro (IAS 21) amounted to €242 million, €337 million and €(188) million, respectively, of which €157 million, €225 million and €(126) million, respectively, have been recorded within "Equity – Accumulated other comprehensive income (loss)", and €84 million, €112 million and €(62) million, respectively, within "Minority interests – Accumulated other comprehensive income (loss)".

Accumulated inflation estimated by the National Census Institute of Argentina (Indec) and BBVA Research for the year 2022 was 97.0% (in 2021 and 2020 inflation was 50.7% and 36.5%, respectively) and the exchange rate used as of December 31, 2022 was 188.51 Argentine pesos per euro (in 2021 and 2020 the exchange rate used was 116.37 and 103.25 Argentine pesos per euro, respectively).

## Venezuela

The combined result derived from the application of the above criteria amounted to a loss of €11 million, of which €6 million is attributed to the parent company of the Group in 2022 (in 2021 and 2020 this result amounted to €6 million and €5 million, respectively). This impact includes mainly the loss of the net monetary position, which amounts to a gross amount of €28 million and is recorded in the line "Other operating expense" in the consolidated income statement in 2022 (in 2021 and 2020 this result amounted to €14 and €7 million, respectively).

During 2022, 2021 and 2020 the impact on equity of Group entities located in Venezuela derived from the application of hyperinflation (IAS 29) and the conversion to the euro (IAS 21) was not material for the Group.

Accumulated inflation for the year 2022, as estimated by BBVA Research, was 292% (in 2021 and 2020 inflation was 333% and 1,887%, respectively) and the exchange rate used as of December 31, 2022 was 19.79 Venezuelan bolivars per euro (in 2021 and 2020 the exchange rate used was 5,367 and 1,355,246.77 Venezuelan bolivars per euro, respectively).

## 2.3 Recent IFRS pronouncements

### Standards and interpretations that became effective in 2022

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

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

The International Accounting Standards Board (hereinafter "IASB"), has issued minor amendments and improvements to various IFRS to clarify the wording or correct minor consequences, or inconsistencies between the requirements of the Standards as of January 1, 2022. The modified standards are: IAS 37 Provisions, IAS 16 Property, Plant and Equipment, IFRS 3 Business Combinations, IFRS 1 First application of IFRS, IFRS 9 Financial Instruments, IAS 41 Agriculture and IFRS 16 Leases.

The amendments are effective for annual reporting periods beginning on or after January 1, 2022, with no significant impact on the BBVA Group's consolidated financial statements.

### Standards and interpretations issued but not yet effective as of December 31, 2022

The following new International Financial Reporting Standards and Interpretations or Modifications had been published at the date of preparation of the consolidated financial statements, but are not mandatory as of December 31, 2022. Although in some cases the IASB allows early adoption before their effective date, the BBVA Group has not proceeded with this option for any such new standards.





## IFRS 17 – Insurance contracts

In May 2017, the IASB issued the new accounting standard for insurance contracts, which was later amended with the aim of helping entities in the implementation of the standard and to facilitate the understanding of the financial statements, while maintaining the fundamental principles of the original standard. Accordingly, an entity must apply IFRS 17 for annual reporting periods beginning on or after January 1, 2023 (with at least one year of comparative information, i.e. for the Group, from January 1, 2022).

IFRS 17 establishes the accounting principles for insurance contracts. This new standard supersedes IFRS 4, by introducing substantial changes in the accounting of insurance contracts with the aim of achieving greater homogeneity and increasing comparability among entities.

Unlike IFRS 4, the new standard establishes minimum requirements for grouping insurance contracts for the purposes of their recognition and measurement, determining the units of account by considering three levels: portfolios (contracts subject to similar risks and managed together), annual cohorts and their possibility of becoming onerous.

Regarding the measurement model, the new standard contemplates several methods, being the General Model (Building Block Approach) the method that is applied by default for the valuation of insurance contracts, unless the conditions are given to apply any of the two other methods: the Variable Fee Approach, or the Simplified Model (Premium Allocation Approach).

With the implementation of IFRS 17, the valuation of insurance contracts is based on a model that uses updated assumptions at each balance sheet date.

The General Model requires entities to value insurance contracts for the total of:

- fulfillment cash flows, which comprise the estimation of future cash flows discounted to reflect the time value of money, the financial risk associated with future cash flows, and a risk adjustment for non-financial risk that would represent the compensation required for the uncertainty associated with the amount and timing of the expected cash flows;
- and the contractual service margin, which represents the expected unearned benefit from the insurance contracts, which will be recognized in the entity's income statement as the service is provided in the future, instead of being recognized at the time of the estimation.

According to IFRS 17, the amounts recognized in the income statement shall be classified into insurance revenue, insurance service expenses and insurance finance income or expenses, which is a relevant change with respect to the disclosures under IFRS 4, as concepts such as volume of premiums and variation in technical provisions would no longer exist. Insurance revenue and insurance service expenses exclude any investment components. The Group has chosen to disaggregate the changes in the risk adjustment between financial and non-financial, so that the change in the value of the risk adjustment derived from the effect of the time value of money, and changes in it, is recorded as a financial result of the insurance. Insurance revenue is recognized over the period the entity provides insurance coverage.

Since 2019, the Group has developed a project to implement IFRS 17 in order to harmonize the criteria in the Group, with the participation of all involved areas and countries. Proper governance has been established in this project, through a Global Steering Committee with representation from the senior management of the affected areas and countries, which periodically reviews its progress. At the local level, each geographical area has defined a local governance structure with the participation of senior management.

The project for the implementation of the standard in the Group was carried out during the years 2019, 2020 and 2021 and was focused on the definition of criteria, the actuarial modelling of cash flows and components required by the standard, the data supply, the technological adaptation of the systems, the preparation of accounting information, the governance of the reporting process to the Group and the development of the transition.

During 2022, the Group has finished with the tasks mentioned above, as well as the calculation of the transition impact on the consolidated financial statements and the preparation of the pro-forma financial statements under IFRS 17, according to the planning.

Moreover, the Group has developed an accounting policy on insurance contracts under IFRS 17 that establishes the accounting criteria for the recognition of insurance contracts carried out by Group companies, and an Operational Guide to govern the calculation process, which ensures adequate control in the preparation of the aforementioned financial information.

From the liabilities under insurance contracts held as of the transition date, January 1, 2022, the Group estimates that approximately 89% corresponded to long-term commitments valued using the Building Block Approach. These contracts have been valued in transition using the fair value approach, given the impracticability of applying IFRS 17 retroactively, given the disproportionate cost and difficulty of obtaining the historical data necessary to apply a full retrospective approach given the age of these products on the balance sheet and their remaining duration. Its impact in transition will come mainly from the "interest rate effect", resulting from the valuation of long-term insurance liabilities by the difference between the locked-in rate and the current rate, as the Group has chosen the option to disaggregate the financial income or expense of the insurance between the income statements and accumulated other comprehensive income. This effect will be partly offset by the associated financial assets, in some cases by the elimination of shadow accounting and, in others, by the fair value measurement of certain financial asset portfolios, in order to mitigate accounting asymmetries.

Another part of the impact, although to a lesser extent, comes from the different hypotheses used with respect to the calculations under IFRS 4, including its additional components. However, the impact of "onerous" products is estimated to be residual.

The fair value approach contemplates the determination of the Contractual Service Margin or the loss component of the liability for remaining coverage based on the difference between the fair value and the present value of the fulfillment flows. The application of the fair value criterion in transition allows contracts issued more than one year apart to be included in the same group and therefore not to differentiate by cohorts, an option that the Group has followed.

Regarding short-term contracts as of January 1, 2022, it is estimated that they represented approximately 11% of the total liabilities covered by the Group's insurance contracts. Those are valued by the Premium Allocation Approach, and in transition following the full retrospective approach, without significant differences in their accounting recognition compared with the previous situation.

Lastly, the contracts valued by the Variable Fee Approach in the Group represent a residual amount.

Consequently, the differences in accumulated other comprehensive income and in retained earnings basically come from long-term contracts, although without generating a significant equity impact on the Group.

The methodology used to obtain the discount rate differs by entity and portfolio to which it is applied, highlighting the main geographies, Mexico and Spain, respectively. In the first case, the top-down approach has been mainly applied and it has been verified that the Internal Rate of Return (hereinafter "IRR") of the entity's asset portfolio converges with the IRR of a reference portfolio from which the EIOPA (European Insurance and Occupational Pensions Authority) fundamental spread is discounted for. In the second case, the top-down approach has been used for immunized portfolios, eliminating the differential for credit risk through the EIOPA fundamental spread. However, in non-immunized portfolios, the bottom-up approach has been used, using the swap curve as the risk-free curve.

To assess the risk adjustment, in most cases, information on the best estimate liability (BEL) and capital requirements have been used, through a VaR methodology, the risk adjustment has been obtained.

The BBVA Group has defined the coverage units in accordance with the requirements of the standard, and made the decision not to change the treatment of accounting estimates made in previous interim closings when applying IFRS 17.

The Group has not adopted the European exception on annual cohorts in cash-flow matched products.

Finally, based on the analysis carried out up to the date of preparation of these consolidated financial statements, the impact in equity on the consolidated financial statements of the BBVA Group as a result of the entry of IFRS 17 is estimated not to be significant.

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

In February 2021 the 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 companies to disclose their material accounting policy information rather than their significant accounting policies and include guidance on how to apply the concept of materiality to accounting policy disclosures. The amendments to IAS 8 also clarify how companies should distinguish changes in accounting policies from changes in accounting estimates. The amendments will be effective for annual reporting periods beginning on or after January 1, 2023. No significant impact is expected on BBVA's consolidated financial statements.

#### **Amendment IAS 12 – Income taxes**

The IASB has issued an amendment to IAS 12 to clarify how deferred taxes arising in transactions that simultaneously give rise to temporary differences in assets and liabilities for the same amount, such as, among others, leases or decommissioning obligations, should be accounted for.

Under the amendments, the initial recognition exemption in IAS 12 from recognizing deferred tax when they recognize assets or liabilities for the first time would not apply to a transaction that at the time of the transaction gives rise to equal and offsetting amounts of taxable and deductible temporary differences. The purpose of the amendments has been to reduce the diversity in the presentation of information on deferred taxes in said transactions. The amendments entered into force on January 1, 2023. No significant impact is expected on BBVA's consolidated financial statements.

#### **Amendment to IFRS 16 "Leases"**

The IASB has issued an amendment to IFRS 16 to clarify certain aspects related with the requirements for sale and leaseback transactions. The new requirements established that the seller-lessee shall determine 'lease payments' or 'revised lease payments' in a way that the seller-lessee would 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 1 January 2024, with early application permitted. No significant impact is expected on the BBVA Group's consolidated financial statements.

### 3. BBVA Group

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

The following information is detailed in the appendices of these consolidated financial statements of the Group for the year ended December 31, 2022:

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

The following table sets forth information related to the Group's total assets as of December 31, 2022, 2021 and 2020, broken down by the Group's entities according to their activity:

<b>Contribution to Consolidated Group total assets. Entities by main activities (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Banking and other financial services	678,788	631,683	703,304
Insurance and pension fund managing companies	31,136	29,657	28,667
Other non-financial services	3,217	1,545	1,826
<b>Total</b>	<b>713,140</b>	<b>662,885</b>	<b>733,797</b>

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

The BBVA Group's activities are mainly located in Spain, Mexico, Turkey and South America, with active presence in the rest of Europe, the United States and Asia:

- Spain. The Group's activity in Spain is mainly carried out through Banco Bilbao Vizcaya Argentaria, S.A. The Group also has other entities that mainly operate in Spain's financial sector, insurance sector and asset management sector.
- Mexico. The BBVA Group operates in Mexico, not only in the banking sector, but also in the insurance sector and the asset management sector, through BBVA Mexico.
- Turkey. The Group's activity in Turkey is mainly carried out through the Garanti BBVA Group in the financial, insurance and asset management sectors.
- South America. The BBVA Group's activities in South America are mainly focused on the banking, financial and insurance sectors, in the following countries: Argentina, Colombia, Peru, Uruguay, Chile and Venezuela. It has a representative office in Sao Paulo (Brazil) and another one in Santiago (Chile). The Group owns more than 50% of most of the Group entities based in these countries. Appendix I shows entities in respect of which the BBVA Group owns less than 50% as of December 31, 2022 (see Note 2.1).
- Rest of Europe. Group's activity in Europe (excluding Spain) is carried out by banking and financial institutions, mainly in Switzerland, the Netherlands and Romania and the BBVA Bank's branches in Germany, Belgium, France, Italy, Portugal and the United Kingdom.
- The United States. The Group's activity in the United States is mainly carried out by the branch of Banco Bilbao Vizcaya Argentaria, S.A. in New York, the agency of BBVA Mexico in Houston, participations in technology companies through funds and investment vehicles, the broker-dealer business BBVA Securities Inc., and a representative office in Silicon Valley (California).
- Asia. The Group's activity in Asia is conducted through the Bank's branches (Taipei, Tokyo, Hong Kong, Singapore and Shanghai) and representative offices (Beijing, Seoul, Mumbai, Abu Dhabi and Jakarta).

## Significant transactions in the Group in 2022

### Investments

#### Announcement of the agreement with Neon Payments Limited

On February 14, 2022, BBVA announced the agreement with the company Neon Payments Limited (the "Company" in this section) for the subscription of 492,692 preference shares, representing approximately 21.7% of its share capital, through a share capital increase and in consideration of approximately USD 300 million (equal to approximately €263 million, using the applicable 1.14 EUR/USD exchange rate as of February 11, 2022).

The Company, which is incorporated and domiciled in the United Kingdom, is the owner of 100% of the shares of the Brazilian company Neon Pagamentos S.A.

As of February 14, 2022, BBVA was already the indirect owner of approximately 10.2% of the share capital of the Company through companies where BBVA owns more than 99% of the share capital. As of December 31, 2022, BBVA held, directly and indirectly, approximately 29.2% of the share capital of the Company. Despite owning more than 20% of the share capital, BBVA's ability to influence the Company's financial and operating decisions policies is very limited, so the investment is recognized under the heading "Non-trading financial assets mandatorily at fair value through profit or loss" (see Note 11).

#### Voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş (Garanti BBVA)

On November 15, 2021, BBVA announced a voluntary takeover bid (hereinafter "VTB") addressed to the 2,106,300,000 shares<sup>9</sup> not controlled by BBVA, which represented 50.15% of the total share capital of Türkiye Garanti Bankası A.Ş (hereinafter "Garanti BBVA"). BBVA submitted for authorization an application of the VTB to the supervisor of the securities markets in Turkey (Capital Markets Board, hereinafter "CMB") on November 18, 2021.

On March 31, 2022, CMB approved the offer information document and on the same day BBVA announced the commencement of the VTB acceptance period on April 4, 2022. On April 25, 2022 BBVA informed of an increase of the cash offer price per Garanti BBVA share from that initially announced (12.20 Turkish lira) to 15.00 Turkish lira.

On May 18, 2022, BBVA announced the finalization of the offer acceptance period, with the acquisition of 36.12% of Garanti BBVA's share capital. The total amount paid by BBVA was approximately 22,758 million Turkish lira (equivalent to approximately €1,390 million<sup>10</sup> including the expenses associated with the transaction and net of the collection of the dividends corresponding to the stake acquired).

The transaction resulted in a capital gain of approximately €924 million (including the impacts after the application of IAS 29, see Note 2.2.19). An amount of €3,609 million was recorded under the heading "Other reserves" and there was a reclassification to "Accumulated other comprehensive income (loss)" corresponding to the 36.12% acquired from minority interests to "Accumulated other comprehensive income (loss)" of the parent company for an amount of €-2,685 million. The total derecognition associated with the transaction of the heading "Minority interests" considering "Other items" and "Accumulated other comprehensive income (loss)" amounted to €-2,541 million.

The percentage of total share capital of Garanti BBVA owned by BBVA (after the completion of the VTB on May 18) is 85.97%.

In relation to the rest of the effects of the application of IAS 29 "Financial Reporting in hyperinflationary economies" on the entities of the Group in Turkey, see Note 2.2.19 to these Consolidated Financial Statements.

## Significant transactions in the Group in 2021

### Divestitures

#### Sale of BBVA's U.S. Bancshares, Inc. to PNC Financial Service Group

On June 1, 2021, after obtaining all the required authorizations, BBVA completed the sale to The PNC Financial Services Group, Inc. of 100% of the capital stock of its subsidiary BBVA USA Bancshares, Inc., which in turn owned all the capital stock of the bank, BBVA USA.

The consideration received in cash by BBVA, as a consequence of the referred sale, amounted to approximately USD 11,500 million (price provided in the agreement minus the agreed closing price adjustments) equivalent to approximately €9,600 million (with an exchange rate of 1.20 EUR / USD).

The accounting of both the results generated by BBVA USA Bancshares, Inc. since the announcement of the transaction and of its closing had an aggregate positive impact on the BBVA Group's Common Equity Tier 1 (fully loaded) ratio of approximately 294 basis points, which includes the generation of capital contributed by the subsidiary to the Group until the closing of the transaction (on June 1, 2021) and a profit net of taxes of €582 million. The calculation of the impact on Common Equity Tier 1 was made taking into account the amount of the transaction in euros and BBVA Group's financial statements as of June 2021.

The BBVA Group continues to develop the institutional and wholesale business in the United States that it currently carries out through its broker-dealer BBVA Securities Inc. and its branch in New York. BBVA also maintains its investment activity in the fintech sector through its participation in Propel Venture Partners US Fund I, L.P.

Note 21 to these Consolidated Financial Statements shows a breakdown of the financial information of the companies sold in the United States as of December 31, 2021 and 2020 and their results for the first five months of 2021 and the year ended December 31, 2020.

<sup>9</sup> All references to "shares" or "share" shall be deemed made to lots of 100 shares, which is the trading unit in which Garanti BBVA shares are listed at Borsa Istanbul.

<sup>10</sup> Using the effective exchange rate of 16.14 Turkish lira per euro.



## Sale of the BBVA Group's stake in Paraguay

On January 22, 2021, once the mandatory authorizations were obtained, BBVA completed the sale of its direct and indirect shareholding of 100% of the capital stock of Banco Bilbao Vizcaya Argentaria Paraguay, S.A. ("BBVA Paraguay") to Banco GNB Paraguay S.A., a subsidiary of the Gilinski Group. This transaction was originally agreed in 2019. The total amount received by BBVA amounted to approximately USD 250 million (approximately €210 million). The transaction generated a capital loss net of taxes of approximately €9 million. This transaction had a positive impact on the Common Equity Tier 1 (fully loaded) of the BBVA Group of approximately 6 basis points, which is reflected in the capital base of the BBVA Group in the fiscal year 2021.

## Significant transactions in the Group in 2020

### Divestitures

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

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

On December 14, 2020, once the required authorizations had been obtained, BBVA completed the operation and announced the transfer to Allianz, *Compañía de Seguros y Reaseguros, S.A.* of half plus one share of the company BBVA Allianz Seguros y Reaseguros, S.A., for which it received €274 million, without taking into account a variable part of the price (up to €100 million depending on certain objectives and planned milestones). This operation resulted in a profit net of taxes of €304 million and a positive impact on the fully loaded CET1 of the BBVA Group of 7 basis points, recorded in the Consolidated Financial Statements for the year ended December 31, 2020.

## 4. Shareholder remuneration system

### European Central Bank (ECB) recommendations for 2020

In accordance with recommendation ECB/2020/19 issued by the ECB on March 27, 2020 on dividend distributions during the COVID-19 pandemic, the Board of Directors of BBVA resolved to modify for the financial year corresponding to 2020 the dividend policy of the Group, announced on February 1, 2017 by means of Relevant Information number 247679, determining as the policy for 2020 not to pay any dividend amount corresponding to 2020 until the uncertainties caused by COVID-19 disappear and, in any case, not before the end of such fiscal year. On July 27, 2020, the ECB prolonged this recommendation until January 1, 2021 by adopting recommendation ECB/2020/35.

On December 15, 2020 the ECB issued recommendation ECB/2020/62, repealing recommendation ECB/2020/35 and recommending that significant credit institutions exercise extreme prudence when deciding on or paying out dividends or performing share buy-backs aimed at remunerating shareholders.

### Shareholder remuneration during financial year 2021

#### Cash distributions

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

The Annual General Shareholders' Meeting held on April 20, 2021 approved, in the third item of its agenda, a cash distribution from the share premium account of BBVA of €0.059 gross for each of the Bank's outstanding shares which are entitled to participate in the aforementioned distribution, all this in compliance with recommendation ECB/2020/62 on dividend payments during the COVID-19 pandemic, which was paid on April 29, 2021. The total amount was €393 million and was recognized under the heading "Total Equity – Shareholder's Funds – Share Premium" of the consolidated balance sheet as of December 31, 2021 (see Note 27).

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

In line with the above, BBVA communicated by means of an Inside Information on September 30, 2021 that the Board of Directors of BBVA had approved the payment of a cash interim dividend of €0.08 gross (€0.0648 net of withholding tax) per each outstanding BBVA share on account of the 2021 dividend. The total amount paid to shareholders on October 12, 2021, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €532 million and is recognized under the heading "Shareholder's funds - Total equity- Interim dividends" of the consolidated balance sheet as of December 31, 2021.

### Amendment of Shareholder Remuneration Policy

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



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

## Shareholder remuneration during financial year 2022

### Cash distributions

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

- The Annual General Meeting of BBVA held on March 18, 2022, approved, under item 2 of the Agenda, a cash distribution from the voluntary reserves account as additional shareholder remuneration for the 2021 fiscal year, for an amount equal to €0.23 (€0.1863 net of withholding tax) per outstanding BBVA share entitled to participate in this distribution, which was paid on April 8, 2022. The total amount paid, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €1,463 million.
- The Board of Directors communicated by means of an Inside Information on September 29, 2022 that the Board of Directors of BBVA approved the payment of a cash interim dividend of €0.12 (€0.0972 net of withholding tax) per outstanding BBVA share against 2022 results. The total amount paid to shareholders on October 11, 2022, excluding dividends paid in respect of treasury shares held by the Group's companies, amounted to €722 million and is recognized under the heading "Total Equity- Interim Dividends" of the consolidated balance sheet as of December 31, 2022.

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

Available amount for interim dividend payments (Millions of Euros)	August 31, 2022
Profit of BBVA, S.A., after the provision for income tax	2,828
<b>Maximum amount distributable</b>	<b>2,828</b>
<b>Amount of proposed interim dividend</b>	<b>724</b>
<b>BBVA cash balance available to the date</b>	<b>46,768</b>

### Other shareholder remuneration

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

### Share buyback program

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

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

On November 19, 2021, BBVA notified by means of Inside Information that the First Tranche would be executed externally, starting on November 22, 2021, through J.P. Morgan AG as lead manager, for a maximum amount of €1,500 million, for the purchase of a maximum of 637,770,016 shares representing, approximately, 9.6% of BBVA's share capital. By means of Other Relevant Information filing dated March 3, 2022, BBVA announced the completion of the execution of the First Tranche upon reaching the maximum monetary amount of €1,500 million, having acquired 281,218,710 own shares representing, approximately, 4.22% of BBVA's share capital as of that date. On June 15, 2022, BBVA notified the partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Tranche and which were held in treasury shares (see Notes 26, 27 and 29).



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

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

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

On June 28, 2022, BBVA communicated through Inside Information the agreement to complete the Program Scheme by executing the Second Segment, for a maximum amount of €1,000 million and a maximum number of own shares to be acquired of 149,996,808. The execution of the Second Segment took place through Citigroup Global Markets Europe AG as lead manager, as BBVA informed through Inside Information on June 29, 2022. By means of Other Relevant Information dated August 19, 2022, BBVA announced the completion of the execution of the Second Segment upon reaching the maximum number of shares (149,996,808) representing, approximately, 2.3% of BBVA's share capital as of said date (which amounted to approximately €660 million). On September 30, 2022, BBVA notified through Other Relevant Information an additional partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the share buyback program scheme and which were held in treasury shares (see Notes 26, 27 and 29).

## Proposal on allocation of earnings of BBVA, S.A. for 2022

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

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

## 5. Earnings per share

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

The calculation of earnings per share is as follows:

<b>Basic and Diluted Earnings per Share</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Numerator for basic and diluted earnings per share (millions of euros)</b>			
Profit attributable to parent company	6,420	4,653	1,305
Adjustment: Additional Tier 1 securities <sup>(1)</sup>	(313)	(359)	(387)
<b>Profit adjusted (millions of euros) (A)</b>	<b>6,107</b>	<b>4,293</b>	<b>917</b>
<i>Profit (loss) from continued operations (net of remuneration of Additional Tier 1 capital instruments)</i>	6,107	4,014	2,646
<i>Profit (loss) from discontinued operations (net of non-controlling interest) (B) (See Note 21)</i>	—	280	(1,729)
<b>Denominator for basic earnings per share (number of shares outstanding)</b>			
Weighted average number of shares outstanding	6,424	6,668	6,668
Average treasury shares	(9)	(12)	(13)
Share buyback program <sup>(2)</sup>	(225)	(255)	—
<b>Adjusted number of shares - Basic earnings per share (C)</b>	<b>6,189</b>	<b>6,401</b>	<b>6,655</b>
<b>Adjusted number of shares - diluted earnings per share (D)</b>	<b>6,189</b>	<b>6,401</b>	<b>6,655</b>
<b>Earnings (losses) per share</b>			
Basic earnings (losses) per share from continuing operations (Euros per share) A-B/C	0.99	0.63	0.40
Diluted earnings (losses) per share from continuing operations (Euros per share) A-B/D	0.99	0.63	0.40
Basic earnings (losses) per share from discontinued operations (Euros per share) B/C	—	0.04	(0.26)
Diluted earnings (losses) per share from discontinued operations (Euros per share) B/D	—	0.04	(0.26)

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

(2) On August 19, 2022, BBVA announced the completion of the execution of the share buyback program. In order to calculate the attributable earnings per share in 2022, it includes the average number of shares taking into account the two redemptions of shares which took place in 2022. In the year ended December 31, 2021, it takes into account 112 million shares acquired under the shares buyback program and the estimated number of shares pending to be acquired under the first tranche of the share buyback program as of December 31, 2021 (see Note 4).

As of December 31, 2022, 2021 and 2020, there were no other financial instruments or share option commitments to employees that could potentially affect the calculation of the diluted earnings per share for the years presented. For this reason, basic and diluted earnings per share are the same.

## 6. Operating segment reporting

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

As of December 31, 2022, the structure of the information by operating segments reported by the BBVA Group remains the same as that as of the closing of the 2021 financial year.

The BBVA Group's areas or operating segments are summarized below:

- Spain includes mainly the banking, insurance and asset management business that the Group carries out in Spain, including the proportional share of results of the new company that emerged from the bancassurance agreement reached with Allianz at the end of 2020 (see Note 3).
- Mexico includes the banking, insurance and asset management business in this country as well as the activity that BBVA Mexico carries out through its agency in Houston.
- Turkey reports the activity of the Garanti BBVA group that is mainly carried out in this country and, to a lesser extent, in Romania and the Netherlands.
- South America includes the banking, finance, insurance and asset management business carried out mainly in Argentina, Chile, Colombia, Peru, Uruguay and Venezuela.
- Rest of Business mainly includes the wholesale activity carried out in Europe (excluding Spain), the United States and (through BBVA branches located therein) Asia.

The Corporate Center performs centralized Group functions, including: the costs of the head offices with a corporate function, management of structural exchange rate positions; portfolios whose management is not linked to customer relationships, such as financial and industrial holdings; stakes in Funds & Investment Vehicles in tech companies; certain tax assets and liabilities; funds for employee commitments; goodwill and other intangible assets, as well as the financing of such portfolios and assets. Additionally, the results obtained by the Group's businesses in the United States until the sale to PNC on June 1, 2021 (see Note 21), are presented in a single line under the heading "Profit (loss) after tax from discontinued operations" in the condensed consolidated income statement of the Corporate Center.

Finally, the costs related to the Banco Bilbao Vizcaya Argentaria, S.A. collective layoff procedure and closing of the offices carried out in Spain in 2021, recorded in the lines "Provisions", "Provisions or reversal of provisions", "Impairment or reversal of impairment on non-financial assets" and "Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations", respectively (see Notes 24, 46, 49 and 50).

The breakdown of the BBVA Group's total assets by operating segments as of December 31, 2022, 2021 and 2020 is as follows:

<b>Total Group assets by operating segments (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Spain	427,193	413,477	408,030
Mexico	143,405	118,106	110,236
Turkey	66,043	56,245	59,585
South America	62,067	56,124	55,436
Rest of Business	49,952	40,314	35,172
<b>Subtotal assets by operating segments</b>	<b>748,660</b>	<b>684,266</b>	<b>668,460</b>
Corporate Center and adjustments <sup>(1)</sup>	(35,520)	(21,381)	65,336
<b>Total assets BBVA Group</b>	<b>713,140</b>	<b>662,885</b>	<b>733,797</b>

(1) The balance of 2020 corresponds mainly to the Group companies included within the scope of the USA Sale to PNC.

The following table sets forth certain summarized information relating to results of each operating segment and Corporate Center for the years ended December 31, 2022, 2021 and 2020:

## Main margins and profit by operating segments (Millions of euros)

	Operating Segments						
	BBVA Group	Spain	Mexico	Turkey	South America	Rest of Business	Corporate Center and adjustments
<b>2022</b>							
Net interest income	19,153	3,784	8,378	2,631	4,137	332	(109)
Gross income	24,890	6,145	10,839	3,185	4,261	790	(329)
Operating profit (loss) before tax	10,356	2,625	5,690	1,644	1,429	277	(1,309)
<b>Net attributable profit (loss)</b>	<b>6,420</b>	<b>1,678</b>	<b>4,182</b>	<b>509</b>	<b>734</b>	<b>240</b>	<b>(922)</b>
<b>2021</b>							
Net interest income	14,686	3,502	5,836	2,370	2,859	281	(163)
Gross income	21,066	5,925	7,603	3,422	3,162	741	212
Operating profit (loss) before tax	7,247	2,122	3,528	1,953	961	314	(1,632)
Profit (loss) after tax from discontinued operations	280	—	—	—	—	—	280
<b>Net attributable profit (loss)</b>	<b>4,653</b>	<b>1,581</b>	<b>2,568</b>	<b>740</b>	<b>491</b>	<b>254</b>	<b>(980)</b>
<b>2020</b>							
Net interest income	14,592	3,566	5,415	2,783	2,701	291	(164)
Gross income	20,166	5,567	7,025	3,573	3,225	839	(63)
Operating profit (loss) before tax	5,248	823	2,475	1,522	896	280	(748)
Profit (loss) after tax from discontinued operations	(1,729)	—	—	—	—	—	(1,729)
<b>Net attributable profit (loss)</b>	<b>1,305</b>	<b>652</b>	<b>1,761</b>	<b>563</b>	<b>446</b>	<b>222</b>	<b>(2,339)</b>

(1) Adjustments include: (I) the impact of the purchase of offices in Spain in 2022 in the transaction with Merlin Properties (see Note 17); (II) the costs associated with the collective layoff procedure and the closing of offices in 2021 (see Note 24); and (III) the capital gain from the bancassurance transaction with Allianz in 2020 (see Note 3).

## 7. Risk management

### 7.1 Risk factors

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

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

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

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

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

#### – Macroeconomic and geopolitical risks

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

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

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

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

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

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

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

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

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

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

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

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

## – Risks associated with pandemics such as the COVID-19

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

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

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

## – Regulatory and reputational risks

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

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

## – Business, operational and legal risks

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

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

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

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

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

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

As of December 31, 2022, the Group had €685 million in provisions for the proceedings it is facing (included in the line "Provisions for taxes and other legal contingencies" in the consolidated balance sheet) (see Note 24), of which €524 million correspond to legal contingencies and €161 million to tax related matters. However, the uncertainty arising from these proceedings (including those for which no provisions have been made, either because it is not possible to estimate them or for other reasons) makes it impossible to guarantee that the possible losses arising from these proceedings will not exceed, where applicable, the amounts that the Group currently has provisioned and, therefore, could affect the Group's consolidated results in a given period.

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

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

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

#### – **Climate change risks**

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

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



- Physical risks: Risks that come from climate change and can be caused by greater frequency and severity of extreme weather events or long-term weather changes, and that can lead to physical damage to the assets of the Group or its customers, the interruption of their operations, disruptions in the supply chain or increased expenses necessary to deal with them, thus impacting the value of assets or the solvency of customers.

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

## 7.2 Credit risk

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

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

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

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

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

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

### Support measures

Since the beginning of the pandemic, the Group offered COVID-19 support measures to its customers in all the geographic areas where it operates, consisting of both deferrals on existing loans and new public-guaranteed lending. Deferral support schemes have expired in all geographical areas. Measures related to new government-guaranteed loans remained in force in Spain and Peru in 2022:

Spain:

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





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

Peru:

- There were public support programs such as *Reactiva*, *Creceer* or FAE aimed at companies and micro-enterprises with government guaranteeing amounts ranging from 60% to 98%, depending on the program and the type of company.
- Through a Decree published in May 2022, for loans granted under the *Reactiva* program, both the maturity and grace period of such loans could be extended. The ability to benefit from this measure expires on June 30, 2023, following the extension of the initial period that ended December 31, 2022.

New government-guaranteed financing was also granted in Turkey, Colombia and Argentina.

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

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

	Payment deferral			Financing with public guarantees		Total payment deferral and guarantees	(% ) credit investment	
	Existing	Completed	Total	Number of customers	Total			Number of customers
<b>December 2022</b>	—	18,103	18,103	1,791,756	13,955	248,009	32,059	8.2 %
<b>December 2021</b>	189	21,743	21,931	2,188,720	16,093	264,809	38,025	10.9 %

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

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

	Payment deferral						Financing with public guarantees	
	Existing		Completed		Total		2022	2021
	2022	2021	2022	2021	2022	2021		
<b>Group</b>	—	189	18,103	21,743	18,103	21,931	13,955	16,093
Households	—	107	12,974	14,904	12,974	15,011	1,302	1,376
<i>Of which: Mortgages</i>	—	97	9,542	10,195	9,542	10,291	5	6
SMEs	—	44	2,725	3,950	2,725	3,994	9,672	10,911
Non-financial corporations	—	37	2,315	2,766	2,315	2,803	2,964	3,788
Other	—	—	90	122	90	122	18	18

#### Amount of financing with public guarantees of the Group by stages (Millions of Euros)

	Stage 1 and 2		Stage 3		Total	
	2022	2021	2022	2021	2022	2021
<b>Group</b>	13,109	15,526	847	568	13,955	16,093
Households	1,240	1,347	62	29	1,302	1,376
<i>Of which: Mortgages</i>	5	6	—	—	5	6
SMEs	9,041	10,522	631	389	9,672	10,911
Non-financial corporations	2,811	3,639	153	149	2,964	3,788
Other	17	18	—	—	18	18

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

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## 7.2.1 Measurement of Expected Credit Loss

IFRS 9 requires determining the Expected Credit Loss (hereinafter "ECL") of a financial instrument in a way that reflects an unbiased estimation removing any conservatism or optimism, including the time value of money and a forward-looking perspective (including the economic forecast), all this based on the information that is available at a certain point in time and that is reasonable and bearable with respect to future economic conditions.

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

The modeling of the ECL calculation is subject to a governance system that is common to the entire Group. Within this common framework, each geographical area makes the necessary adaptations to capture its particularities. The methodology, assumptions and observations used by each geographical area are reviewed annually, and after a validation and approval process, the outcome of this review is incorporated into the ECL calculations.

### Risk parameters by homogeneous groups

Expected losses can be estimated both individually and collectively. Regarding the collective estimate, the instruments are distributed in homogeneous groups (segments) that share similar risk characteristics. Following the guidelines established by the Group for the development of models under IFRS 9, each geographical area performs the grouping based on the information available, its representativeness or relevance and compliance with the necessary statistical requirements.

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

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

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

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

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

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

### Individual estimation of Expected Credit Losses

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

The monitoring model established by the Group consists of continuously monitoring the risks to which it is exposed, which guarantees their proper classification in the different categories of IFRS 9. The original analysis of the exposures is reviewed through the procedures for updating the rating tools (rating and scoring), which periodically review the financial situation of clients, influencing the classification by stages of exposures.

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

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

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

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

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

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

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

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

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

- Going concern scenario: when the entity has updated and reliable information about the solvency and ability of payment of the holders or guarantors. The operating cash flows of the debtor, or the guarantor, continue and can be used to repay the financial debt to all creditors. In addition, collateral may be exercised to the extent it does not influence operating cash flows. The following aspects should be taken into account:
  - a. Future operating cash flows should be based on the financial statements of the debtor.
  - b. When the projections made on these financial statements assume a growth rate, a constant or decreasing growth rate must be used over a maximum growth period of 3 to 5 years, and subsequently constant cash flows.
  - c. The growth rate should be based on the analysis of the evolution of the debtor's financial statements or on the applicable business restructuring plan, taking into account the resulting changes in the structure of the company (for example, due to divestments or the interruption of unprofitable lines of business).
  - d. (Re)-investments that are needed to preserve cash flows should be considered, as well as any foreseeable future cash-flow changes (e.g. if a patent or a long-term loan expires).
  - e. When the recoverability of the exposure relies on the realization of the disposal of some assets by the debtor, the selling price should reflect the estimated future cash flows that may result from the sale of the assets less the estimated costs associated with the disposal.

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

### Significant increase in credit risk

As indicated in Note 2.2, the criteria for identifying the significant increase in risk are applied consistently throughout the Group, distinguishing between quantitative reasons or by comparison of probabilities of default and qualitative reasons (more than 30 days of default, watch list consideration or non-impaired refinancing).

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

This set of information is the basis for determining the rating and scoring (see Note 7.2.4 for more information on rating and scoring systems) corresponding to each of the exposures and which are assigned a probability of default (PD) that, as already mentioned, is subject to an annual review process that assesses its representativeness (backtesting) and is updated with new observations. Furthermore, the projection of these PDs over time has been modeled based on macroeconomic expectations, which allows obtaining the probabilities of default throughout the life of the operations.

Based on this common methodology, and in accordance with the provisions of IFRS 9 and the EBA guidelines on credit risk management practices, each geographical area has established absolute and relative thresholds for identifying whether the expected changes in the probabilities of default have increased significantly compared to the initial moment, adapted to the particularities of each one of them in terms of origination levels, product characteristics, distribution by sectors or portfolios, and macroeconomic situation. To establish the aforementioned thresholds, a series of general principles are considered, such as:

- Uniformity: Based on the rating and scoring systems that, in a homogeneous manner, are implemented in the Group's units.
- Stability: The thresholds must be established to identify the significant increase in risk produced in exposures since their initial recognition and not only to identify those situations in which it is already foreseeable that they will reach the level of impairment. For this reason, it is to be expected that of the total exposures there will always be a representative group for which said increased risk is identified.
- Anticipation: The thresholds must consider the identification of the increased risk in advance with respect to the recognition of the exposures as impaired or even before a real default occurs. The calibration of the thresholds should minimize the cases in which the instruments are classified in stage 3 without having previously been recognized as stage 2.
- Indicators or metrics: It is expected that the classification of the exposures in stage 2 will have sufficient permanence to be able to develop an anticipatory management plan with respect to them before, where applicable, they end up migrating to stage 3.
- Symmetry: IFRS 9 provides for a symmetric treatment both to identify the significant increase in risk and to identify that it has disappeared, so the thresholds also work to improve the credit classification of exposures. In this sense, it is expected that the cases in which the exhibitions that improve from stage 3 are directly classified into stage 1 will be minimal.
- The identification of the significant increase in risk from the comparison of the probabilities of default should be the main reason why exposures in stage 2 are recognized.

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

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

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

These absolute and relative thresholds are consistently established for each geographical area and for each portfolio, taking into account their particularities and based on the principles described. The thresholds set by each geographical area are included within the annual review process and, generally speaking, are in the range of 150% to 250% for the relative threshold and from 10 to 150 basis points for the absolute threshold. Specifically, in BBVA, S.A.'s wholesale portfolio the relative threshold is from 160% to 180% and the absolute threshold ranges from 30 to 100 basis points; in the retail portfolio the relative threshold is between 150% and 200% while the absolute threshold ranges between 50 and 100 basis points. For BBVA Mexico, the relative threshold for the wholesale portfolio is between 180% and 200% and the absolute threshold is between 30 basis points and 75 basis points. For the majority of the retail portfolio, the relative threshold is in the range of 170% and 250% and the absolute threshold between 10 and 100 basis points.

The establishment of absolute and relative thresholds, as well as their different levels, comply with the provisions of IFRS 9 when it indicates that a certain change, in absolute terms, in the risk of a default will be more significant for a financial instrument with a lower initial risk of default compared to a financial instrument with higher initial risk of default.

For existing contracts before the implementation of IFRS 9, given the limitations in the information available on them, the thresholds are calibrated based on the PDs obtained from the prudential or economic models for calculating capital.

### **Risk Parameters Adjusted by Macroeconomic Scenarios**

Expected Credit Loss (ECL) must include forward looking information, in accordance with IFRS 9, which states that the comprehensive credit risk information must incorporate not only historical information but also all relevant credit information, also including forward-looking macroeconomic information. BBVA uses the typical credit risk parameters PD, LGD and EAD in order to calculate the ECL for the credit portfolios.

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

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

### **How economic scenarios are reflected in the calculation of ECL**

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

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

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

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

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

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

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

### **Multiple scenario approach**

IFRS 9 requires calculating an unbiased probability weighted measurement of ECL by evaluating a range of possible outcomes, including forecasts of future economic conditions.

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





Additionally, the BBVA Research teams produce alternative scenarios to the baseline scenario so as to meet the requirements under the IFRS 9 standard.

#### Alternative macroeconomic scenarios

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

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

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

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

#### Macroeconomic scenarios

The COVID-19 pandemic generated uncertainty over macroeconomic outlooks, having a direct impact on the credit risk of entities, particularly, on the expected credit losses under IFRS 9. For this reason, practically all accounting and prudential authorities in a coordinated manner issued recommendations or measures with respect to how situations caused by COVID-19 should be treated for purposes of the expected loss estimation models under IFRS 9 in the year 2020. The BBVA Group considered these recommendations in calculating expected credit risk losses under IFRS 9 based on the assumption that the economic situation caused by the COVID-19 pandemic would be transitory and that it would be accompanied by a recovery, in light of the uncertainties regarding its gravity and duration. Therefore, to calculate such losses, various scenarios were considered, recording the one that, in the opinion of the Bank, best reflected the economic prospects and the set of recommendations from authorities.

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

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

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

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2022	4.90 %	12.27 %	(2.96) %	2.97 %	3.28 %	0.84 %	7.59 %	10.00 %
2023	1.85 %	11.35 %	(0.61) %	1.45 %	3.04 %	4.23 %	6.61 %	8.85 %
2024	3.60 %	9.75 %	1.58 %	2.33 %	2.99 %	3.07 %	(0.70) %	10.76 %
2025	3.00 %	8.36 %	1.67 %	1.91 %	3.01 %	4.18 %	3.91 %	11.78 %
2026	2.95 %	7.02 %	2.20 %	1.78 %	3.01 %	3.26 %	3.90 %	11.81 %
2027	2.93 %	5.87 %	2.31 %	1.81 %	3.00 %	4.39 %	3.86 %	11.81 %

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2022	4.00 %	7.67 %	7.42 %	11.97 %	8.78 %	11.41 %
2023	5.12 %	7.28 %	3.86 %	9.39 %	2.04 %	12.20 %
2024	3.15 %	6.79 %	(1.02) %	7.68 %	2.07 %	12.77 %
2025	2.19 %	6.60 %	2.79 %	6.77 %	2.44 %	12.65 %
2026	2.21 %	6.52 %	2.87 %	6.89 %	3.11 %	12.15 %
2027	2.21 %	6.49 %	3.62 %	6.81 %	3.28 %	10.47 %

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

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2022	4.61 %	12.78 %	(3.50) %	2.56 %	3.32 %	0.95 %	5.47 %	10.53 %
2023	1.20 %	12.83 %	(2.41) %	0.58 %	3.20 %	4.14 %	3.02 %	10.30 %
2024	3.37 %	11.38 %	0.55 %	2.05 %	3.17 %	2.90 %	(1.50) %	11.75 %
2025	2.98 %	9.95 %	1.30 %	1.84 %	3.15 %	4.19 %	3.78 %	12.15 %
2026	2.95 %	8.58 %	1.74 %	1.76 %	3.14 %	3.27 %	3.78 %	12.00 %
2027	2.93 %	7.18 %	1.86 %	1.79 %	3.13 %	4.37 %	3.74 %	12.00 %

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2022	2.69 %	7.72 %	5.00 %	12.35 %	8.05 %	11.49 %
2023	2.54 %	7.48 %	(0.50) %	10.40 %	0.72 %	12.45 %
2024	2.42 %	7.03 %	(2.04) %	8.60 %	1.81 %	13.06 %
2025	2.19 %	6.80 %	2.70 %	7.38 %	2.44 %	12.94 %
2026	2.21 %	6.70 %	2.73 %	7.38 %	3.10 %	12.43 %
2027	2.21 %	6.68 %	3.49 %	7.30 %	3.28 %	10.65 %

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

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2022	4.33 %	13.26 %	(4.13) %	2.17 %	3.37 %	1.03 %	3.35 %	11.04 %
2023	0.58 %	14.26 %	(4.02) %	(0.28) %	3.38 %	3.97 %	(0.79) %	11.76 %
2024	3.15 %	12.95 %	(0.40) %	1.77 %	3.35 %	2.69 %	(2.49) %	12.82 %
2025	2.93 %	11.53 %	0.79 %	1.77 %	3.30 %	4.04 %	3.70 %	12.53 %
2026	2.91 %	10.14 %	0.99 %	1.72 %	3.27 %	3.24 %	3.70 %	12.19 %
2027	2.89 %	8.77 %	1.10 %	1.75 %	3.26 %	4.37 %	3.66 %	12.16 %

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2022	1.39 %	7.77 %	2.66 %	12.71 %	7.30 %	11.57 %
2023	(0.05) %	7.69 %	(5.10) %	11.38 %	(0.59) %	12.71 %
2024	1.67 %	7.27 %	(3.29) %	9.49 %	1.50 %	13.34 %
2025	2.19 %	7.02 %	2.59 %	7.97 %	2.44 %	13.21 %
2026	2.21 %	6.91 %	2.57 %	7.83 %	3.10 %	12.70 %
2027	2.21 %	6.88 %	3.33 %	7.78 %	3.28 %	10.86 %

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

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

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2021	5.52 %	14.42 %	0.33 %	6.39 %	4.18 %	2.35 %	11.63 %	11.90 %
2022	6.14 %	12.50 %	4.70 %	4.07 %	3.89 %	5.38 %	5.60 %	11.35 %
2023	5.13 %	10.05 %	3.06 %	2.81 %	3.75 %	3.85 %	5.80 %	11.93 %
2024	2.61 %	8.48 %	1.87 %	2.17 %	3.69 %	3.07 %	3.62 %	12.66 %
2025	2.22 %	7.49 %	1.56 %	1.88 %	3.64 %	4.08 %	3.66 %	12.94 %
2026	2.19 %	6.71 %	1.19 %	1.83 %	3.59 %	3.95 %	3.66 %	13.05 %

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2021	13.60 %	11.33 %	9.91 %	15.12 %	9.89 %	15.36 %
2022	4.91 %	7.50 %	6.69 %	11.34 %	5.33 %	13.60 %
2023	3.78 %	6.82 %	3.02 %	9.48 %	3.38 %	13.22 %
2024	2.76 %	6.55 %	2.09 %	7.99 %	3.30 %	12.31 %
2025	2.34 %	6.52 %	2.16 %	6.89 %	3.44 %	11.58 %
2026	2.28 %	6.47 %	2.12 %	6.88 %	3.51 %	11.32 %

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

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2021	5.23 %	14.93 %	(0.20) %	5.98 %	4.22 %	2.46 %	9.46 %	12.43 %
2022	5.49 %	13.98 %	2.91 %	3.19 %	4.05 %	5.30 %	1.98 %	12.80 %
2023	4.89 %	11.68 %	2.04 %	2.54 %	3.92 %	3.68 %	5.04 %	12.93 %
2024	2.59 %	10.08 %	1.50 %	2.09 %	3.83 %	3.07 %	3.49 %	13.03 %
2025	2.22 %	9.05 %	1.10 %	1.87 %	3.77 %	4.08 %	3.54 %	13.13 %
2026	2.19 %	8.15 %	0.74 %	1.82 %	3.71 %	3.93 %	3.53 %	13.23 %

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2021	12.22 %	11.38 %	7.49 %	15.50 %	9.17 %	15.44 %
2022	2.32 %	7.70 %	2.30 %	12.35 %	4.02 %	13.86 %
2023	3.05 %	7.06 %	2.04 %	10.40 %	3.13 %	13.51 %
2024	2.76 %	6.76 %	1.98 %	8.60 %	3.29 %	12.60 %
2025	2.34 %	6.70 %	2.03 %	7.38 %	3.44 %	11.87 %
2026	2.28 %	6.64 %	1.99 %	7.38 %	3.51 %	11.53 %

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

Date	Spain			Mexico			Turkey	
	GDP	Unemployment	HPI	GDP	Unemployment	HPI	GDP	Unemployment
2021	4.95 %	15.41 %	(0.82) %	5.58 %	4.27 %	2.54 %	7.29 %	12.94 %
2022	4.88 %	15.41 %	1.31 %	2.33 %	4.23 %	5.13 %	(1.87) %	14.26 %
2023	4.68 %	13.25 %	1.09 %	2.26 %	4.10 %	3.48 %	4.09 %	13.99 %
2024	2.54 %	11.65 %	0.99 %	2.03 %	3.99 %	2.92 %	3.40 %	13.41 %
2025	2.18 %	10.62 %	0.35 %	1.82 %	3.90 %	4.05 %	3.47 %	13.31 %
2026	2.15 %	9.61 %	(0.01) %	1.78 %	3.84 %	3.93 %	3.46 %	13.40 %

Date	Peru		Argentina		Colombia	
	GDP	Unemployment	GDP	Unemployment	GDP	Unemployment
2021	10.84 %	11.43 %	5.14 %	15.86 %	8.43 %	15.52 %
2022	(0.28) %	7.90 %	(2.34) %	13.33 %	2.72 %	14.12 %
2023	2.31 %	7.30 %	0.85 %	11.29 %	2.83 %	13.79 %
2024	2.76 %	6.98 %	1.86 %	9.19 %	3.29 %	12.87 %
2025	2.34 %	6.91 %	1.88 %	7.83 %	3.43 %	12.13 %
2026	2.28 %	6.85 %	1.83 %	7.85 %	3.51 %	11.71 %

## Sensitivity to macroeconomic scenarios

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

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

### Expected loss variation as of December 31, 2022

GDP	BBVA Group				Spain			Mexico			Turkey		
	Total Portfolio	Retail	Companies	Fixed income	Total Portfolio	Companies	Retail	Total Portfolio	Companies	Retail	Total Portfolio	Companies	Retail
- 100 bps	223	151	67	3	118	54	62	67	3	63	19	5	12
+100 bps	(195)	(135)	(55)	(3)	(95)	(42)	(52)	(63)	(3)	(60)	(18)	(5)	(11)
<b>Housing price</b>													
- 100 bps						1	23			4			
+100 bps						(1)	(22)			(3)			

### Expected loss variation as of December 31, 2021

GDP	BBVA Group				Spain			Mexico			Turkey		
	Total Portfolio	Retail	Companies	Fixed income	Total Portfolio	Companies	Retail	Total Portfolio	Companies	Retail	Total Portfolio	Companies	Retail
- 100 bps	237	165	46	3	92	19	58	72	3	65	17	6	11
+100 bps	(224)	(158)	(44)	(3)	(88)	(18)	(57)	(69)	(4)	(61)	(17)	(6)	(10)
<b>Housing price</b>													
- 100 bps						4	54			5			
+100 bps						(4)	(53)			(5)			

## Additional adjustments to expected loss measurement

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

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

The complementary adjustments pending allocation to specific operations or clients as of December 31, 2022 totaled €302 million, of which €170 million corresponded to BBVA, S.A., €92 million to Mexico, €25 million to Peru, €11 million to Colombia and €5 million to Chile. In comparison, as of December 31, 2021, the complementary adjustments pending allocation to specific operations or clients amounted to €311 million, of which €226 million corresponded to Spain, €68 million to Mexico and €18 million euros to Peru. The variation in the year is due to, on the one hand, the revision or partial consumption of the adjustments that were deemed necessary in connection with payment deferrals, public guarantees or sectors most affected by the pandemic and, on the other hand, the additional losses amounting to €150 million relating to exposures to the corporate portfolios mainly of Spain, Mexico, Peru and Colombia (wholesale borrowers and small and medium enterprises), which could be more affected by the economic context of high inflation, interest rates or energy prices.

## 7.2.2 Credit risk exposure

BBVA Group's credit risk exposure by headings in the consolidated balance sheets as of December 31, 2022, 2021 and 2020 is provided below. It does not consider the loss allowances and the availability of collateral or other credit enhancements to enable compliance with payment obligations. The details are broken down by financial instruments:

Maximum credit risk exposure (Millions of Euros)					
	Notes	December 2022	Stage 1	Stage 2	Stage 3
<b>Financial assets held for trading</b>		<b>70,763</b>			
Equity instruments	10	4,404			
Debt securities	10	24,367			
Loans and advances	10	41,993			
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>		<b>6,888</b>			
Equity instruments	11	6,511			
Debt securities	11	129			
Loans and advances	11	247			
<b>Financial assets designated at fair value through profit or loss</b>	<b>12</b>	<b>913</b>			
<b>Derivatives (trading and hedging)</b>		<b>53,101</b>			
<b>Financial assets at fair value through other comprehensive income</b>		<b>59,100</b>			
Equity instruments	13	1,198			
Debt securities		57,876	57,028	822	26
Loans and advances to credit institutions	13	26	26	—	—
<b>Financial assets at amortized cost</b>		<b>433,445</b>	<b>386,048</b>	<b>33,873</b>	<b>13,523</b>
Debt securities		43,700	43,433	237	30
Loans and advances to central banks		4,420	4,420	—	—
Loans and advances to credit institutions		16,066	15,997	69	
Loans and advances to customers		369,260	322,199	33,568	13,493
<b>Total financial assets risk</b>		<b>624,210</b>			
<b>Total loan commitments and financial guarantees</b>		<b>192,568</b>	<b>181,427</b>	<b>9,993</b>	<b>1,147</b>
Loan commitments given	33	136,920	130,459	6,283	177
Financial guarantees given	33	16,511	15,214	1,015	281
Other commitments given	33	39,137	35,753	2,695	689
<b>Total maximum credit exposure</b>		<b>816,778</b>			

**Maximum credit risk exposure (Millions of Euros)**

	Notes	December 2021	Stage 1	Stage 2	Stage 3
<b>Financial assets held for trading</b>		<b>92,560</b>			
Equity instruments	10	15,963			
Debt securities	10	25,790			
Loans and advances	10	50,807			
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>		<b>6,086</b>			
Equity instruments	11	5,303			
Debt securities	11	128			
Loans and advances	11	655			
<b>Financial assets designated at fair value through profit or loss</b>	<b>12</b>	<b>1,092</b>			
<b>Derivatives (trading and hedging)</b>		<b>43,687</b>			
<b>Financial assets at fair value through other comprehensive income</b>		<b>60,495</b>			
Equity instruments	13	1,320			
Debt securities		59,148	58,587	561	—
Loans and advances to credit institutions	13	27	27	—	—
<b>Financial assets at amortized cost</b>		<b>383,870</b>	<b>334,772</b>	<b>34,418</b>	<b>14,680</b>
Debt securities		34,833	34,605	205	22
Loans and advances to central banks		5,687	5,687	—	—
Loans and advances to credit institutions		13,295	13,285	10	—
Loans and advances to customers		330,055	281,195	34,203	14,657
<b>Total financial assets risk</b>		<b>587,789</b>			
<b>Total loan commitments and financial guarantees</b>		<b>165,941</b>	<b>152,914</b>	<b>12,070</b>	<b>957</b>
Loan commitments given	33	119,618	112,494	6,953	171
Financial guarantees given	33	11,720	10,146	1,329	245
Other commitments given	33	34,604	30,274	3,789	541
<b>Total maximum credit exposure</b>		<b>753,730</b>			

**Maximum credit risk exposure (Millions of Euros)**

	Notes	December 2020	Stage 1	Stage 2	Stage 3
<b>Financial assets held for trading</b>		<b>65,696</b>			
Equity instruments	10	11,458			
Debt securities	10	23,970			
Loans and advances	10	30,268			
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>		<b>5,198</b>			
Equity instruments	11	4,133			
Debt securities	11	356			
Loans and advances	11	709			
<b>Financial assets designated at fair value through profit or loss</b>	<b>12</b>	<b>1,117</b>			
<b>Derivatives (trading and hedging)</b>		<b>46,302</b>			
<b>Financial assets at fair value through other comprehensive income</b>		<b>69,537</b>			
Equity instruments	13	1,100			
Debt securities		68,404	67,995	410	—
Loans and advances to credit institutions	13	33	33	—	—
<b>Financial assets at amortized cost</b>		<b>379,857</b>	<b>334,552</b>	<b>30,607</b>	<b>14,698</b>
Debt securities		35,785	35,759	6	20
Loans and advances to central banks		6,229	6,229	—	—
Loans and advances to credit institutions		14,591	14,565	20	6
Loans and advances to customers		323,252	277,998	30,581	14,672
<b>Total financial assets risk</b>		<b>567,705</b>			
<b>Total loan commitments and financial guarantees</b>		<b>179,440</b>	<b>165,726</b>	<b>12,682</b>	<b>1,032</b>
Loan commitments given	33	132,584	124,104	8,214	265
Financial guarantees given	33	10,665	9,208	1,168	290
Other commitments given	33	36,190	32,414	3,300	477
<b>Total maximum credit exposure</b>		<b>747,145</b>			

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

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

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

The breakdown by geographical area and *stage* of the maximum credit risk exposure, the accumulated allowances recorded and the carrying amount of the loans and advances to customers as of December 31, 2022, 2021 and 2020 is shown below:

December 2022 (Millions of Euros)												
	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain <sup>(1)</sup>	214,126	187,037	19,621	7,468	(4,860)	(518)	(759)	(3,583)	209,266	186,519	18,862	3,885
Mexico	74,252	66,971	5,342	1,939	(2,496)	(955)	(475)	(1,066)	71,756	66,017	4,866	873
Turkey <sup>(2)</sup>	39,547	32,755	4,436	2,356	(2,105)	(224)	(358)	(1,523)	37,443	32,531	4,078	833
South America <sup>(3)</sup>	40,288	34,401	4,166	1,721	(1,768)	(318)	(345)	(1,105)	38,519	34,083	3,821	615
Others	1,047	1,035	3	9	(8)	—	—	(7)	1,039	1,035	3	2
<b>Total <sup>(4)</sup></b>	<b>369,260</b>	<b>322,199</b>	<b>33,568</b>	<b>13,493</b>	<b>(11,237)</b>	<b>(2,014)</b>	<b>(1,938)</b>	<b>(7,284)</b>	<b>358,023</b>	<b>320,185</b>	<b>31,629</b>	<b>6,208</b>
<i>Of which:</i> <i>individual</i>					(2,164)	(21)	(604)	(1,539)				
<i>Of which:</i> <i>collective</i>					(9,073)	(1,994)	(1,334)	(5,745)				

(1) Spain includes all countries where BBVA, S.A. operates.

(2) Turkey includes all countries in which Garanti BBVA operates.

(3) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.

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

December 2021 (Millions of Euros)												
	Gross exposure				Accumulated allowances				Carrying amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Spain <sup>(1)</sup>	201,405	171,883	21,380	8,143	(5,277)	(722)	(923)	(3,631)	196,129	171,161	20,457	4,511
Mexico	57,847	51,665	4,261	1,921	(2,038)	(740)	(381)	(916)	55,809	50,925	3,880	1,005
Turkey <sup>(2)</sup>	33,472	26,497	4,134	2,841	(2,058)	(224)	(424)	(1,410)	31,414	26,273	3,711	1,431
South America <sup>(3)</sup>	36,335	30,166	4,425	1,744	(1,736)	(277)	(362)	(1,096)	34,599	29,889	4,062	648
Others	996	984	3	9	(8)	(1)	—	(7)	988	983	3	2
<b>Total <sup>(4)</sup></b>	<b>330,055</b>	<b>281,195</b>	<b>34,203</b>	<b>14,657</b>	<b>(11,116)</b>	<b>(1,964)</b>	<b>(2,091)</b>	<b>(7,061)</b>	<b>318,939</b>	<b>279,231</b>	<b>32,112</b>	<b>7,596</b>
<i>Of which:</i> <i>individual</i>					(2,528)	(4)	(657)	(1,867)				
<i>Of which:</i> <i>collective</i>					(8,587)	(1,959)	(1,434)	(5,194)				

(1) Spain includes all countries where BBVA, S.A. operates.

(2) Turkey includes all countries in which Garanti BBVA operates.

(3) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.

(4) The amount of the accumulated allowances includes the provisions recorded for credit risk over the remaining expected lifetime of purchased financial instruments. Those provisions were determined at the moment of the Purchase Price Allocation and were originated mainly in the acquisition of Catalunya Banc S.A. (as of December 31, 2021 the remaining balance was €266 million). These valuation adjustments are recognized in the consolidated income statement during the residual life of the operations or are applied to the value corrections when the losses materialize.



**December 2020 (Millions of Euros)**

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

(1) Spain includes all countries where BBVA, S.A. operates.

(2) Turkey includes all countries in which Garanti BBVA operates.

(3) In South America, BBVA Group operates mainly in Argentina, Colombia, Peru and Uruguay.

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

The breakdown by counterparty of the maximum credit risk exposure, the accumulated allowances recorded, as well as the carrying amount by stages of loans and advances to customers as of December 31, 2022, 2021 and 2020 is shown below:

**December 2022 (Millions of Euros)**

	Gross exposure				Accumulated allowances				Net amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Public administrations	20,922	20,582	302	38	(30)	(8)	(11)	(11)	20,892	20,574	291	27
Other financial corporations	12,802	12,548	238	17	(37)	(15)	(12)	(10)	12,765	12,533	226	6
Non-financial corporations	171,006	149,579	15,087	6,340	(5,495)	(675)	(991)	(3,829)	165,510	148,903	14,096	2,511
Households	164,530	139,491	17,941	7,098	(5,675)	(1,316)	(925)	(3,434)	158,855	138,175	17,017	3,663
<b>Loans and advances to customers</b>	<b>369,260</b>	<b>322,199</b>	<b>33,568</b>	<b>13,493</b>	<b>(11,237)</b>	<b>(2,014)</b>	<b>(1,938)</b>	<b>(7,284)</b>	<b>358,023</b>	<b>320,185</b>	<b>31,629</b>	<b>6,208</b>

**December 2021 (Millions of Euros)**

	Gross exposure				Accumulated allowances				Net amount			
	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3	Total	Stage 1	Stage 2	Stage 3
Public administrations	19,719	19,287	369	62	(37)	(13)	(5)	(19)	19,682	19,274	364	43
Other financial corporations	9,826	9,672	131	24	(23)	(8)	(6)	(9)	9,804	9,664	125	15
Non-financial corporations	146,797	120,140	19,366	7,290	(5,804)	(759)	(1,306)	(3,738)	140,993	119,381	18,060	3,552
Households	153,714	132,096	14,336	7,281	(5,253)	(1,184)	(773)	(3,295)	148,461	130,912	13,563	3,986
<b>Loans and advances to customers</b>	<b>330,055</b>	<b>281,195</b>	<b>34,203</b>	<b>14,657</b>	<b>(11,116)</b>	<b>(1,964)</b>	<b>(2,091)</b>	<b>(7,061)</b>	<b>318,939</b>	<b>279,231</b>	<b>32,112</b>	<b>7,596</b>

**December 2020 (Millions of Euros)**

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

The breakdown by counterparty and product of loans and advances, net of loss allowances, as well as the gross carrying amount by type of product, classified in different headings of the assets, as of December 31, 2022, 2021 and 2020 is shown below:

December 2022 (Millions of Euros)								
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	6	—	352	2,810	933	4,101	4,266
Credit card debt	—	1	—	3	2,029	16,865	18,898	19,985
Commercial debtors	—	1,021	24	370	24,510	85	26,011	26,254
Finance leases	—	195	—	13	8,040	322	8,571	8,857
Reverse repurchase loans	302	—	5,251	102	—	—	5,655	5,674
Other term loans	3,802	19,438	4,009	7,995	126,949	139,925	302,118	311,553
Advances that are not loans	296	232	6,772	3,930	1,333	811	13,374	13,430
<b>LOANS AND ADVANCES</b>	<b>4,401</b>	<b>20,892</b>	<b>16,057</b>	<b>12,765</b>	<b>165,670</b>	<b>158,943</b>	<b>378,728</b>	<b>390,019</b>
By secured loans								
Of which: mortgage loans collateralized by immovable property		297	—	337	23,970	95,056	119,659	122,719
Of which: other collateralized loans	498	5,382	5,073	548	6,635	2,209	20,345	20,675
By purpose of the loan								
Of which: credit for consumption						51,344	51,344	54,718
Of which: lending for house purchase						95,249	95,249	96,716
By subordination								
Of which: project finance loans					7,942		7,942	8,530
December 2021 (Millions of Euros)								
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	6	—	321	2,339	495	3,161	3,345
Credit card debt	—	—	—	1	1,504	12,523	14,030	14,949
Commercial debtors	—	791	—	476	18,191	66	19,524	19,766
Finance leases	—	191	—	14	7,388	317	7,911	8,256
Reverse repurchase loans	1,192	—	2,788	23	—	—	4,004	4,013
Other term loans	4,174	18,440	4,004	5,413	110,204	134,505	276,739	286,127
Advances that are not loans	315	394	6,510	3,554	1,805	630	13,208	13,263
<b>LOANS AND ADVANCES</b>	<b>5,681</b>	<b>19,822</b>	<b>13,303</b>	<b>9,804</b>	<b>141,431</b>	<b>148,536</b>	<b>338,577</b>	<b>349,719</b>
By secured loans								
Of which: mortgage loans collateralized by immovable property		324	—	220	21,531	94,821	116,897	119,980
Of which: other collateralized loans	1,180	1,413	2,534	390	3,512	1,950	10,979	11,335
By purpose of the loan								
Of which: credit for consumption						42,294	42,294	45,236
Of which: lending for house purchase						95,209	95,209	96,612
By subordination								
Of which: project finance loans					8,863		8,863	9,423
December 2020 (Millions of Euros)								
	Central banks	General governments	Credit institutions	Other financial corporations	Non-financial corporations	Households	Total	Gross carrying amount
On demand and short notice	—	7	—	502	1,798	528	2,835	3,021
Credit card debt	—	—	—	2	1,485	11,605	13,093	14,220
Commercial debtors	—	898	—	317	14,262	67	15,544	15,796
Finance leases	—	197	—	6	7,125	322	7,650	8,013
Reverse repurchase loans	472	—	1,914	—	71	—	2,457	2,463
Other term loans	5,690	18,111	3,972	5,799	111,141	132,603	277,317	287,467
Advances that are not loans	48	260	8,721	3,191	1,084	473	13,777	13,833
<b>LOANS AND ADVANCES</b>	<b>6,209</b>	<b>19,475</b>	<b>14,608</b>	<b>9,817</b>	<b>136,966</b>	<b>145,598</b>	<b>332,672</b>	<b>344,813</b>
By secured loans								
Of which: mortgage loans collateralized by immovable property		372	—	209	22,091	94,147	116,819	120,194
Of which: other collateralized loans	472	952	—	317	3,763	2,059	7,562	7,776
By purpose of the loan								
Of which: credit for consumption						39,799	39,799	43,037
Of which: lending for house purchase						94,098	94,098	95,751
By subordination								
Of which: project finance loans					10,721		10,721	11,032

### 7.2.3 Mitigation of credit risk, collateralized credit risk and other credit enhancements

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

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

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

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

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

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

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

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

- Debt instruments held for trading: The guarantees or credit enhancements obtained directly from the issuer or counterparty are implicit in the clauses of the instrument (mainly guarantees of the issuer).
- Derivatives and hedging derivatives: In derivatives, credit risk is minimized through contractual netting agreements, where positive- and negative-value derivatives with the same counterparty are offset for their net balance. There may likewise be other kinds of guarantees and collaterals, depending on counterparty solvency and the nature of the transaction (mainly collaterals).

The summary of the offsetting effect (via netting and collateral) for derivatives and securities operations as of December 31, 2022 is presented in Note 7.4.2.

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

As of December 31, 2022, 2021 and 2020, BBVA Group had no credit risk exposure of impaired financial assets at fair value through other comprehensive income (see Note 7.2.2).

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



The disclosure of impaired loans and advances at amortized cost covered by collateral (see Note 7.2.6), by type of collateral, as of December 31, 2022, 2021 and 2020, is the following:

Impaired loans and advances at amortized cost covered by collateral (Millions of Euros)							
	Maximum exposure to credit risk	Of which secured by collateral					
		Residential properties	Commercial properties	Cash	Others	Financial	
December 2022	13,493	2,537	849	3	52	984	
December 2021	14,657	2,875	1,068	5	33	886	
December 2020	14,678	2,717	789	18	52	575	

The value of guarantees received as of December 31, 2022, 2021 and 2020, is the following:

Guarantees received (Millions of Euros)			
	2022	2021	2020
<b>Value of collateral</b>	<b>125,963</b>	<b>117,362</b>	<b>116,900</b>
<i>Of which: guarantees normal risks under special monitoring</i>	12,826	11,768	11,296
<i>Of which: guarantees non-performing risks</i>	3,440	3,981	3,577
<b>Value of other guarantees</b>	<b>40,050</b>	<b>48,680</b>	<b>47,012</b>
<i>Of which: guarantees normal risks under special monitoring</i>	4,963	7,404	4,045
<i>Of which: guarantees non-performing risks</i>	984	886	575
<b>Total value of guarantees received</b>	<b>166,013</b>	<b>166,042</b>	<b>163,912</b>

The maximum credit risk exposure of impaired financial guarantees and other commitments at December 31, 2022, 2021 and 2020 amounts to €1,147 million, €957 million and €1,032 million, respectively (see Note 7.2.2).

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

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

##### Scoring

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

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

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

##### Rating

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

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

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

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

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

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

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

The table below outlines the distribution of the gross carrying amount of loans and advances to customers, in percentage terms, of the BBVA Group, based on their probability of default within 12 months used in the calculation of the expected loss under IFRS 9, and their stages, as of December 31, 2022, 2021 and 2020:

**Probability of default (basis points)**

	2022		2021		2020	
	Subject to 12 month ECL (stage 1)	Subject to lifetime ECL (stage 2)	Subject to 12 month ECL (stage 1)	Subject to lifetime ECL (stage 2)	Subject to 12 month ECL (stage 1)	Subject to lifetime ECL (stage 2)
	%	%	%	%	%	%
0 to 2	5.1	—	5.8	—	4.0	—
2 to 5	18.9	0.3	15.7	0.1	10.2	0.1
5 to 11	16.3	0.5	15.2	0.2	7.7	0.1
11 to 39	18.2	0.8	18.7	0.6	26.8	0.5
39 to 194	20.3	2.3	19.1	2.5	24.0	2.3
194 to 1,061	10.5	3.0	12.2	3.8	15.1	3.4
1,061 to 2,121	1.2	0.9	1.9	1.5	1.5	1.2
> 2,121	0.6	1.1	0.8	1.9	0.6	2.5
<b>Total</b>	<b>91.0</b>	<b>9.0</b>	<b>89.4</b>	<b>10.6</b>	<b>89.9</b>	<b>10.1</b>

The table below outlines the distribution of the BBVA Group by probability of default within 12 months used in the calculation of the expected loss under IFRS 9, and by stages of the gross carrying amount of contingent risk and commitments, in percentage terms, as of December 31, 2022:

**Probability of default (basis points)**

	2022	
	Subject to 12 month ECL (stage 1)	Subject to lifetime ECL (stage 2)
	%	%
0 to 2	6.3	0.2
2 to 5	20.4	0.2
5 to 11	26.9	0.9
11 to 39	19.8	0.7
39 to 194	14.6	1.1
194 to 1,061	6.1	1.5
1,061 to 2,121	0.6	0.2
> 2,121	0.2	0.4
<b>Total</b>	<b>94.8</b>	<b>5.2</b>

## 7.2.5 Impaired loan risks

The breakdown of loans and advances within financial assets at amortized cost by counterparties, including their respective gross carrying amount, impaired amount and accumulated impairment as of December 31, 2022, 2021 and 2020 is as follows:

December 2022 (Millions of Euros)				
	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
<b>Central banks</b>	<b>4,420</b>	<b>—</b>	<b>(19)</b>	<b>— %</b>
<b>General governments</b>	<b>20,922</b>	<b>38</b>	<b>(30)</b>	<b>0.2 %</b>
<b>Credit institutions</b>	<b>16,066</b>	<b>—</b>	<b>(35)</b>	<b>— %</b>
<b>Other financial corporations</b>	<b>12,802</b>	<b>17</b>	<b>(37)</b>	<b>0.1 %</b>
<b>Non-financial corporations</b>	<b>171,006</b>	<b>6,340</b>	<b>(5,495)</b>	<b>3.7 %</b>
Agriculture, forestry and fishing	4,475	153	(151)	3.4 %
Mining and quarrying	5,006	179	(105)	3.6 %
Manufacturing	44,583	869	(794)	1.9 %
Electricity, gas, steam and air conditioning supply	15,344	650	(534)	4.2 %
Water supply	875	21	(16)	2.4 %
Construction	8,349	784	(537)	9.4 %
Wholesale and retail trade	30,974	1,184	(945)	3.8 %
Transport and storage	11,051	319	(343)	2.9 %
Accommodation and food service activities	8,003	451	(329)	5.6 %
Information and communications	7,498	113	(47)	1.5 %
Financial and insurance activities	7,446	200	(188)	2.7 %
Real estate activities	11,349	718	(527)	6.3 %
Professional, scientific and technical activities	3,948	169	(151)	4.3 %
Administrative and support service activities	4,021	180	(124)	4.5 %
Public administration and defense; compulsory social security	268	8	(12)	2.9 %
Education	556	35	(29)	6.4 %
Human health services and social work activities	2,108	138	(53)	6.6 %
Arts, entertainment and recreation	927	68	(79)	7.3 %
Other services	4,224	101	(530)	2.4 %
<b>Households</b>	<b>164,530</b>	<b>7,098</b>	<b>(5,675)</b>	<b>4.3 %</b>
<b>LOANS AND ADVANCES</b>	<b>389,745</b>	<b>13,493</b>	<b>(11,291)</b>	<b>3.5 %</b>



December 2021 (Millions of Euros)

	Gross carrying amount	Impaired loans and advances	Accumulated impairment	Impaired loans and advances as a % of the total
<b>Central banks</b>	<b>5,687</b>	<b>—</b>	<b>(6)</b>	<b>— %</b>
<b>General governments</b>	<b>19,719</b>	<b>62</b>	<b>(37)</b>	<b>0.3 %</b>
<b>Credit institutions</b>	<b>13,295</b>	<b>—</b>	<b>(19)</b>	<b>— %</b>
<b>Other financial corporations</b>	<b>9,826</b>	<b>24</b>	<b>(23)</b>	<b>0.2 %</b>
<b>Non-financial corporations</b>	<b>146,797</b>	<b>7,290</b>	<b>(5,804)</b>	<b>5.0 %</b>
Agriculture, forestry and fishing	4,077	125	(154)	3.1 %
Mining and quarrying	4,889	222	(130)	4.5 %
Manufacturing	35,058	1,003	(867)	2.9 %
Electricity, gas, steam and air conditioning supply	13,718	570	(489)	4.2 %
Water supply	782	22	(21)	2.9 %
Construction	8,336	894	(619)	10.7 %
Wholesale and retail trade	25,856	1,311	(1,104)	5.1 %
Transport and storage	10,310	879	(400)	8.5 %
Accommodation and food service activities	7,693	470	(405)	6.1 %
Information and communications	6,533	117	(56)	1.8 %
Financial and insurance activities	6,216	197	(181)	3.2 %
Real estate activities	9,438	719	(466)	7.6 %
Professional, scientific and technical activities	3,910	185	(152)	4.7 %
Administrative and support service activities	3,046	181	(132)	5.9 %
Public administration and defense, compulsory social security	203	9	(11)	4.5 %
Education	582	43	(34)	7.4 %
Human health services and social work activities	1,888	48	(41)	2.5 %
Arts, entertainment and recreation	1,011	209	(95)	20.7 %
Other services	3,250	84	(447)	2.6 %
<b>Households</b>	<b>153,714</b>	<b>7,281</b>	<b>(5,253)</b>	<b>4.7 %</b>
<b>LOANS AND ADVANCES</b>	<b>349,037</b>	<b>14,657</b>	<b>(11,142)</b>	<b>4.2 %</b>

**December 2020 (Millions of Euros)**

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

The changes during the years 2022, 2021 and 2020 of impaired financial assets and guarantees given are as follows:

**Changes in impaired financial assets and guarantees given (Millions of Euros)**

	2022	2021	2020
<b>Balance at the beginning</b>	<b>15,467</b>	<b>15,478</b>	<b>16,770</b>
Additions	8,084	8,556	9,533
Decreases <sup>(1)</sup>	(5,742)	(4,555)	(5,024)
<b>Net additions</b>	<b>2,342</b>	<b>4,001</b>	<b>4,509</b>
Amounts written-off	(2,771)	(3,613)	(3,603)
Exchange differences and other	(517)	(399)	(968)
Discontinued operations	—	—	(1,230)
<b>Balance at the end</b>	<b>14,521</b>	<b>15,467</b>	<b>15,478</b>

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

The changes during the years 2022, 2021 and 2020 in financial assets derecognized from the consolidated balance sheet as their recovery is considered unlikely ("write-offs"), is shown below:

<b>Changes in impaired financial assets written-off from the balance sheet (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning</b>		<b>21,990</b>	<b>22,001</b>	<b>26,245</b>
Companies held for sale <sup>(1)</sup>		—	—	(4,646)
Increase		2,871	3,709	3,440
Decrease:		(2,431)	(3,605)	(2,715)
<i>Re-financing or restructuring</i>		(2)	(1)	(7)
<i>Cash recovery</i>	47	(390)	(423)	(339)
<i>Foreclosed assets</i>		(25)	(17)	(479)
<i>Sales</i> <sup>(2)</sup>		(1,498)	(2,437)	(1,223)
<i>Debt forgiveness</i>		(368)	(599)	(607)
<i>Time-barred debt and other causes</i>		(147)	(129)	(60)
Net exchange differences		165	(116)	(323)
<b>Balance at the end</b>		<b>22,595</b>	<b>21,990</b>	<b>22,001</b>

(1) The balance of 2020 relates mainly to the Group companies included in the agreement for the sale of the U.S. business to PNC (see Notes 3 and 21).

(2) Includes principal and interest.

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

## 7.2.6 Loss allowances

Movements, measured over a 12-month period, in gross accounting balances and accumulated loss allowances during 2022, 2021 and 2020 are recorded on the consolidated balance sheet as of December 31, 2022, 2021 and 2020 in order to cover the estimated impairment or reversal of impairment on loans and advances measured at amortized cost.

<b>Changes in gross accounting balances of loans and advances at amortized cost. Year 2022 (Millions of Euros)</b>				
	<b>Stage 1</b>	<b>Stage 2</b>	<b>Stage 3</b>	<b>Total</b>
<b>Balance at the beginning</b>	<b>300,167</b>	<b>34,213</b>	<b>14,657</b>	<b>349,037</b>
Transfers of financial assets:	(5,041)	3,914	1,128	—
<i>Transfers from stage 1 to stage 2</i>	(12,726)	12,726	—	—
<i>Transfers from stage 2 to stage 1</i>	8,537	(8,537)	—	—
<i>Transfers to stage 3</i>	(1,941)	(1,831)	3,773	—
<i>Transfers from stage 3</i>	1,089	1,556	(2,645)	—
Net annual origination of financial assets	44,465	(4,201)	258	40,522
Becoming write-offs	(63)	(35)	(2,432)	(2,530)
Foreign exchange	2,447	18	(461)	2,004
Modifications that do not result in derecognition	(2)	29	113	140
Other	643	(301)	231	573
<b>Balance at the end</b>	<b>342,616</b>	<b>33,636</b>	<b>13,493</b>	<b>389,745</b>

**Changes in allowances of loans and advances at amortized cost. Year 2022 (Millions of Euros)**

	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the beginning</b>	<b>(1,990)</b>	<b>(2,091)</b>	<b>(7,061)</b>	<b>(11,142)</b>
Transfers of financial assets:	63	33	(1,570)	(1,473)
<i>Transfers from stage 1 to stage 2</i>	110	(397)	—	(287)
<i>Transfers from stage 2 to stage 1</i>	(91)	374	—	283
<i>Transfers to stage 3</i>	51	204	(1,917)	(1,662)
<i>Transfers from stage 3</i>	(7)	(148)	347	193
Net annual origination of allowances	(406)	(273)	(663)	(1,342)
Becoming write-offs	186	30	1,890	2,106
Foreign exchange	(87)	248	—	161
Modifications that do not result in derecognition	—	48	(160)	(112)
Other	168	64	279	511
<b>Balance at the end</b>	<b>(2,065)</b>	<b>(1,942)</b>	<b>(7,284)</b>	<b>(11,291)</b>

For the year ended December 31, 2022, the impairment charges recognized under the heading "Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification" amounted to €3,379 million (€3,034 million and €5,179 million for the years ended December 31, 2021 and 2020, respectively) (see Note 47). Additionally, as of December 31, 2021, the Group estimated that the update in the definition of credit impairment (default) (see Note 2.2.1) led to an increase of €1,262 million in impaired financial assets. In terms of allowances for impairment, the impact of this update was considered non-significant.

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

**Changes in gross accounting balances of loans and advances at amortized cost. Year 2021 (Millions of Euros)**

	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the beginning</b>	<b>298,793</b>	<b>30,601</b>	<b>14,678</b>	<b>344,072</b>
Transfers of financial assets:	(10,785)	8,640	2,145	—
<i>Transfers from stage 1 to stage 2</i>	(14,482)	14,482	—	—
<i>Transfers from stage 2 to stage 1</i>	4,905	(4,905)	—	—
<i>Transfers to stage 3</i>	(1,772)	(1,945)	3,717	—
<i>Transfers from stage 3</i>	564	1,009	(1,573)	—
Net annual origination of financial assets	17,876	(4,729)	1,217	14,364
Becoming write-offs	(74)	(68)	(3,095)	(3,237)
Foreign exchange	(6,054)	(1,902)	(216)	(8,172)
Modifications that do not result in derecognition	187	1,642	189	2,018
Other	224	29	(261)	(8)
<b>Balance at the end</b>	<b>300,167</b>	<b>34,213</b>	<b>14,657</b>	<b>349,037</b>

**Changes in allowances of loans and advances at amortized cost. Year 2021 (Millions of Euros)**

	Stage 1	Stage 2	Stage 3	Total
<b>Balance at the beginning</b>	<b>(2,037)</b>	<b>(2,289)</b>	<b>(7,815)</b>	<b>(12,141)</b>
Transfers of financial assets:	187	441	(2,521)	(1,893)
<i>Transfers from stage 1 to stage 2</i>	139	(602)	—	(463)
<i>Transfers from stage 2 to stage 1</i>	(60)	307	—	247
<i>Transfers to stage 3</i>	111	802	(2,775)	(1,862)
<i>Transfers from stage 3</i>	(3)	(66)	254	185
Net annual origination of allowances	(563)	(57)	(314)	(933)
Becoming write-offs	45	56	2,694	2,795
Foreign exchange	70	(270)	719	519
Modifications that do not result in derecognition	12	(79)	(122)	(189)
Other	297	106	298	701
<b>Balance at the end</b>	<b>(1,990)</b>	<b>(2,091)</b>	<b>(7,061)</b>	<b>(11,142)</b>

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

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

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

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

The loss allowances recorded in the balance sheet to cover the impairment or reversal of impairment estimated in the debt securities amounted to €214, €126 and €145 million as of December 31, 2022, 2021 and 2020, respectively. The variation is mainly due to changes in credit risk variations, mainly in Garanti BBVA, BBVA, S.A. and BBVA Argentina.

Additionally, the loss allowances recorded in the balance sheet to cover the impairment or reversal of the impairment estimated in the commitments and guarantees given amounted to €770, €691 and €728 million as of December 31, 2022, 2021 and 2020, respectively (see Note 24). The variation is mainly driven by changes due to origination and acquisition in Garanti BBVA.

## 7.2.7 Refinancing and restructuring transactions

### Group policies and principles with respect to refinancing and restructuring transactions

Refinancing and restructuring transactions (see definition in the Glossary) are carried out with customers who have requested such a transaction in order to meet their current loan payments if they are expected, or may be expected, to experience financial difficulty in making the payments in the future.

The basic aim of a refinancing and restructuring transaction is to provide the customer with a situation of financial viability over time by adapting repayment of the loan incurred with the Group to the customer's new situation of fund generation. The use of refinancing and restructuring for other purposes, such as to delay loss recognition, is contrary to BBVA Group policies.

The BBVA Group's refinancing and restructuring policies are based on the following general principles:

- Refinancing and restructuring is authorized according to the capacity of customers to pay the new installments. This is done by first identifying the origin of the payment difficulties and then carrying out an analysis of the customers' viability, including an updated analysis of their economic and financial situation and capacity to pay and generate funds. If the customer is a company, the analysis also covers the situation of the industry in which it operates.

- With the aim of increasing the solvency of the transaction, new guarantees and/or guarantors of demonstrable solvency are obtained where possible. An essential part of this process is an analysis of the effectiveness of both the new and original guarantees.
- This analysis is carried out from the overall customer or group perspective.
- Refinancing and restructuring transactions do not in general increase the amount of the customer's loan, except for the expense inherent to the transaction itself.
- The capacity to refinance and restructure a loan is not delegated to the branches, but decided on by the risk units.
- The decisions made are reviewed from time to time with the aim of evaluating full compliance with refinancing and restructuring policies.

These general principles are adapted in each case according to the conditions and circumstances of each geographical area in which the Group operates, and to the different types of customers involved.

In the case of retail customers (private individuals), the main aim of the BBVA Group's policy on refinancing and restructuring a loan is to avoid default arising from a customer's temporary liquidity problems by implementing structural solutions that do not increase the balance of the customer's loan. The solution required is adapted to each case and the loan repayment is made easier, in accordance with the following principles:

- Analysis of the viability of transactions based on the customer's willingness and ability to pay, which may be reduced, but should nevertheless be present. The customer must therefore repay at least the interest on the transaction in all cases. No arrangements may be concluded that involve a grace period for both principal and interest.
- Refinancing and restructuring of transactions is only allowed on those loans in which the BBVA Group originally entered into.
- Customers subject to refinancing and restructuring transactions are excluded from marketing campaigns of any kind.

In the case of non-retail customers (mainly companies, enterprises and corporates), refinancing/restructuring is authorized according to an economic and financial viability plan based on:

- Forecasted future income, margins and cash flows to allow entities to implement cost adjustment measures (industrial restructuring) and a business development plan that can help reduce the level of leverage to sustainable levels (capacity to access the financial markets).
- Where appropriate, the existence of a divestment plan for assets and/or operating segments that can generate cash to assist the deleveraging process.
- The capacity of shareholders to contribute capital and/or guarantees that can support the viability of the plan.

In accordance with the Group's policy, the conclusion of a loan refinancing and restructuring transaction does not mean the loan is reclassified from "impaired" or "significant increase in credit risk" to normal risk. The reclassification to "significant increase in credit risk" or normal risk categories must be based on the analysis mentioned earlier of the viability, upon completion of the probationary periods described below.

The Group maintains the policy of including risks related to refinanced and restructured loans as either:

- "Impaired assets", as although the customer is up to date with payments, they are classified as unlikely to pay when there are significant doubts that the terms of their refinancing may not be met; or
- "Significant increase in credit risk" until the conditions established for their consideration as normal risk are met.

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

- The customer has to have paid a significant part of the pending exposure.
- At least one year must have elapsed since the later of: i) the time at which the restructuring measures were extended, ii) the time when the exposure was classified as deteriorated, iii) the end of any grace period included in restructuring agreements.
- The customer does not have past due payments and objective criteria, demonstrating the borrower's ability to pay, have been verified.

The conditions established for assets classified as "Significant increase in credit risk" to be reclassified out of this category are as follows:

- The customer must have paid past-due amounts (principal and interest) since the date of the renegotiation or restructuring of the loan or other objective criteria, demonstrating the borrower's ability to pay, have been verified; none of its exposures is more than 30 days past-due.

- At least two years must have elapsed since completion of the renegotiation or restructuring of the loan or, if later, the date of reclassification from the deteriorated category. Regular payments must have been made during at least half of this probation period; and
- It is unlikely that the customer will have financial difficulties and, therefore, it is expected that the customer will be able to meet its loan payment obligations (principal and interest) in a timely manner.

The economic impact caused by the COVID-19 pandemic required the adaptation of the repayment schedule of a large volume of loans in all geographies and portfolios. In general, support was given through the granting of deferrals that comply with the principles established by the EBA, which allowed for the application of a differential accounting and prudential treatment.

Renewals and renegotiations are classified as normal risk, provided that there is no significant increase in risk. This classification is applicable initially, and in the event of any deterioration, the criteria established in the existing policy are followed. In this sense, the aforementioned conditions are considered, including, among others, the requirement that the facility is not more than 30 days past due and that it has not been identified as 'unlikely to pay'.

The BBVA Group's refinancing and restructuring policy provides for the possibility of two modifications in a 24 month period for loans that are not in compliance with the payment schedule.

The internal models used to determine allowances for loan losses consider the restructuring and renegotiation of a loan, as well as re-defaults on such a loan, by assigning a lower internal rating to restructured and renegotiated loans than the average internal rating assigned to non-restructured/renegotiated loans. This downgrade results in an increase in the probability of default (PD) assigned to restructured/renegotiated loans (with the resulting PD being higher than the average PD of the non- renegotiated loans in the same portfolios).

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

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

## 7.2.8 Risk concentration

### Policies for preventing excessive risk concentration

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

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

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

- The aim is, as much as possible, to reconcile the customer's credit needs (commercial/financial, short-term/long-term, etc.) with the interests of the Group.
- Any legal limits that may exist concerning risk concentration are taken into account (relationship between risks with a customer and the capital of the shareholder's entity that assumes them), the markets, the macroeconomic situation, etc.
- The aim is to seek inter and intra-sector diversification in coherence with the metrics defined in the RAF for the Group and for the banking group's subsidiaries.

### Risk concentrations by geography

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

### Sovereign risk concentration

#### Sovereign risk management

The identification, measurement, control and monitoring of risk associated with sovereign risk transactions is carried out by a centralized unit within the BBVA Group's Risk Area. Its basic functions are preparing reports (called financial programs) on the countries with which it maintains cross-border risks (i.e. risks taken in a foreign currency from outside the country with borrowers in the country, whether public or private) and sovereign risks (i.e. risks with the local Sovereign of the country where the risk-taking unit is located), monitoring those risks, establishing risk limits, assigning ratings to the countries analyzed and, in general, supporting the Group in any information request regarding this type of transaction. The risk policies established in the financial programs are approved by the relevant risk committees.

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





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

### **Risk related to the developer and Real Estate sector in Spain**

The sale of impaired assets concluded in 2018. Currently, there is no risk concentration in the developer and real estate sector, taking into account that its weight in total wholesale risks in Spain is approximately 10%, while compared with the total risks in the portfolio (wholesale and retail), the Real Estate risk assumed would be around 3%.

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

BBVA Group has teams specializing in the management of the Real Estate Sector risk, given its economic importance and specific technical component. This specialization is not only in risk teams, but throughout the handling, commercial, problem risks and legal, etc. It also includes the research department of the BBVA Group (BBVA Research), which helps determine the medium/long-term vision needed to manage this portfolio. The policies established to address the risks related to the developer and real-estate sector, aim to accomplish, among others, the following objectives: to avoid concentration in terms of customers, products and regions; to estimate the risk profile for the portfolio; and to anticipate possible worsening of the portfolio within a sector is highly cyclical.

### **Specific policies for analysis and granting of new developer risk transactions**

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

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

### **Risk monitoring policies**

The base information for analyzing the real estate portfolios is updated monthly. There is a systematic monitoring of developments under close monitoring with the evolution of works and sales.

### **Policies applied in the management of real estate assets in Spain**

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

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

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

## **7.3 Structural risk**

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

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

The scope of structural risks in the Group excludes market risks in the trading book that are clearly delimited and separated and are part of the Market Risks category.

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

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

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

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

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

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

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

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

### **7.3.1 Interest rate risk and credit spread in the banking book**

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

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

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

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

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

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

#### **Nature of interest rate risk and credit spread risk**

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

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

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

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

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

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

### Key assumptions of the model

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

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

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

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

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

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

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

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

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

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

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

The table below shows the profile of average structural interest rate risk and credit spread risk of the fixed income portfolio in the banking book classified as Hold to Collect & Sale (HtC&S) in terms of sensitivities of the main currencies for the BBVA Group in 2022:

#### Sensitivity to interest-rate and credit spread analysis. Year 2022

	Interest rate risk				Credit spread
	Impact on net interest income <sup>(1)</sup>		Impact on economic value <sup>(2)</sup>		Impact on economic value <sup>(2)</sup>
	100 basis point increase	100 basis point decrease <sup>(3)</sup>	100 basis point increase	100 basis point decrease <sup>(3)</sup>	100 basis point increase
Euro	[1.5% , 3.5%]	[-1.5% , -0.5%]	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-1.5% , -0.5%]
Mexican peso	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-1.5% , -0.5%]	[0.5% , 1.5%]	[-0.5% , 0.5%]
U.S. dollar	[0.5% , 1.5%]	[-1.5% , -0.5%]	[0.5% , 1.5%]	[-1.5% , -0.5%]	[-0.5% , 0.5%]
Turkish lira	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]
Other	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]	[-0.5% , 0.5%]
<b>BBVA Group</b>	<b>[3.5% , 5.5%]</b>	<b>[-5.5% , -3.5%]</b>	<b>[0.5% , 1.5%]</b>	<b>[-1.5% , -0.5%]</b>	<b>[-3.5% , -1.5%]</b>

(1) Percentage of "12 months" net interest income for the BBVA Group.

(2) Percentage of CET1 (Fully Loaded) for BBVA Group

(3) In Euro and Pound sterling (included in "Other"), negative interest rates scenarios are allowed up to plausible levels.

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

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

Regarding relevant events in the financial markets, the ECB began the process of raising interest rates in July 2022 with the aim of curbing inflation, with a rise of 250 basis points in the year, and the FED, for its part, implemented increases of 425 basis points in 2022. Furthermore, additional increases are expected in 2023 (such as the rise by the Fed (0.25 basis points) and the ECB (0.5 basis points), announced on February 1 and February 2, 2023, respectively) since inflation remains at high levels. In relation to fixed income markets, valuations have been affected by the strong general increase in interest rates and the widening of risk premiums, in line with inflation expectations, which are expected to continue above reference levels. Spanish and Italian debt spreads worsened with widenings relative to the German curve, especially in the case of Italy. As for Mexico and South America, the flattening movements have been similar to those of the United States, continuing with the rate hike cycle. Turkey, for its part, has set the monetary policy rate at 9.0%, making successive cuts of 500 basis points between August and November 2022.

The most relevant aspects related to the main geographical areas are the following:

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

At the end of September 2022 the ECB set the benchmark interest rate at 2.5%, the marginal deposit facility rate at 2% and the marginal loan facility rate at 2.75%. Thus, the European benchmark interest rates (EURIBOR) showed significant increases in the year. In this regard, customer spread is starting to benefit from interest rate hikes, which is expected to continue in the coming quarters.

- Mexico continues to show a balance between fixed and variable interest rates positions, which limits sensitivity to interest rates fluctuations. In terms of assets that are most sensitive to interest rate fluctuations, the commercial portfolio stands out, while consumer loans and mortgages are mostly at a fixed rate. With regard to customer funds, there is a high proportion of non-interest bearing deposits, which are insensitive to interest rate movements. The ALCO portfolio is invested primarily in fixed-rate sovereign bonds with limited maturities. The monetary policy rate stands at 10.50%, 500 basis points above the end-of-year level of 2021. Regarding client spread, there has been an improvement in 2022, favored by both the contained cost of deposits and the positive evolution of yields on loans.
- In Turkey, loans, which are mostly fixed-rate and have relatively short maturities, and the ALCO portfolio limit the sensitivity of interest margins, both with respect to the Turkish lira and foreign currencies. However, the economic value risk increased in 2022 mainly due to the compulsory purchases of bonds required by the local supervisor. Customer spread improved in 2022 due to the lower cost of deposits.
- In South America, the interest rate risk profile remains low as most countries in the area have a fixed/variable composition and maturities that are very similar for assets and liabilities, with limited net interest income sensitivity. In addition, in balance sheets with several currencies, interest rate risk is managed for each of the currencies, showing a limited level of risk. The central banks of Peru and Colombia rose the benchmark interest rates by 500 and 900 basis points, respectively, in 2022. Customer spreads improved in Peru, impacted by the interest rates hike, while falling in Colombia, as liabilities (mainly deposits) repriced faster than assets following the sharp interest rates hike.

### 7.3.2 Structural exchange-rate risk

Structural exchange rate risk, is defined as the possibility of impacts on solvency, equity value and results driven by fluctuations in the exchange rates due to exposures in foreign currencies.

Structural exchange rate risk is inherent to the business of international banking groups, such as BBVA, that develop their activities in different geographies and currencies. At a consolidated level, structural exchange-rate risk arises from the consolidation of holdings in subsidiaries with functional currencies other than the euro. Its management is centralized in order to optimize the joint management of permanent foreign currency exposures, taking diversification into account.

The purpose of structural exchange rate risk management is protecting solvency by limiting volatility of the consolidated CET1 ratio and income to consolidate denominated in a currency other the euro in the Group, as well as to limit the capital requirements under exchange rate fluctuations to which the Group is exposed due to its international diversification. The ALM Global corporate unit, through the ALCO, is responsible for the management of this risk all through an active hedging policy, deliberately taken for each objective, and fully aligned with the management strategy.

At the corporate level, the risk monitoring metrics included in the limits framework are aligned with the Risk Appetite Framework, and are targeted to control the effects on the solvency through the economic capital metric and the fluctuations in the Common Equity Tier I fully loaded (CET1 fully loaded) consolidated ratio, as well as the maximum deviation in the Group's attributable profit. The probabilistic metrics make it possible to estimate the joint impact of exposure to different currencies taking into account the different variability in exchange rates and their correlations. These metrics are supplemented with additional assessment indicators.

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

The purpose of the exchange rate risk management of BBVA's long term investments, which arises mainly from its foreign franchises, is to preserve the capital ratios of the Group and to maintain the stability of the profits. The year 2022 was characterized by the weakness of the euro, especially pronounced in the first nine months of the year. Thus, the US dollar, which for some part of the year was trading below parity, closed the year with an appreciation of 6.2% against the euro. Among the emerging currencies, the Mexican peso appreciated strongly (11.0% against the euro) on the back of the positive perception of the country's fundamentals and the aforementioned weakness of the euro. The lira was again penalized in 2022 (-23.7%) by an unorthodox economic policy in a context of high inflation. As for the performance of South American currencies, the Peruvian sol was solid (11.0%), while the Chilean peso, somewhat more volatile, managed to appreciate against the euro (4.4%). The Colombian peso (-12.1%) and the Argentine peso (-38.3%) depreciated against the euro.

BBVA maintains management policies for the main investments in emerging countries in respect of, in average terms, between 40% and 50% of the aggregate attributable profit in non-euro currencies expected to be generated by the group in the next twelve months and around 70% of the aggregate excess capital in non-euro currencies. In relation to the CET1 capital ratio, the estimated impact at the end of 2022 of a 10% depreciation in the relevant currency was as follows: Mexican peso (-5 basis points); Turkish lira (-5 basis points) and U.S. dollar (+19 basis points).

For the years 2022, 2021 and 2020, the estimated sensitivities of the result attributable to the parent company are shown below, taking into account the coverage, against depreciations and appreciations of 1% of the average rate in the main currencies. To the extent that hedging positions are periodically modulated, the sensitivity estimate attempts to reflect an average (or effective) sensitivity in the year:

Sensitivity to 1% change (Millions of Euros)			
Currency	2022	2021	2020
Mexican peso	19.1	14.0	4.9
Turkish lira	3.5	4.7	4.5
Peruvian sol	0.7	0.3	0.4
Chilean peso	0.4	0.6	0.3
Colombian peso	0.9	1.1	1.4
Argentine peso	1.9	0.6	0.9

### 7.3.3 Equity risk in the banking book

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

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

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

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

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

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

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

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

#### **7.3.4 IBOR reform**

On August 27, 2020, the IASB issued the second phase of the reform of the IBOR reference indices, which involves the introduction of amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16, to ensure that the financial statements reflect the economic effects of this reform in the best possible way.

These amendments focus on the accounting for financial instruments, once a new risk-free reference index (Risk Free Rate, hereinafter "RFR") has been introduced. The modifications introduce the accounting relief for changes in the cash flows of financial instruments directly caused by the IBOR reform if they take place in a context of "economic equivalence", by updating the effective interest rate of the instrument. Additionally, they introduce a series of exemptions to the hedging requirements so as not to have to interrupt certain hedging relationships. However, similar to the phase 1 amendments (which entered into force already in 2020) (see Note 15), the phase 2 amendments do not contemplate exceptions to the valuation requirements applicable to hedged items and hedging instruments in accordance with IFRS 9 or IAS 39. Thus, once the new reference index has been implemented, the hedged items and hedging instruments must be valued in accordance with the new index, and the possible ineffectiveness that may exist in the hedge will be recognized in profit or loss.

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

BBVA Group established a transition program, provided with a robust governance structure by means of an Executive Steering Committee, with representation from senior management of the affected areas, which reports directly to the Group's Global Leadership Team. At the local level, each geographical area has defined its own governance structure with the participation of senior management. The coordination among geographical areas is realized through the Project Management Office (PMO) and the Global Working Groups that incorporate a multi-geographic and transversal view on the areas of Legal, Risk, Regulatory, Finance and Accounting and Engineering. The project also involves both Corporate Assurance of the different geographical areas and business lines and Global Corporate Assurance of the Group.

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



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

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

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

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

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

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

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

Millions of Euros					
	Loans & Advances	Debt Securities Assets	Debt Securities Issued (Liabilities)	Deposits	Derivatives (notional)
Synthetic LIBOR GBP and JPY	76	—	—	—	—
LIBOR USD with maturity > June 30, 2023	16,539	171	1,977	159	423,468
<b>Total</b>	<b>16,615</b>	<b>171</b>	<b>1,977</b>	<b>159</b>	<b>423,468</b>

The 96% of the exposure of derivative instruments is either settled by Clearing Houses (mainly the London Clearing House) or are operations with counterparties currently adhering to the International Swaps and Derivatives Association (ISDA) protocols, specifically the following: ISDA 2020 IBOR Fallback Protocol and June 2022 Benchmark Module of the ISDA 2021 Fallback Protocol.

## 7.4 Market risk

Market risk originates from the possibility of experiencing losses in the value of positions held as a result of movements in market variables that affect the valuation of financial assets and liabilities. Market risk in the Group's trading portfolios stems mainly from the portfolios originated by Global Markets valued at fair value and held for the purpose of trading and generating short-term results. Market risk in the field of banking book is clearly and distinctly addressed and can be broken down into structural risks relating to interest rate and credit spread, exchange rate and equity (see Note 7.3).

### 7.4.1 Market risk in trading portfolios

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

- Interest-rate risk: This arises as a result of exposure to movements in the different interest-rate curves involved in trading. Although the typical products that generate sensitivity to the movements in interest rates are money-market products (deposits, interest-rate futures, call money swaps, etc.) and traditional interest-rate derivatives (swaps and interest-rate options such as caps, floors, swaptions, etc.), practically all the financial products are exposed to interest-rate movements due to the effect that such movements have on the valuation of the financial discount.

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

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

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

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

With respect to the risk measurement models used by the BBVA Group, the Bank of Spain has authorized the use of the internal market risk model to determine bank capital requirements deriving from risk positions on the BBVA, S.A. and BBVA Mexico trading book, which jointly accounted for around 63%, 77% and 72% of the Group's trading-book market risk as of December 31, 2022, 2021 and 2020. For the rest of the geographical areas where the Group operates (applicable mainly to the Group's South America subsidiaries and Garanti BBVA), bank capital for the risk positions in the trading book is calculated using the Standardized Approach defined by the Basel Committee on Banking Supervision (which is referred to herein as the "standard model").

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

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

VaR figures are estimated with the following methodologies:

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

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

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

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

- VaR: In regulatory terms, the VaR charge incorporates the stressed VaR charge, and the sum of the two (VaR and stressed VaR) is calculated. This quantifies the losses associated with the movements of the risk factors inherent to market operations (including interest-rate risk, exchange-rate risk, equity risk and credit risk, among others). Both VaR and stressed VaR are rescaled by a regulatory multiplier (between three and four) and by the square root of ten to calculate the capital charge.

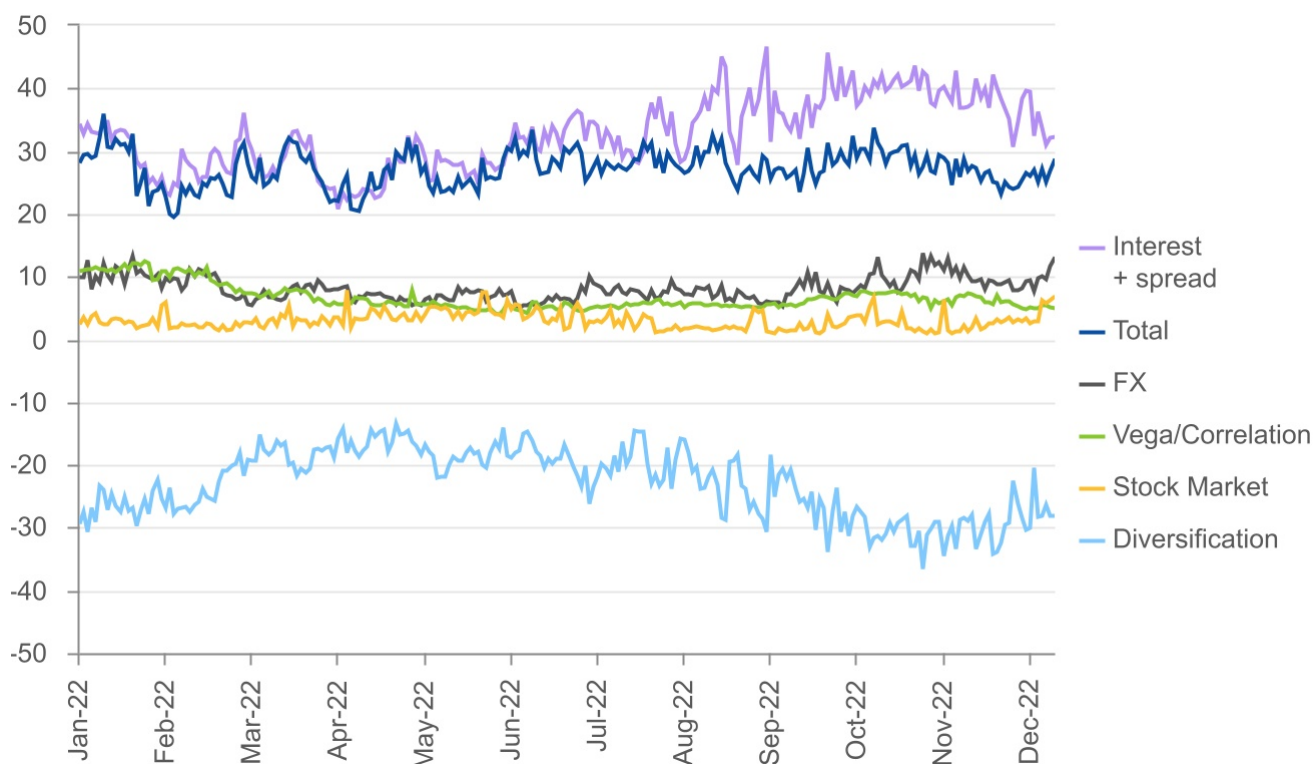


- Specific Risk - Incremental Risk Capital ("IRC"). Quantification of the risks of default and changes of the credit ratings of the bond and derivative positions and debt funds with daily look-through or significant benchmark (correlation > 90%) in the trading portfolio. The IRC charge is exclusively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

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

### Market risk in 2022

The Group's market risk related to its trading portfolio remained in 2022 at low levels compared to other risks managed by BBVA, particularly credit risk. This is due to the nature of the business. In 2022, the average VaR was €27 million, below the figure of 2021, with a maximum level in the year reached on January 12, 2022 of €36 million. The evolution in the BBVA Group's market risk during 2022, measured as VaR without smoothing (see Glossary) with a 99% confidence level and a 1-day horizon (shown in Millions of Euros) is as follows:



By type of market risk assumed by the Group's trading portfolio, the main risk factor for the Group continued to be that linked to interest rates, with a weight of 54% of the total at December 31, 2022 (this figure includes the spread risk). The relative weight of this risk has slightly decreased compared with the close of 2021 (57%). Exchange-rate risk accounted for 22% of the total risk, increasing its weight with respect to December 2021 (16%), while equity, volatility and correlation risk has increased, with a weight of 11% at the close of 2022 (vs. 9% at the end of 2021).

As of December 31, 2022, 2021 and 2020 the VaR was €29 million, €31 million and €28 million, respectively, with the following breakdown:

VaR by Risk Factor (Millions of Euros)						
	Interest/Spread risk	Currency risk	Stock-market risk	Vega/Correlation risk	Diversification effect <sup>(1)</sup>	Total
<b>2022</b>						
VaR average in the year	33	8	3	7	(23)	27
VaR max in the year	35	12	2	11	(24)	36
VaR min in the year	25	10	2	11	(28)	19
<b>End of period VaR</b>	<b>32</b>	<b>13</b>	<b>7</b>	<b>5</b>	<b>(28)</b>	<b>29</b>
<b>2021</b>						
VaR average in the year	33	10	2	11	(28)	29
VaR max in the year	32	13	4	1	(14)	36
VaR min in the year	27	9	1	10	(25)	22
<b>End of period VaR</b>	<b>34</b>	<b>9</b>	<b>5</b>	<b>11</b>	<b>(29)</b>	<b>31</b>
<b>2020</b>						
VaR average in the year	29	12	4	11	(28)	27
VaR max in the year	39	20	10	20	(14)	39
VaR min in the year	20	3	1	6	(39)	18
<b>End of period VaR</b>	<b>32</b>	<b>12</b>	<b>2</b>	<b>11</b>	<b>(29)</b>	<b>28</b>

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

#### Validation of the internal market risk model

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

Two types of backtesting have been carried out in 2022, 2021 and 2020:

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

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

For the period between the year ended December 31, 2021 and the year ended December 31, 2022, the backtesting of the internal VaR calculation model was carried out, comparing the daily results obtained to the risk level estimated by the internal VaR calculation model. In that period, there was no negative exception in BBVA, S.A. In BBVA Mexico, there were two negative exceptions.

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

#### Stress testing analysis

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

#### Historical scenarios

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

- Credit shock: reflected mainly in the increase of credit spreads and downgrades in credit ratings.

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

### Simulated scenarios

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

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

The impact of the stress test under multivariable simulation of the risk factors of the portfolio based on the expected shortfall (expected shortfall calculated at a 97.5% confidence level, 20 days) as of December 31, 2022 is as follows:

Impact of the stress test (Millions of Euros)							
	Europe	Mexico	Peru	Venezuela	Argentina	Colombia	Turkey
Expected shortfall	(86)	(42)	(7)	—	(8)	(4)	(22)

### 7.4.2 Financial instruments offset

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

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

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

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

A summary of the effect of offsetting (via netting and collateral) for derivatives and securities operations is presented below as of December 31, 2022, 2021 and 2020:

#### Effect of offsetting for derivatives and securities operation (Millions of Euros)

	Notes	Gross amounts recognized (A)	Gross amounts offset in the consolidated balance sheets (B)	Net amount presented in the consolidated balance sheets (C=A-B)	Gross amounts not offset in the consolidated balance sheets (D)		
					Financial instruments	Cash collateral received/pledged	Net amount (E=C-D)
<b>December 2022</b>							
Trading and hedging derivatives	10 / 15	52,354	10,554	41,800	29,251	11,461	1,088
Reverse repurchase, securities borrowing and similar agreements		47,111	—	47,111	47,217	970	(1,077)
<b>Total assets</b>		<b>99,465</b>	<b>10,554</b>	<b>88,911</b>	<b>76,468</b>	<b>12,431</b>	<b>11</b>
Trading and hedging derivatives	10 / 15	51,767	10,554	41,213	31,063	9,498	651
Repurchase, securities lending and similar agreements		54,382	—	54,382	53,439	586	357
<b>Total liabilities</b>		<b>106,149</b>	<b>10,554</b>	<b>95,594</b>	<b>84,502</b>	<b>10,084</b>	<b>1,008</b>
<b>December 2021</b>							
Trading and hedging derivatives	10 / 15	36,349	3,611	32,737	22,524	8,758	1,456
Reverse repurchase, securities borrowing and similar agreements		54,296	—	54,296	55,010	2,213	(2,927)
<b>Total assets</b>		<b>90,645</b>	<b>3,611</b>	<b>87,034</b>	<b>77,534</b>	<b>10,971</b>	<b>(1,471)</b>
Trading and hedging derivatives	10 / 15	37,916	3,584	34,331	22,524	10,119	1,688
Repurchase, securities lending and similar agreements		54,159	—	54,159	58,174	679	(4,694)
<b>Total liabilities</b>		<b>92,074</b>	<b>3,584</b>	<b>88,490</b>	<b>80,698</b>	<b>10,798</b>	<b>(3,006)</b>
<b>December 2020</b>							
Trading and hedging derivatives	10 / 15	47,862	5,688	42,173	33,842	9,018	(686)
Reverse repurchase, securities borrowing and similar agreements		32,121	—	32,121	32,762	161	(802)
<b>Total assets</b>		<b>79,983</b>	<b>5,688</b>	<b>74,294</b>	<b>66,604</b>	<b>9,178</b>	<b>(1,488)</b>
Trading and hedging derivatives	10 / 15	49,720	5,722	43,998	33,842	9,435	721
Repurchase, securities lending and similar agreements		41,571	—	41,571	42,298	1,619	(2,346)
<b>Total liabilities</b>		<b>91,291</b>	<b>5,722</b>	<b>85,569</b>	<b>76,140</b>	<b>11,054</b>	<b>(1,624)</b>

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

## 7.5 Liquidity and Funding risk

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

### 7.5.1 Liquidity and Funding Strategy and Planning

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

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

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



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

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

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

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

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

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

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

### **7.5.2 Governance and monitoring**

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The stress tests conducted on a regular basis by GRM reveal that BBVA maintains a sufficient buffer of liquid assets to deal with the estimated liquidity outflows in a scenario resulting from the combination of a systemic crisis and an unexpected internal crisis, during a period of longer than 3 months in general for the different LMU (including Turkey closing the year above 6 months), including in the scenario of a significant downgrade of the Bank's rating by up to three notches.

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

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

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

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

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

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

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

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

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

### 7.5.3 Liquidity and funding performance

The BBVA Group maintains an adequate and dynamic funding structure with a predominantly retail nature, where customer resources represent the main source of funding.

During 2022, in an environment of higher uncertainty, liquidity conditions have remained comfortable in all the countries where the BBVA Group operates. It should be noted that the war in Ukraine has not had a significant impact on the liquidity and funding situation of the BBVA Group units.

The performance of the indicators show that the funding structure remained steady during 2022, 2021 and 2020, in the sense that all LMU held self-funding levels with stable customer resources above the requirements.

LtSCD by LMU			
	2022	2021	2020
<b>Group (average)</b>	<b>96 %</b>	<b>95 %</b>	<b>95 %</b>
BBVA, S.A.	98 %	98 %	97 %
BBVA Mexico	98 %	93 %	98 %
Garanti BBVA	83 %	81 %	95 %
Other LMU	96 %	93 %	86 %

With respect to LCR, the Group has maintained a liquidity buffer at both a consolidated and individual level in 2022. As a result, the ratio has remained comfortably above 100%, with the consolidated ratio as of December 31, 2022 standing at 159%.

Although this requirement is only established at a Group level, for banks in the Eurozone, the minimum level required is comfortably exceeded in all subsidiaries. It should be noted that the calculation of the Consolidated LCR does not allow the transfer of liquidity between subsidiaries, so no excess liquidity may be transferred from these entities for the purpose of calculating the consolidated ratio. If the impact of these highly liquid assets was considered, the LCR would be 201%, or 42 basis points above the required level.

LCR main LMU			
	2022	2021	2020
<b>Group</b>	<b>159 %</b>	<b>165 %</b>	<b>149 %</b>
BBVA, S.A.	186 %	190 %	173 %
BBVA Mexico	199 %	245 %	196 %
Garanti BBVA	185 %	211 %	183 %

One of the key elements in BBVA's Group liquidity and funding management is the targeted maintenance of large high quality liquidity buffers in all business areas where the group operates.

Each entity maintains a consistent liquidity buffer at the individual level for BBVA, S.A. and for each of its subsidiaries, such as BBVA Mexico, Garanti BBVA and the Latin American subsidiaries.

In this respect, the Group has maintained for the last 12 months an average volume of high quality liquid assets (HQLA) amounting to €140.3 billion, among which, 95% correspond to maximum quality assets (LCR Level 1).



The table below shows the liquidity available by instrument as of December 31, 2022, 2021 and 2020 for the most significant entities based on prudential supervisor's information (Commission Implementing Regulations (EU) 2017/2114 of November 9, 2017):

Liquidity available by instrument (Millions of Euros)												
	BBVA, S.A.			BBVA Mexico			Garanti BBVA			Other		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
Cash and withdrawable central bank reserves	48,271	35,258	39,330	12,865	12,146	8,930	6,731	8,179	6,153	5,265	6,469	6,831
Level 1 tradable assets	33,081	37,272	48,858	13,974	13,881	9,205	9,165	5,549	7,019	7,836	6,036	6,237
Level 2A tradable assets	3,450	5,234	5,119	47	74	106	—	—	—	—	—	—
Level 2B tradable assets	3,471	9,492	6,080	35	28	11	—	—	—	1	2	—
Other tradable assets	22,708	27,870	20,174	467	343	421	285	722	701	1,035	934	745
Non tradable assets eligible for central banks	—	—	—	—	—	—	—	—	—	—	—	—
<b>Cumulated counterbalancing capacity</b>	<b>110,981</b>	<b>115,127</b>	<b>119,560</b>	<b>27,388</b>	<b>26,472</b>	<b>18,672</b>	<b>16,181</b>	<b>14,449</b>	<b>13,873</b>	<b>14,136</b>	<b>13,440</b>	<b>13,814</b>

The Net Stable Funding Ratio (NSFR), defined as the result between the amount of stable funding available and the amount of stable funding required, requiring banks to maintain a stable financing profile in relation to the composition of their assets and off-balance sheet activities. This ratio should be at least 100% at all times. The NSFR ratio of the BBVA Group, stood at 135% as of December 31, 2022.

The NSFR of BBVA Group and its main LMU at December 31, 2022, 2021 and 2020, was the following:

NSFR main LMU			
Group	2022	2021	2020 <sup>(1)</sup>
BBVA, S.A.	135 %	135 %	127 %
BBVA Mexico	143 %	149 %	138 %
Garanti BBVA	166 %	162 %	154 %

(1) 2020 Ratio calculated based on the Basel requirements.

Below is a matrix of residual maturities by contractual periods based on supervisory prudential reporting as of December 31, 2022, 2021 and 2020:

December 2022. Contractual maturities (Millions of Euros)											
	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
<b>ASSETS</b>											
Cash, cash balances at central banks and other demand deposits	9,227	66,497	—	—	—	—	—	—	—	—	75,724
Deposits in credit entities	—	3,870	319	433	434	468	242	183	6	83	6,040
Deposits in other financial institutions	3	2,199	1,012	746	516	344	971	816	551	830	7,988
Reverse repo, securities borrowing and margin lending	—	31,049	5,743	3,368	1,432	1,127	4,582	1,354	2,400	289	51,343
Loans and advances	99	24,622	32,009	25,622	14,827	16,766	41,049	32,510	43,828	96,201	327,534
Securities' portfolio settlement	1	4,031	4,107	8,200	4,305	4,746	18,417	8,744	23,307	31,480	107,338

December 2022. Contractual maturities (Millions of Euros)											
	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
<b>LIABILITIES</b>											
Wholesale funding	—	1,841	4,434	1,050	3,148	2,017	6,318	9,423	13,282	18,145	59,658
Deposits from financial institutions	2,176	7,885	628	806	56	694	648	211	396	399	13,899
Deposits from other financial institutions and international agencies	7,392	5,760	1,465	464	379	758	700	293	594	727	18,532
Customer deposits	302,667	38,951	18,542	6,776	2,575	2,870	1,476	1,276	798	273	376,203
Security pledge funding	—	51,638	14,543	17,736	866	1,503	8,136	1,524	3,493	575	100,013
Derivatives, net	—	(253)	24	(1,010)	(23)	175	40	(153)	(466)	(3,717)	(5,383)



**December 2021. Contractual maturities (Millions of Euros)**

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
<b>ASSETS</b>											
Cash, cash balances at central banks and other demand deposits	39,761	24,598	—	—	—	—	—	—	—	—	64,359
Deposits in credit entities	—	3,781	400	790	373	299	211	166	8	26	6,056
Deposits in other financial institutions	2	901	801	584	727	432	694	470	261	469	5,343
Reverse repo, securities borrowing and margin lending	—	33,856	11,611	2,945	1,063	1,692	2,188	2,239	1,118	739	57,451
Loans and advances	174	18,531	23,185	22,141	11,769	13,782	39,656	30,049	44,508	94,780	298,574
Securities' portfolio settlement	10	1,779	3,606	3,395	2,333	3,958	18,854	13,135	17,214	47,331	111,614

**December 2021. Contractual maturities (Millions of Euros)**

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
<b>LIABILITIES</b>											
Wholesale funding	—	3,065	1,077	3,498	2,914	1,885	9,477	4,931	12,332	19,991	59,169
Deposits from financial institutions	1,936	4,257	415	825	183	924	496	146	146	579	9,907
Deposits from other financial institutions and international agencies	8,894	2,728	1,700	382	289	227	578	231	337	722	16,087
Customer deposits	281,812	28,806	11,814	4,867	1,717	1,520	1,740	578	863	416	334,132
Security pledge funding	—	52,437	6,858	2,485	1,513	8,252	29,954	5,527	4,755	1,490	113,269
Derivatives, net	(33)	(395)	(176)	(326)	(66)	(641)	100	(122)	(155)	(66)	(1,880)

**December 2020. Contractual maturities (Millions of Euros) <sup>(1)</sup>**

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
<b>ASSETS</b>											
Cash, cash balances at central banks and other demand deposits	42,518	32,741	—	—	—	—	—	—	—	—	75,258
Deposits in credit entities	—	3,616	677	921	356	461	117	120	2	39	6,309
Deposits in other financial institutions	—	2,202	855	797	734	543	1,251	721	515	500	8,119
Reverse repo, securities borrowing and margin lending	—	20,033	4,757	1,351	364	368	3,320	1,849	891	1,089	34,021
Loans and advances	279	16,939	24,280	23,012	15,579	17,032	46,182	38,851	51,709	110,173	344,036
Securities' portfolio settlement	—	3,896	6,680	6,557	5,084	13,014	9,858	15,494	17,231	50,045	127,859

(1) It includes the balance of the companies in the United States (see Notes 3 and 21).

**December 2020. Contractual maturities (Millions of Euros) <sup>(1)</sup>**

	Demand	Up to 1 month	1 to 3 months	3 to 6 months	6 to 9 months	9 to 12 months	1 to 2 years	2 to 3 years	3 to 5 years	Over 5 years	Total
<b>LIABILITIES</b>											
Wholesale funding	—	4,750	2,618	3,963	1,283	1,543	10,573	7,505	12,793	23,839	68,868
Deposits from financial institutions	8,838	7,859	254	741	152	726	825	189	166	371	20,120
Deposits from other financial institutions and international agencies	12,735	4,324	2,694	588	353	272	957	337	459	870	23,589
Customer deposits	308,360	39,978	13,416	6,808	4,526	4,366	3,361	1,213	869	799	383,694
Security pledge funding	—	41,239	5,301	1,643	1,192	368	11,304	28,510	3,740	1,516	94,812
Derivatives, net	—	(722)	15	(961)	(85)	134	(400)	(157)	(264)	(159)	(2,599)

(1) It includes the balance of the companies in the United States (see Notes 3 and 21).

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



The most relevant aspects related to the main geographical areas are the following:

- BBVA, S.A. has maintained an adequate liquidity position. Commercial activity has generated liquidity due to greater growth in customer deposits than in loans, especially in the last quarter of the year. In December, the Bank began the repayment of the TLTRO III program for an amount of €12 billion, corresponding to approximately one third of the total drawdown amount. On the other hand, in order to maintain sufficient collateral available, mortgage coverage and territorial bonds have been issued for an amount of €2 billion, which are held by BBVA. Likewise, mortgage securitizations were issued and are held by BBVA, generating collateral for an amount of €4.4 billion.
- In BBVA Mexico, commercial activity has drained liquidity during 2022, due to the growth in lending activity that exceeded the growth of customer funds. Despite this, BBVA Mexico continues to hold a liquidity position that is deemed to be adequate and has carried out a cost-efficient funding management in an environment of rising rates.
- In Turkey, in the year 2022, the lending gap in local currency has been reduced, due to a greater growth in Turkish lira-denominated deposits than in loans. The lending gap in foreign currency has increased due to reductions in foreign currency deposits as a result of the measures established by the Turkish central bank to encourage Turkish lira deposits, partially offset by lower loans in foreign currency. Garanti BBVA continues to maintain a liquidity position which is considered to be adequate. For its part, the Central Bank of Turkey has continued to implement measures in order to reduce the dollarization of the economy.
- In South America, the liquidity situation remains adequate throughout the region. In Argentina, liquidity continues to increase in the system and in BBVA due to a higher growth in deposits than in loans in local currency. In BBVA Colombia, lending activity grew more than funds, though this did not compromise the liquidity position of the bank due to the increase in longer-term deposits. BBVA Peru maintained stable liquidity levels, thanks to the solid growth of deposits in an environment of reduced local currency lending due to the expiration of loans covered by COVID-19 programs. The recent political instability has not had a material impact on liquidity.

The main wholesale financing transactions carried out by the companies of the BBVA Group are listed below:

- In relation to BBVA, S.A. during the year 2022 it has made an issuance of senior non-preferred debt in an amount of €1 billion, two series of senior non-preferred debt securities in an aggregate amount of USD 1.8 billion, six series of senior preferred debt securities in an aggregate amount of €4.1 billion, a senior preferred bond (green bond) issuance for €1.3 billion and two senior preferred bond (green bond) issuances in an aggregate amount of 425 million Swiss francs. Additionally, in May 2022, the convertible preferred shares (CoCos) issued by BBVA in May 2017 were redeemed early and in June 2022 a loan securitization transaction was completed in connection with vehicle financing loans for an amount of €1.2 billion.
- For its part, BBVA Mexico issued a sustainable bond for 10 billion Mexican pesos (approximately €480 million), consequently becoming the first private bank to carry out an issue of this type in Mexico, taking as reference the TIIE rate (Interbank Equilibrium Interest Rate used in Mexico).
- Garanti BBVA renewed 100% of a syndicated loan indexed to environmental, social and corporate governance criteria consisting of two separate tranches of USD 283.5 million and €290.5 million, respectively, both maturing in one year. It also renewed the second part of a syndicated loan (USD 155 million or €239 million), renewing 65% of its amount, in line with its strategy and in line with the banks of the peer group. Garanti BBVA also carried out a sustainable financing round of USD 75 million in 2022.
- BBVA Colombia closed a financing with International Finance Corporation (IFC) for USD 60 million over 3 years. A financing transaction of USD 200 million over 5 years and another of USD 40 million over 3 years was also carried out.

#### 7.5.4 Asset encumbrance

As of December 31, 2022, 2021 and 2020, the encumbered (those provided as collateral for certain liabilities) and unencumbered assets are broken down as follows:

	Encumbered and unencumbered assets (Millions of Euros)											
	Encumbered assets						Unencumbered assets					
	Book value			Fair value			Book value			Fair value		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Assets</b>	<b>92,916</b>	<b>114,336</b>	<b>121,999</b>				<b>620,257</b>	<b>548,548</b>	<b>614,260</b>			
Equity instruments	819	307	2,134	819	307	2,134	11,293	22,280	14,556	11,293	22,280	14,556
Debt securities	33,533	31,557	29,379	32,291	29,527	26,112	93,238	89,307	100,108	93,238	89,307	100,108
Loans and advances and other assets	58,563	82,472	90,486				515,726	436,962	499,595			

The committed value of "Loans and Advances and other assets" corresponds mainly to loans linked to the issue of covered bonds, territorial bonds or long-term securitized bonds (see Note 22.4) as well as those used as a guarantee to access certain funding transactions with central banks. Debt securities and equity instruments correspond to underlying that are delivered in repos with different types of counterparties, mainly clearing houses or credit institutions, and to a lesser extent central banks. Collateral provided to guarantee derivative transactions is also included as committed assets.

As of December 31, 2022, 2021 and 2020, collateral pledges received mainly due to repurchase agreements and securities lending, and those which could be committed in order to obtain funding are provided below:

<b>Collateral received (Millions of Euros)</b>									
	Fair value of encumbered collateral received or own debt securities issued			Fair value of collateral received or own debt securities issued available for encumbrance			Fair value of collateral received or own debt securities issued not available for encumbrance		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Collateral received</b>	<b>40,701</b>	<b>40,905</b>	<b>30,723</b>	<b>9,415</b>	<b>17,029</b>	<b>8,652</b>	<b>1,279</b>	<b>1,719</b>	<b>1,071</b>
Equity instruments	323	289	239	759	265	204	—	—	—
Debt securities	40,378	40,616	30,484	8,656	16,764	8,448	1,279	1,719	1,071
Loans and advances and other assets	—	—	—	—	—	—	—	—	—
<b>Own debt securities issued other than own covered bonds or ABSs</b>	<b>—</b>	<b>—</b>	<b>3</b>	<b>92</b>	<b>50</b>	<b>94</b>	<b>—</b>	<b>—</b>	<b>—</b>

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

As of December 31, 2022, 2021 and 2020, financial liabilities issued related to encumbered assets in financial transactions as well as their book value were as follows:

<b>Sources of encumbrance (Millions of Euros)</b>						
	Matching liabilities, contingent liabilities or securities lent			Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered		
	2022	2021	2020	2022	2021	2020
<b>Book value of financial liabilities</b>	<b>122,400</b>	<b>137,242</b>	<b>131,352</b>	<b>128,628</b>	<b>151,275</b>	<b>147,523</b>
Derivatives	15,950	15,368	16,611	16,699	15,191	16,348
Deposits	95,728	109,311	98,668	99,077	120,957	111,726
Outstanding subordinated debt	10,722	12,563	16,073	12,852	15,127	19,449
<b>Other sources</b>	<b>731</b>	<b>620</b>	<b>653</b>	<b>4,989</b>	<b>3,966</b>	<b>5,202</b>

## 8. Fair value of financial instruments

### Framework and processes control

The process for determining the fair value established in the Group supports that financial assets and liabilities are properly recorded following the IFRS 13 principles, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the principal market or most advantageous market, at the measurement date.

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

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

### Fair value hierarchy

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

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

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



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

- Level 1: Valuation using directly the quotation of the instrument, observable and readily and regularly available from independent price sources and referenced to active markets that the entity can access at the measurement date. The instruments classified within this level are fixed-income securities, equity instruments and certain derivatives.
- Level 2: Valuation of financial instruments with commonly accepted techniques that use inputs obtained from observable data in markets.
- Level 3: Valuation of financial instruments with valuation techniques that use significant unobservable inputs in the market. As of December 31, 2022, the affected instruments at fair value accounted for approximately 0.57% of financial assets and 0.43% of the Group's financial liabilities. Model selection and validation is undertaken by control areas outside the business areas.

## 8.1 Fair value of financial instruments

The fair value of the Group's financial instruments in the consolidated balance sheets and its corresponding carrying amounts, as of December 31, 2022, 2021 and 2020 are presented below:

Fair value and carrying amount of the financial instruments (Millions of Euros)							
	Notes	2022		2021		2020	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value	Carrying Amount	Fair Value
<b>ASSETS</b>							
Cash, cash balances at central banks and other demand deposits	9	79,756	79,756	67,799	67,799	65,520	65,520
Financial assets held for trading	10	110,671	110,671	123,493	123,493	105,878	105,878
Non-trading financial assets mandatorily at fair value through profit or loss	11	6,888	6,888	6,086	6,086	5,198	5,198
Financial assets designated at fair value through profit or loss	12	913	913	1,092	1,092	1,117	1,117
Financial assets at fair value through other comprehensive income	13	58,980	58,980	60,421	60,421	69,440	69,440
Financial assets at amortized cost	14	422,061	419,060	372,676	377,451	367,668	374,267
Derivatives – Hedge accounting	15	1,891	1,891	1,805	1,805	1,991	1,991
<b>LIABILITIES</b>							
Financial liabilities held for trading	10	95,611	95,611	91,135	91,135	84,109	84,109
Financial liabilities designated at fair value through profit or loss	12	10,580	10,580	9,683	9,683	10,050	10,050
Financial liabilities at amortized cost	22	528,629	525,052	487,893	488,733	490,606	491,006
Derivatives – Hedge accounting	15	3,303	3,303	2,626	2,626	2,318	2,318

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



### 8.1.1 Fair value of financial instruments recognized at fair value, according to valuation criteria

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

#### Active Market

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

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

The following table shows the financial instruments carried at fair value in the consolidated balance sheets, broken down by level used to determine their fair value as of December 31, 2022, 2021 and 2020:

	2022			2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>Fair Value of Financial Instruments by Levels (Millions of Euros)</b>									
<b>ASSETS</b>									
<b>Financial assets held for trading</b>	<b>22,710</b>	<b>85,636</b>	<b>2,325</b>	<b>32,371</b>	<b>87,736</b>	<b>3,386</b>	<b>32,555</b>	<b>71,938</b>	<b>1,386</b>
Equity instruments	4,369	—	34	15,925	—	37	11,367	31	60
Debt securities	16,284	7,934	148	11,877	13,725	189	12,790	11,123	57
Loans and advances	1,262	39,562	1,169	615	47,279	2,913	2,379	26,741	1,148
Derivatives	795	38,140	974	3,954	26,732	247	6,019	34,043	121
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>5,720</b>	<b>151</b>	<b>1,017</b>	<b>4,378</b>	<b>522</b>	<b>1,186</b>	<b>3,826</b>	<b>381</b>	<b>992</b>
Equity instruments	5,457	40	1,014	4,158	394	751	3,612	57	465
Debt securities	19	111	—	—	128	—	4	324	28
Loans and advances	245	—	3	220	—	435	210	—	499
<b>Financial assets designated at fair value through profit or loss</b>	<b>913</b>	<b>—</b>	<b>—</b>	<b>916</b>	<b>176</b>	<b>—</b>	<b>939</b>	<b>178</b>	<b>—</b>
Equity instruments	—	—	—	—	—	—	—	—	—
Debt securities	913	—	—	916	176	—	939	178	—
Loans and advances	—	—	—	—	—	—	—	—	—
<b>Financial assets at fair value through other comprehensive income</b>	<b>48,235</b>	<b>10,237</b>	<b>508</b>	<b>52,157</b>	<b>7,545</b>	<b>719</b>	<b>60,976</b>	<b>7,866</b>	<b>598</b>
Equity instruments	1,040	58	100	1,178	36	106	961	34	105
Debt securities	47,169	10,179	408	50,952	7,509	613	59,982	7,832	493
Loans and advances	26	—	—	27	—	—	33	—	—
<b>Derivatives – Hedge accounting</b>	<b>4</b>	<b>1,887</b>	<b>—</b>	<b>63</b>	<b>1,733</b>	<b>9</b>	<b>120</b>	<b>1,862</b>	<b>8</b>
<b>LIABILITIES</b>									
<b>Financial liabilities held for trading</b>	<b>20,611</b>	<b>73,871</b>	<b>1,129</b>	<b>26,215</b>	<b>64,305</b>	<b>615</b>	<b>27,587</b>	<b>56,127</b>	<b>395</b>
Trading derivatives	746	36,161	1,002	4,755	26,560	389	7,402	34,046	232
Short positions	13,354	133	—	15,124	11	—	11,805	504	3
Deposits	6,511	37,577	127	6,335	37,733	226	8,381	21,577	159
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>—</b>	<b>8,990</b>	<b>1,590</b>	<b>1</b>	<b>8,243</b>	<b>1,439</b>	<b>—</b>	<b>8,558</b>	<b>1,492</b>
Customer deposits	—	700	—	—	809	—	—	902	—
Debt certificates	—	1,698	1,590	1	1,956	1,439	—	3,038	1,492
Other financial liabilities	—	6,592	—	—	5,479	—	—	4,617	—
<b>Derivatives – Hedge accounting</b>	<b>100</b>	<b>3,179</b>	<b>25</b>	<b>53</b>	<b>2,573</b>	<b>—</b>	<b>53</b>	<b>2,250</b>	<b>15</b>

The following table sets forth the main valuation techniques, hypothesis and inputs used in the estimation of fair value of the financial instruments recorded at fair value classified under Levels 2 and 3, based on the type of financial asset and liability and the corresponding balances as of December 31, 2022, 2021 and 2020.

Fair value of Financial Instruments by levels. (Millions of Euros)

	2022		2021		2020		Valuation techniques	Observable inputs	Unobservable inputs
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3			
<b>ASSETS</b>									
<b>Financial assets held for trading</b>	<b>85,636</b>	<b>2,325</b>	<b>87,736</b>	<b>3,386</b>	<b>71,938</b>	<b>1,386</b>			
Equity instruments	—	34	—	37	31	60	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	7,934	148	13,725	189	11,123	57	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer's credit risk - Current market interest rates - Non active markets prices	- Prepayment rates - Issuer's credit risk - Recovery rates
Loans and advances	39,562	1,169	47,279	2,913	26,741	1,148	Present-value method (Discounted future cash flows)	- Issuer's credit risk - Current market interest rates - Funding interest rates observed in the market or in consensus services - Exchange rates	- Prepayment rates - Issuer's credit risk - Recovery rates - Funding interest rates not observed in the market or in consensus services
Derivatives	38,140	974	26,732	247	34,043	121			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps and FRA); Discounted cash flows Caps/Floors: Black 76, Hull-White and SABR Bond options: Black 76 Swaptions: Black, Hull-White and LGM Other Interest rate Options: Black 76, Hull-White and LGM Constant Maturity Swaps: SABR		- Beta - Implicit correlations between tenors - interest rates volatility
Equity							Future and Equity Forward: Discounted future cash flows Equity Options: Local Volatility, Momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold							Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities							Commodities: Momentum adjustment and discounted cash flows		
<b>Non-trading financial assets mandatorily at fair value through profit or loss</b>	<b>151</b>	<b>1,017</b>	<b>522</b>	<b>1,186</b>	<b>381</b>	<b>992</b>			
Equity instruments	40	1,014	394	751	57	465	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	111	—	128	—	324	28	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	- Prepayment rates - Issuer credit risk - Recovery rates
Loans and advances	—	3	—	435	—	498	Specific liquidation criteria regarding losses of the EPA proceedings PD and LGD of the internal models, valuations and specific criteria of the EPA proceedings Discounted future cash flows		- Prepayment rates - Business plan of the underlying asset, WACC, macro scenario - Property valuation
<b>Financial assets designated at fair value through profit or loss</b>	<b>—</b>	<b>—</b>	<b>176</b>	<b>—</b>	<b>178</b>	<b>—</b>	Present-value method (Discounted future cash flows)	- Issuer credit risk - Current market interest rates	
Debt securities	—	—	176	—	178	—			
<b>Financial assets at fair value through other comprehensive income</b>	<b>10,237</b>	<b>508</b>	<b>7,545</b>	<b>719</b>	<b>7,866</b>	<b>598</b>			
Equity instruments	58	100	36	106	34	105	Comparable pricing (Observable price in a similar market) Net asset value	- Brokers quotes - Market operations - NAVs published	- NAV provided by the administrator of the fund
Debt securities	10,179	408	7,509	613	7,832	493	Present-value method (Discounted future cash flows) Observed prices in non-active markets	- Issuer's credit risk - Current market interest rates - Non active market prices	- Prepayment rates - Issuer credit risk - Recovery rates
<b>Hedging derivatives</b>	<b>1,887</b>	<b>—</b>	<b>1,733</b>	<b>9</b>	<b>1,862</b>	<b>8</b>			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps and FRA); Discounted cash flows Caps/Floors: Black, Hull-White and SABR Bond options: Black 76 Swaptions: Black 76, Hull-White and LGM Other Interest rate Options: Black 76, Hull-White and LGM Constant maturity Swaps: SABR		- Beta - Implicit correlations between tenors - interest rates volatility
Equity							Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, Black 76, Momentum adjustment and Heston	- Exchange rates - Market quoted future prices - Market interest rates - Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends - Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold							Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Local volatility, momentum adjustment		- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities							Commodities: Momentum adjustment and Discounted cash flows		

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

	2022		2021		2020		Valuation techniques	Observable inputs	Unobservable inputs
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3			
<b>LIABILITIES</b>									
<b>Financial liabilities held for trading</b>	<b>73,871</b>	<b>1,129</b>	<b>64,305</b>	<b>615</b>	<b>56,127</b>	<b>395</b>			
Deposits	37,577	127	37,733	226	21,577	159	Present-value method (Discounted future cash flows)	- Interest rate yield - Funding interest rates observed in the market or in consensus services - Exchange rates	- Funding interest rates not observed in the market or in consensus services
Derivatives	36,161	1,002	26,560	389	34,046	232			
Interest rate							Interest rate products (Interest rate Swaps, call money Swaps and FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White and SABR Bond options: Black 76 Swaptions: Black 76, Hull-White and LGM Other Interest rate Options: Black 76, Hull-White, SABR and LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates	- Beta - Correlation between tenors - Interest rates volatility
Equity							Future and Equity forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment and Heston	- Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends	- Volatility of volatility - Assets correlation
Foreign exchange and gold							Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black 76, Local volatility, momentum adjustment	- Market listed correlations	- Volatility of volatility - Assets correlation
Credit							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities							Commodities: Momentum adjustment and discounted cash flows		
Short positions	133	—	11	—	504	3	Present-value method (Discounted future cash flows)		- Prepayment rates - Issuer's credit risk - Current market interest rates
<b>Financial liabilities designated at fair value through profit or loss</b>	<b>8,990</b>	<b>1,590</b>	<b>8,243</b>	<b>1,439</b>	<b>8,558</b>	<b>1,492</b>	<b>Present-value method (Discounted future cash flows)</b>	<b>- Prepayment rates - Issuer's credit risk - Current market interest rates</b>	<b>- Prepayment rates - Issuer's credit risk - Current market interest rates</b>
<b>Derivatives – Hedge accounting</b>	<b>3,179</b>	<b>25</b>	<b>2,573</b>	<b>—</b>	<b>2,250</b>	<b>15</b>			
Interest rate							Interest rate products (Interest rate Swaps, Call money Swaps and FRA): Discounted cash flows Caps/Floors: Black 76, Hull-White and SABR Bond options: Black 76 Swaptions: Black, Hull-White and LGM Other Interest rate Options: Black 76, Hull-White, SABR and LGM Constant Maturity Swaps: SABR	- Exchange rates - Market quoted future prices - Market interest rates	- Beta - Implicit correlations between tenors - Interest rates volatility
Equity							Future and Equity Forward: Discounted future cash flows Equity Options: Local volatility, momentum adjustment and Heston	- Underlying assets prices: shares, funds, commodities - Market observable volatilities - Issuer credit spread levels - Quoted dividends	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations - Implicit dividends and long term repos
Foreign exchange and gold							Future and Equity Forward: Discounted future cash flows Foreign exchange Options: Black 76, Local Volatility, momentum adjustment	- Market listed correlations	- Volatility of volatility - Implicit assets correlations - Long term implicit correlations
Credit							Credit Derivatives: Default model and Gaussian copula		- Correlation default - Credit spread - Recovery rates - Interest rate yield - Default volatility
Commodities							Commodities: Momentum adjustment and discounted cash flows		

## Main valuation techniques

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

- The net present value (net present value method): This technique uses the future cash flows of each financial instrument, which are established in the different contracts, and discounted to their present value. This technique often includes many observable inputs, but may also include unobservable inputs, as described below:
  - a. Credit Spread: This input represents the difference in yield of a debt security and the reference rate, reflecting the additional return that a market participant would require to take the credit risk of that debt security. Therefore, the credit spread of the debt security is part of the discount rate used to calculate the present value of the future cash flows.
  - b. Recovery rate: This input represents the percentage of principal and interest recovered from a debt instrument that has defaulted.

- Comparable prices (similar asset prices): This input represents the prices of comparable financial instruments and benchmarks used to calculate a reference yield based on relative movements from the entry price or current market levels. Further adjustments to account for differences that may exist between financial instrument being valued and the comparable financial instrument may be added. It can also be assumed that the price of the financial instrument is equivalent to the comparable instrument.
- Net asset value: This technique utilizes certain assumptions to use net asset value as representative of fair value, which is equal to the total value of the assets and liabilities of a fund published by the managing entity.
- Gaussian copula: This model is used to integrate default probabilities of credit instruments referenced to more than one underlying CDS (Credit Default Swaps). The joint density function used to value the instrument is constructed by using a Gaussian copula that relates the marginal densities by a normal distribution, usually extracted from the correlation matrix of events approaching default by CDS issuers.
- Black 76: variant of Black Scholes model, whose main application is the valuation of bond options, cap floors and Swaptions where the behavior of the Forward and not the Spot itself, is directly modeled.
- Black Scholes: The Black Scholes model postulates log-normal distribution for the prices of securities, so that the expected return under the risk neutral measure is the risk free interest rate. Under this assumption, the price of vanilla options can be obtained analytically, so that inverting the Black- Scholes formula, the implied volatility for process of the price can be calculated.
- Heston: This model, typically applied to equity OTC options, assumes stochastic behavior of volatility. According to which, the volatility follows a process that reverts to a long-term level and is correlated with the underlying equity instrument. As opposed to local volatility models, in which the volatility evolves deterministically, the Heston model is more flexible, allowing it to be similar to that observed in the short term today.
- Libor market model: This model assumes that the dynamics of the interest rate curve can be modeled based on the set of forward contracts that compose the underlying interest rate. The correlation matrix is parameterized on the assumption that the correlation between any two forward contracts decreases at a constant rate, beta, to the extent of the difference in their respective due dates. The input "Credit default volatility" is a volatility input of the credit factor dynamic applied in rate/credit hybrid operative. The multifactorial frame of this model makes it ideal for the valuation of instruments sensitive to the slope or curve, including interest rate option.
- Local Volatility: In the local volatility models, the volatility, instead of being static, evolves deterministically over time according to the level of moneyness (i.e. probability that the option has a positive value on its date of expiration) of the underlying, capturing the existence of volatility smiles. The volatility smile of an option is the empirical relationship observed between its implied volatility and its strike price. These models are appropriate for options whose value depends on the historical evolution of the underlying which use Monte Carlo simulation technique for their valuation.

## Unobservable inputs

Quantitative information of unobservable inputs used to calculate level 3 valuations is presented below as of December 31, 2022, 2021 and 2020.

**Unobservable inputs. December 2022**

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	—	111	1,538	bp
		Recovery rate	0 %	39 %	40 %	%
	Comparable Pricing		2 %	94 %	139 %	%
Equity/Fund instruments <sup>(1)</sup>	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	0.71 %	3.48 %	5.52 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation default	26 %	44 %	58 %	%
	Black 76	Price volatility	—	—	—	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends <sup>(2)</sup>				
		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) Due to the diversity of valuation models of equity valuations, we would not include all the unobservable inputs or the quantitative ranges of them.

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

**Unobservable inputs. December 2021**

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt Securities	Present value method	Credit spread	3	125	2,374	bp
		Recovery rate	0 %	37 %	40 %	%
	Comparable Pricing		0.1 %	97 %	144 %	%
Equity/Fund instruments <sup>(1)</sup>	Net Asset Value					
	Comparable Pricing					
Loans and advances	Present value method	Repo funding curve	(2.71 %)	1.16 %	4.99 %	Abs Repo rate
Credit Derivatives	Gaussian Copula	Correlation default	35 %	43 %	53 %	%
	Black 76	Price volatility	—	—	—	Vegas
Equity Derivatives	Option models on equities, baskets of equity, funds	Dividends <sup>(2)</sup>				
		Correlations	(88 %)	60 %	99 %	%
		Volatility	5.57	26.30	62.00	Vegas
FX Derivatives	Option models on FX underlyings	Volatility	3.96	9.71	16.34	Vegas
IR Derivatives	Option models on IR underlyings	Beta	0.25 %	2 %	18 %	%
		Correlation rate/credit	(100 %)		100 %	%
		Credit default volatility	—	—	—	Vegas

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

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

## Unobservable inputs. December 2020

Financial instrument	Valuation technique(s)	Significant unobservable inputs	Min	Average	Max	Units
Debt securities	Present value method	Credit spread	4	47	564	bp
		Recovery rate	0 %	37 %	40 %	%
	Comparable pricing		0.1 %	100 %	144 %	%
Equity/Fund instruments <sup>(1)</sup>	Net asset value					
	Comparable pricing					
Loans and advances	Present value method	Repo funding curve	(1.18 %)	(0.25 %)	0.74 %	Abs Repo rate
Credit derivatives	Gaussian Copula	Correlation default	30 %	45 %	61 %	%
	Black 76	Price volatility	—	—	—	Vegas
Equity OTC option	Option models on equities, baskets of equity, funds	Dividends <sup>(2)</sup>				
		Correlations	(77 %)	51 %	98 %	%
		Volatility	6.52	29.90	141.77	Vegas
FX derivatives	Option models on FX underlyings	Volatility	4.11	10.00	16.14	Vegas
IR derivatives	Option models on IR underlyings	Beta	0.25 %	2 %	18 %	%
		Correlation rate/Credit	(100 %)		100 %	%
		Credit default Volatility	—	—	—	Vegas

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

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

## Adjustments to the valuation

Under IFRS 13, the entity must estimate the value taking into account the assumptions and conditions that market participants would have when setting the price of the asset or liability on the valuation date.

In order to comply with the fair value requirements, the entity applies adjustments to the fair valuation considering inherent and counterparties' default criteria, funding valuation risk and valuation risks due to valuation uncertainty and related to the prudent valuation criteria. The above is aligned with the regulatory requirements (EBA CRR 105.10) and considers the model risk, liquidity risk (Bid / Offer) and price uncertainty risk.

### Adjustments to the valuation for risk of default

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

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

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

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

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

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

An additional adjustment for Own Credit Adjustment (OCA) is applied to the instruments accounted for by applying the Fair Value Option permitted by IFRS 9. The related amounts recognized in the consolidated balance sheet as of December 31, 2022, related to OCA were €333 million.



The amounts recognized in the consolidated balance sheets as of December 31, 2022, 2021 and 2020 related to the valuation adjustments incorporated to the credit assessment derivative assets amounted to €-158 million, €-121 million and €-142 million, respectively as Credit Valuation Adjustments (CVA), and amounted to €135 million, €104 million and €124 million, respectively as Debit Valuation Adjustment (DVA). The impact recorded under "Gains (losses) on financial assets and liabilities held for trading, net" in the consolidated income statement for the year ended December 31, 2022 and 2021 corresponding to the mentioned adjustments was a net impact of €0 million, and for the year ended 2020 was a loss of €-29 million.

#### Valuation adjustments for financing risk

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

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

Additionally, as of December 31, 2022, 2021 and 2020, €-16 million, €-11 million and €-9 million related to the FVA were recognized in the consolidated balance sheet, being the impact on results €-7 million, €-1 million and €-1 million, respectively.

#### Valuation adjustments for valuation uncertainty

The fair value of the positions recorded at fair value must reflect the valuation risk derived from the uncertainty in the valuation for concepts of pure uncertainty of prices, liquidity risk and model risks. This adjustment is aligned with the regulatory requirements for prudent valuation via valuation adjustments with an impact on CET1, and meets the requirements of EBA CRR 105.10 for this purpose.

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

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

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

The impact recorded under "Gains (losses) on financial assets and liabilities held for trading, net" in the consolidated income statement for the year ended December 31, 2022 corresponding to the mentioned adjustments was a net impact of €-43 million. An adjustment was also made as of December 31, 2022 on financial assets at fair value through other comprehensive income for a total of €-19 million.

#### Financial assets and liabilities classified as level 3

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

	2022		2021		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Balance at the beginning</b>	<b>5,301</b>	<b>2,054</b>	<b>2,984</b>	<b>1,902</b>	<b>3,316</b>	<b>2,103</b>
Changes in fair value recognized in profit and loss <sup>(1)</sup>	289	(131)	338	143	611	296
Changes in fair value not recognized in profit and loss	(62)	14	(47)	(10)	(89)	(4)
Acquisitions, disposals and liquidations <sup>(2)</sup>	(864)	782	2,531	156	(725)	(652)
Net transfers to level 3	(750)	74	(436)	(80)	549	199
Exchange differences and others	(64)	(50)	(69)	(56)	(160)	(35)
Discontinued operations <sup>(3)</sup>	—	—	—	—	(518)	(5)
<b>Balance at the end</b>	<b>3,850</b>	<b>2,743</b>	<b>5,301</b>	<b>2,054</b>	<b>2,984</b>	<b>1,902</b>

(1) Profit or loss that is attributable to gains or losses relating to those financial assets and liabilities held as of December 31, 2022, 2021 and 2020. Valuation adjustments are recorded under the heading "Gains (losses) on financial assets and liabilities (net)".

(2) Of which, in 2021, the assets roll forward is comprised of €2,742 million of acquisitions and €211 million of disposals. The liabilities roll forward is comprised of €213 million of acquisitions and €57 million of sales.

(3) The balance of 2020 corresponds mainly to the companies in the United States included in the USA Sale (see Notes 3 and 21).

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

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

In 2020, there was a reduction in financial assets held for trading and financial liabilities held for trading classified as Level 2 in the fair value hierarchy for an amount of €1,918 million and a reduction in financial assets held for trading and financial liabilities held for trading classified as level 3 in the fair value hierarchy for an amount of €461 million euros.



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For the years ended December 31, 2022, 2021 and 2020, the profit/loss on sales of financial instruments classified as level 3 recognized in the consolidated income statement was not material.

### Transfers among levels

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

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

The financial instruments transferred among the different levels of measurement for the years ended December 31, 2022, 2021 and 2020 are at the following amounts in the consolidated balance sheets as of December 31, 2022, 2021 and 2020:

#### Transfers among levels. December 2022 (Millions of Euros)

	From:	Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
<b>ASSETS</b>							
Financial assets held for trading		683	1	1,909	340	24	911
Non-trading financial assets mandatorily at fair value through profit or loss		—	—	243	—	53	2
Financial assets designated at fair value through profit or loss		—	—	123	—	—	—
Financial assets at fair value through other comprehensive income		1,723	—	715	—	18	83
Derivatives – Hedge accounting		—	—	—	—	—	—
<b>Total</b>		<b>2,407</b>	<b>1</b>	<b>2,990</b>	<b>340</b>	<b>95</b>	<b>996</b>
<b>LIABILITIES</b>							
Financial liabilities held for trading		524	—	239	141	—	258
Financial liabilities designated at fair value through profit or loss		—	—	—	221	—	55
Derivatives – Hedge accounting		—	—	—	25	—	—
<b>Total</b>		<b>524</b>	<b>—</b>	<b>239</b>	<b>387</b>	<b>—</b>	<b>313</b>

#### Transfer among levels (Millions of Euros)

	2021								2020				
	From:	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
	To:	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2	Level 2	Level 3	Level 1	Level 3	Level 1	Level 2
<b>ASSETS</b>													
Financial assets held for trading		924	2	35	184	10	637	1,460	11	203	548	4	98
Non-trading financial assets mandatorily at fair value through profit or loss		8	—	—	—	14	23	9	11	4	—	—	17
Financial assets designated at fair value through profit or loss		—	—	—	—	—	—	143	—	—	—	—	—
Financial assets at fair value through other comprehensive income		596	17	506	50	—	6	484	—	135	96	—	6
Derivatives – Hedge accounting		—	—	—	—	—	—	—	—	—	8	—	—
<b>Total</b>		<b>1,528</b>	<b>19</b>	<b>542</b>	<b>234</b>	<b>24</b>	<b>665</b>	<b>2,096</b>	<b>22</b>	<b>342</b>	<b>652</b>	<b>4</b>	<b>121</b>
<b>LIABILITIES</b>													
Financial liabilities held for trading		562	—	24	57	15	95	8	3	—	180	—	13
Financial liabilities designated at fair value through profit or loss		—	—	—	38	—	65	—	—	—	56	—	27
Derivatives – Hedge accounting		—	—	—	—	—	—	—	—	—	—	—	—
<b>Total</b>		<b>562</b>	<b>—</b>	<b>24</b>	<b>95</b>	<b>15</b>	<b>160</b>	<b>8</b>	<b>3</b>	<b>—</b>	<b>236</b>	<b>—</b>	<b>40</b>

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

## Sensitivity analysis

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

As of December 31, 2022, the effect on profit for the year and total equity of changing the main unobservable inputs used for the measurement of level 3 financial instruments for other reasonably possible unobservable inputs, taking the highest (most favorable input) or lowest (least favorable input) value of the range deemed probable, would be as follows:

	Potential impact on consolidated income statement				Potential impact on other comprehensive income			
	Most favorable hypothesis		Least favorable hypothesis		Most favorable hypothesis		Least favorable hypothesis	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>								
Financial assets held for trading	33	33	(33)	(57)	—	—	—	—
Loans and advances	1	4	(1)	(4)	—	—	—	—
Debt securities	—	24	—	(24)	—	—	—	—
Equity instruments	25	1	(25)	(25)	—	—	—	—
Derivatives	6	5	(6)	(5)	—	—	—	—
Non-trading financial assets mandatorily at fair value through profit or loss	135	35	(136)	(36)	—	—	—	—
Loans and advances	—	16	—	(5)	—	—	—	—
Debt securities	17	10	(19)	(10)	—	—	—	—
Equity instruments	118	9	(118)	(21)	—	—	—	—
Financial assets designated at fair value through profit or loss	—	—	—	—	—	—	—	—
Financial assets at fair value through other comprehensive income	—	—	—	—	25	41	(25)	(43)
<b>Total</b>	<b>168</b>	<b>68</b>	<b>(169)</b>	<b>(93)</b>	<b>25</b>	<b>41</b>	<b>(25)</b>	<b>(43)</b>
<b>LIABILITIES</b>								
Financial liabilities held for trading	7	3	(7)	(3)	—	—	—	—
<b>Total</b>	<b>7</b>	<b>3</b>	<b>(7)</b>	<b>(3)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>

## 8.2 Fair value of financial instruments carried at cost, by valuation criteria

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

### Financial assets

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

## Financial liabilities

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

The following table presents the fair value of key financial instruments carried at amortized cost in the consolidated balance sheets as of December 31, 2022, 2021 and 2020, broken down according to the method of valuation used for the estimation:

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

	2022			2021			2020		
	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3	Level 1	Level 2	Level 3
<b>ASSETS</b>									
Cash, cash balances at central banks and other demand deposits	79,463	—	293	67,581	—	218	65,355	—	165
Financial assets at amortized cost	34,555	13,393	371,112	33,213	13,033	331,205	35,196	15,066	324,005
<b>LIABILITIES</b>									
Financial liabilities at amortized cost	77,112	266,194	181,746	91,870	243,847	153,016	90,839	255,278	144,889

The main valuation techniques and inputs used to estimate the fair value of financial instruments accounted for at amortized cost and classified in levels 2 and 3 is shown below. These are broken down by type of financial instrument and the balances correspond to those as of December 31, 2022, 2021 and 2020:

### Fair Value of financial Instruments at amortized cost by valuation technique (Millions of Euros)

	2022		2021		2020		Valuation technique(s)	Main inputs used
	Level 2	Level 3	Level 2	Level 3	Level 2	Level 3		
<b>ASSETS</b>								
<b>Financial assets at amortized cost</b>	<b>13,393</b>	<b>371,112</b>	<b>13,033</b>	<b>331,205</b>	<b>15,066</b>	<b>324,005</b>		
Loans and advances to central banks	—	142	—	—	—	—	Present-value method (Discounted future cash flows)	- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to credit institutions	1,289	14,711	863	12,329	1,883	12,641		- Credit spread - Prepayment rates - Interest rate yield
Loans and advances to customers	1,571	355,247	3,416	318,059	3,904	310,924		- Credit spread - Prepayment rates - Interest rate yield
Debt securities	10,533	1,012	8,755	817	9,279	440		- Credit spread - Interest rate yield
<b>LIABILITIES</b>								
<b>Financial liabilities at amortized cost</b>	<b>266,194</b>	<b>181,746</b>	<b>243,847</b>	<b>153,016</b>	<b>255,278</b>	<b>144,889</b>		
Deposits from central banks	—	300	—	300	—	207	Present-value method (Discounted future cash flows)	- Issuer's credit risk - Prepayment rates - Interest rate yield
Deposits from credit institutions	20,546	6,231	14,853	4,916	22,914	4,633		
Deposits from customers	230,821	160,278	209,345	137,803	210,097	129,525		
Debt certificates	7,240	8,368	10,014	4,391	14,413	4,848		
Other financial liabilities	7,587	6,568	9,636	5,606	7,854	5,676		

In 2020, the level of significance of the unobservable inputs used to determine the fair value hierarchy of loans and advances to customers at amortized cost was refined, resulting in a greater exposure classified as level 3. This revision was carried out in the context of the availability of new information which was more adjusted to the changes that had occurred both in market conditions and in the composition of credit investment. The effect on consolidated results and equity resulting from this review did not represent any change.



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

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

Cash, cash balances at central banks and other demand deposits (Millions of Euros)				
	Notes	2022	2021	2020
Cash on hand		6,533	6,877	6,447
Cash balances at central banks <sup>(1)</sup>		67,314	55,004	53,079
Other demand deposits		5,909	5,918	5,994
<b>Total</b>	<b>8.1</b>	<b>79,756</b>	<b>67,799</b>	<b>65,520</b>

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

## 10. Financial assets and liabilities held for trading

### 10.1 Breakdown of the balance

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

Financial assets and liabilities held for trading (Millions of Euros)				
	Notes	2022	2021	2020
<b>ASSETS</b>				
Derivatives <sup>(1)</sup>		39,908	30,933	40,183
Equity instruments <sup>(2)</sup>	7.2.2	4,404	15,963	11,458
Credit institutions		317	816	633
Other sectors		4,086	15,147	10,824
Debt securities	7.2.2	24,367	25,790	23,970
Issued by central banks		821	936	1,011
Issued by public administrations		20,703	21,946	19,942
Issued by financial institutions		1,365	1,130	1,479
Other debt securities		1,477	1,778	1,538
Loans and advances	7.2.2	41,993	50,807	30,268
Loans and advances to central banks		1,632	3,467	53
Reverse repurchase agreement		1,632	3,467	53
Loans and advances to credit institutions		25,231	31,916	18,317
Reverse repurchase agreement <sup>(3)</sup>		25,201	31,901	18,310
Loans and advances to customers		15,130	15,424	11,898
Reverse repurchase agreement		14,832	14,916	11,295
<b>Total assets</b>	<b>8.1</b>	<b>110,671</b>	<b>123,493</b>	<b>105,878</b>
<b>LIABILITIES</b>				
Derivatives <sup>(1)</sup>		37,909	31,705	41,680
Short positions		13,487	15,135	12,312
Deposits		44,215	44,294	30,117
Deposits from central banks		3,950	11,248	6,277
Repurchase agreement		3,950	11,248	6,277
Deposits from credit institutions		28,924	16,176	14,377
Repurchase agreement		28,573	15,632	14,035
Customer deposits		11,341	16,870	9,463
Repurchase agreement		11,302	16,824	9,418
<b>Total liabilities</b>	<b>8.1</b>	<b>95,611</b>	<b>91,135</b>	<b>84,109</b>

(1) The variation is mainly due to the evolution of exchange rate derivatives at BBVA, S.A.

(2) The variation is mainly due to sales at BBVA, S.A.

(3) The variation corresponds mainly to the evolution of “Reverse repurchase agreement” of BBVA, S.A.

As of December 31, 2022, 2021 and 2020 “Short positions” include €12,544 million, €14,298 million and €11,696 million, respectively, held with general governments.



## 10.2 Derivatives

The derivatives portfolio arises from the Group's need to manage the risks it is exposed to in the normal course of business and also to market products amongst the Group's customers. As of December 31, 2022, 2021 and 2020, trading derivatives were mainly contracted in over-the-counter (OTC) markets, with counterparties, consisting primarily of credit institutions and other financial corporations, and are related to foreign-exchange, interest-rate and equity risk.

Below is a breakdown by type of risk and market, of the fair value and notional amounts of derivatives recognized in the consolidated balance sheets, divided into organized and OTC markets:

Derivatives by type of risk and by product or by type of market (Millions of Euros)									
	2022			2021			2020		
	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total	Assets	Liabilities	Notional amount - Total
<b>Interest rate</b>	<b>19,563</b>	<b>18,220</b>	<b>4,286,531</b>	<b>15,782</b>	<b>15,615</b>	<b>3,902,760</b>	<b>26,451</b>	<b>26,028</b>	<b>3,252,066</b>
OTC	19,558	18,215	4,278,249	15,774	15,610	3,884,561	26,447	26,020	3,233,718
Organized market	5	5	8,282	8	5	18,199	3	8	18,348
<b>Equity instruments</b>	<b>3,067</b>	<b>3,770</b>	<b>76,749</b>	<b>2,802</b>	<b>4,123</b>	<b>72,656</b>	<b>2,626</b>	<b>4,143</b>	<b>72,176</b>
OTC	1,810	2,127	52,739	775	1,930	48,695	584	1,836	42,351
Organized market	1,257	1,643	24,010	2,028	2,192	23,962	2,042	2,307	29,825
<b>Foreign exchange and gold</b>	<b>16,971</b>	<b>15,528</b>	<b>589,705</b>	<b>12,104</b>	<b>11,471</b>	<b>533,395</b>	<b>10,952</b>	<b>11,216</b>	<b>461,898</b>
OTC	16,954	15,505	580,850	12,090	11,445	526,590	10,942	11,216	457,180
Organized market	17	23	8,855	14	26	6,805	10	—	4,719
<b>Credit</b>	<b>299</b>	<b>383</b>	<b>43,450</b>	<b>236</b>	<b>490</b>	<b>19,937</b>	<b>153</b>	<b>292</b>	<b>23,411</b>
Credit default swap	293	282	41,760	236	254	18,121	146	156	21,529
Credit spread option	—	—	—	—	—	—	—	—	—
Total return swap	7	101	1,665	—	236	1,815	7	136	1,882
Other	—	—	25	—	—	—	—	—	—
<b>Commodities</b>	<b>9</b>	<b>8</b>	<b>60</b>	<b>8</b>	<b>7</b>	<b>149</b>	<b>1</b>	<b>1</b>	<b>26</b>
<b>DERIVATIVES</b>	<b>39,908</b>	<b>37,909</b>	<b>4,996,495</b>	<b>30,933</b>	<b>31,705</b>	<b>4,528,897</b>	<b>40,183</b>	<b>41,680</b>	<b>3,809,577</b>
<i>Of which: OTC - credit institutions</i>	<i>28,385</i>	<i>26,454</i>	<i>1,205,895</i>	<i>21,069</i>	<i>22,488</i>	<i>1,073,921</i>	<i>24,432</i>	<i>27,244</i>	<i>958,017</i>
<i>Of which: OTC - other financial corporations</i>	<i>5,745</i>	<i>4,493</i>	<i>3,587,546</i>	<i>3,300</i>	<i>3,075</i>	<i>3,257,382</i>	<i>8,211</i>	<i>8,493</i>	<i>2,663,978</i>
<i>Of which: OTC - other</i>	<i>4,501</i>	<i>5,290</i>	<i>161,882</i>	<i>4,514</i>	<i>3,919</i>	<i>148,629</i>	<i>5,484</i>	<i>3,627</i>	<i>134,690</i>

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

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

Non-trading financial assets mandatorily at fair value through profit or loss (Millions of Euros)				
	Notes	2022	2021	2020
Equity instruments <sup>(1)</sup>	7.2.2	6,511	5,303	4,133
Debt securities	7.2.2	129	128	356
Loans and advances to customers	7.2.2	247	655	709
<b>Total</b>	<b>8.1</b>	<b>6,888</b>	<b>6,086</b>	<b>5,198</b>

(1) In 2022, an agreement was announced with Neon Payments Limited for the subscription of preferred shares representing approximately 21.7% of its capital stock (see Note 3).



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

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

Financial assets and liabilities designated at fair value through profit or loss (Millions of Euros)				
	Notes	2022	2021	2020
<b>ASSETS</b>				
Debt securities	7.2.2 / 8.1	913	1,092	1,117
<b>LIABILITIES</b>				
Customer deposits		700	809	902
Debt certificates issued		3,288	3,396	4,531
Other financial liabilities: Unit-linked products		6,592	5,479	4,617
<b>Total liabilities</b>	<b>8.1</b>	<b>10,580</b>	<b>9,683</b>	<b>10,050</b>

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

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

## 13. Financial assets at fair value through other comprehensive income

### 13.1 Breakdown of the balance

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

Financial assets at fair value through other comprehensive income (Millions of Euros)				
	Notes	2022	2021	2020
Equity instruments	7.2.2	1,198	1,320	1,100
Debt securities <sup>(1)</sup>		57,755	59,074	68,308
Loans and advances to credit institutions	7.2.2	26	27	33
<b>Total</b>	<b>8.1</b>	<b>58,980</b>	<b>60,421</b>	<b>69,440</b>
<i>Of which: loss allowances of debt securities</i>		<i>(121)</i>	<i>(74)</i>	<i>(97)</i>

(1) The variation, in 2021 corresponds mainly to changes in the portfolio of financial assets issued by governments in BBVA, S.A.

During financial years 2022, 2021 and 2020, there have been no significant reclassifications from the heading "Financial assets at fair value through other comprehensive income" to other headings or from other headings to "Financial assets at fair value through other comprehensive income".

## 13.2 Equity instruments

The breakdown of the balance under the heading "Equity instruments" of the consolidated financial statements as of December 31, 2022, 2021 and 2020 is as follows:

Financial assets at fair value through other comprehensive income. Equity instruments (Millions of Euros)												
	2022				2021				2020			
	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value	Cost	Unrealized gains	Unrealized losses	Fair value
<b>Listed equity instruments</b>												
Spanish companies shares	2,235	—	(1,274)	960	2,235	—	(1,146)	1,088	2,182	—	(1,309)	873
Foreign companies shares	102	44	(8)	138	98	35	(8)	125	100	38	(17)	121
<i>The United States</i>	43	—	—	44	29	—	—	29	27	—	—	27
<i>Mexico</i>	1	30	—	31	1	28	—	29	1	33	—	34
<i>Turkey</i>	—	7	—	7	—	4	—	5	2	4	—	6
<i>Other countries</i>	57	7	(8)	56	69	2	(8)	63	70	1	(17)	54
<b>Subtotal listed equity instruments</b>	<b>2,336</b>	<b>44</b>	<b>(1,282)</b>	<b>1,098</b>	<b>2,333</b>	<b>35</b>	<b>(1,154)</b>	<b>1,214</b>	<b>2,282</b>	<b>38</b>	<b>(1,326)</b>	<b>995</b>
<b>Unlisted equity instruments</b>												
Spanish companies shares	6	7	—	12	5	7	—	11	5	1	—	5
Foreign companies shares	25	64	(2)	87	55	41	(1)	95	58	43	(1)	100
<i>The United States</i>	—	—	—	—	—	—	—	—	—	—	—	—
<i>Mexico</i>	1	—	—	1	—	—	—	1	—	—	—	1
<i>Turkey</i>	6	—	—	6	3	—	—	3	5	—	—	5
<i>Other countries</i>	19	64	(2)	81	51	41	(1)	91	52	43	(1)	94
<b>Subtotal unlisted equity instruments</b>	<b>31</b>	<b>71</b>	<b>(2)</b>	<b>100</b>	<b>60</b>	<b>48</b>	<b>(1)</b>	<b>107</b>	<b>62</b>	<b>44</b>	<b>(1)</b>	<b>105</b>
<b>Total</b>	<b>2,367</b>	<b>115</b>	<b>(1,284)</b>	<b>1,198</b>	<b>2,393</b>	<b>83</b>	<b>(1,155)</b>	<b>1,320</b>	<b>2,344</b>	<b>82</b>	<b>(1,327)</b>	<b>1,100</b>

### 13.3 Debt securities

The breakdown of the balance under the heading "Debt securities" of the consolidated financial statements as of December 31, 2022, 2021 and 2020, broken down by issuers, is as follows:

Financial assets at fair value through other comprehensive income. Debt securities (Millions of Euros)												
	2022				2021				2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
<b>Domestic debt securities</b>												
Government and other government agency	17,799	154	(524)	17,429	15,889	656	—	16,544	28,582	801	(16)	29,367
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	865	10	(20)	854	1,125	51	—	1,176	1,363	76	—	1,439
Other issuers	500	5	(10)	495	612	24	(1)	635	867	40	(1)	906
<b>Subtotal</b>	<b>19,164</b>	<b>169</b>	<b>(555)</b>	<b>18,779</b>	<b>17,625</b>	<b>731</b>	<b>(2)</b>	<b>18,355</b>	<b>30,811</b>	<b>917</b>	<b>(17)</b>	<b>31,712</b>
<b>Foreign debt securities</b>												
<b>Mexico</b>	<b>11,566</b>	<b>3</b>	<b>(759)</b>	<b>10,810</b>	<b>11,097</b>	<b>32</b>	<b>(359)</b>	<b>10,769</b>	<b>9,107</b>	<b>291</b>	<b>(3)</b>	<b>9,395</b>
Government and other government agency	11,013	2	(736)	10,278	10,467	21	(348)	10,141	8,309	271	(1)	8,579
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	130	—	(10)	119	120	3	(6)	118	113	5	—	118
Other issuers	423	2	(12)	413	509	7	(6)	510	685	15	(2)	698
<b>Italy</b>	<b>4,568</b>	<b>53</b>	<b>(106)</b>	<b>4,515</b>	<b>7,407</b>	<b>213</b>	<b>(12)</b>	<b>7,608</b>	<b>3,897</b>	<b>367</b>	<b>—</b>	<b>4,263</b>
Government and other government agency	4,402	52	(104)	4,349	7,274	212	(12)	7,474	3,789	366	—	4,154
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	39	—	—	39	47	—	—	47	48	—	—	48
Other issuers	127	1	(1)	126	86	1	—	87	60	1	—	61
<b>Japan</b>	<b>2,920</b>	<b>7</b>	<b>(1)</b>	<b>2,926</b>	<b>4,961</b>	<b>7</b>	<b>—</b>	<b>4,968</b>	<b>4,551</b>	<b>1</b>	<b>(3)</b>	<b>4,549</b>
Government and other government agency	2,824	6	—	2,830	4,906	7	—	4,913	4,492	—	(3)	4,489
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	14	—	(1)	13	18	—	—	18	—	—	—	18
Other issuers	82	1	—	83	36	1	—	37	59	1	—	60
<b>The United States</b>	<b>5,245</b>	<b>39</b>	<b>(263)</b>	<b>5,020</b>	<b>3,900</b>	<b>44</b>	<b>(18)</b>	<b>3,926</b>	<b>4,642</b>	<b>52</b>	<b>(3)</b>	<b>4,691</b>
Government and other government agency	2,956	17	(257)	2,716	1,754	7	(17)	1,744	2,307	9	(1)	2,315
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	89	1	—	89	114	2	—	116	186	3	—	188
Other issuers	2,200	21	(6)	2,215	2,032	35	(1)	2,065	2,149	40	(2)	2,187
<b>Turkey</b>	<b>3,213</b>	<b>700</b>	<b>(56)</b>	<b>3,858</b>	<b>2,888</b>	<b>199</b>	<b>(168)</b>	<b>2,920</b>	<b>3,456</b>	<b>90</b>	<b>(73)</b>	<b>3,473</b>
Government and other government agency	3,213	700	(56)	3,858	2,888	199	(168)	2,920	3,456	90	(73)	3,473
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
Other issuers	—	—	—	—	—	—	—	—	—	—	—	—
<b>Other countries</b>	<b>11,928</b>	<b>194</b>	<b>(274)</b>	<b>11,848</b>	<b>10,298</b>	<b>286</b>	<b>(55)</b>	<b>10,529</b>	<b>9,892</b>	<b>372</b>	<b>(39)</b>	<b>10,225</b>
Other foreign governments and government agency	3,093	120	(154)	3,059	2,488	115	(29)	2,574	2,177	136	(14)	2,300
Central banks	3,098	8	(12)	3,094	1,698	3	(5)	1,696	1,599	21	(8)	1,611
Credit institutions	2,087	40	(59)	2,068	2,306	92	(16)	2,382	2,468	116	(8)	2,576
Other issuers	3,649	27	(49)	3,627	3,807	76	(6)	3,877	3,648	99	(8)	3,738
<b>Subtotal</b>	<b>39,440</b>	<b>996</b>	<b>(1,459)</b>	<b>38,977</b>	<b>40,551</b>	<b>780</b>	<b>(612)</b>	<b>40,719</b>	<b>35,545</b>	<b>1,172</b>	<b>(120)</b>	<b>36,596</b>
<b>Total</b>	<b>58,605</b>	<b>1,165</b>	<b>(2,014)</b>	<b>57,755</b>	<b>58,176</b>	<b>1,511</b>	<b>(614)</b>	<b>59,074</b>	<b>66,356</b>	<b>2,089</b>	<b>(137)</b>	<b>68,308</b>

The credit ratings of the issuers of debt securities as of December 31, 2022, 2021 and 2020 are as follows:

<b>Debt securities by rating</b>						
	<b>2022</b>		<b>2021</b>		<b>2020</b>	
	<b>Fair value (Millions of Euros)</b>	<b>%</b>	<b>Fair value (Millions of Euros)</b>	<b>%</b>	<b>Fair value (Millions of euros)</b>	<b>%</b>
AAA	3,339	5.8 %	2,413	4.1 %	4,345	6.4 %
AA+	490	0.8 %	586	1.0 %	595	0.9 %
AA	416	0.7 %	646	1.1 %	449	0.7 %
AA-	472	0.8 %	327	0.6 %	406	0.6 %
A+	3,866	6.7 %	6,179	10.5 %	5,912	8.7 %
A	1,663	2.9 %	1,676	2.8 %	2,112	3.1 %
A-	20,350	35.2 %	18,760	31.8 %	31,614	46.3 %
BBB+	11,423	19.8 %	11,465	19.4 %	8,629	12.6 %
BBB	7,328	12.7 %	10,961	18.6 %	4,054	5.9 %
BBB-	964	1.7 %	1,310	2.2 %	5,116	7.5 %
BB+ or below	7,202	12.5 %	4,379	7.4 %	4,731	6.9 %
Unclassified	241	0.4 %	372	0.6 %	345	0.5 %
<b>Total</b>	<b>57,755</b>	<b>100.0 %</b>	<b>59,074</b>	<b>100.0 %</b>	<b>68,308</b>	<b>100.0 %</b>

### 13.4 Gains/losses

The changes in the gains/losses (net of taxes) in 2022, 2021 and 2020 of debt securities recognized under the equity heading “Accumulated other comprehensive income (loss) – Items that may be reclassified to profit or loss – Fair value changes of debt instruments measured at fair value through other comprehensive income” and equity instruments recognized under the equity heading “Accumulated other comprehensive income (loss) – Items that will not be reclassified to profit or loss –Fair value changes of equity instruments measured at fair value through other comprehensive income” in the consolidated balance sheets are as follows:

<b>Other comprehensive income - Changes in gains (losses) (Millions of Euros)</b>							
	<b>Notes</b>	<b>Debt securities</b>			<b>Equity instruments</b>		
		<b>2022</b>	<b>2021</b>	<b>2020</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning</b>		<b>1,274</b>	<b>2,069</b>	<b>1,760</b>	<b>(1,079)</b>	<b>(1,256)</b>	<b>(403)</b>
Valuation gains and losses		(2,694)	(1,058)	489	(167)	183	(803)
Amounts transferred to income		20	(63)	(72)			
Amounts transferred to Reserves					(2)	—	(73)
Income tax and other		838	325	(107)	54	(7)	23
<b>Balance at the end</b>	<b>30</b>	<b>(562)</b>	<b>1,274</b>	<b>2,069</b>	<b>(1,194)</b>	<b>(1,079)</b>	<b>(1,256)</b>

In 2022, 2021 and 2020, equity instruments presented a decrease of €167 million, an increase of €183 million and a decrease of €803 million, respectively, in the heading “Gains and losses from valuation - Accumulated other comprehensive income - Items that will not be reclassified to profit and loss - Fair value changes of equity instruments measured at fair value through other comprehensive income”, mainly due to changes in Telefonica’s share price.

## 14. Financial assets at amortized cost

### 14.1 Breakdown of the balance

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

<b>Financial assets at amortized cost (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Debt securities</b>		<b>43,606</b>	<b>34,781</b>	<b>35,737</b>
Central banks		21	15	—
Government		40,389	32,130	28,727
Credit institutions		1,177	817	783
Other financial corporations		857	525	5,027
Non-financial corporations		1,162	1,295	1,200
<b>Loans and advances to central banks</b>		<b>4,401</b>	<b>5,681</b>	<b>6,209</b>
<b>Loans and advances to credit institutions</b>		<b>16,031</b>	<b>13,276</b>	<b>14,575</b>
Reverse repurchase agreements		5,251	2,788	1,914
Other loans and advances		10,780	10,488	12,661
<b>Loans and advances to customers</b>	<b>7.2.2</b>	<b>358,023</b>	<b>318,939</b>	<b>311,147</b>
Government		20,892	19,682	19,391
Other financial corporations		12,765	9,804	9,817
Non-financial corporations		165,510	140,993	136,424
Other		158,855	148,461	145,515
<b>Total</b>	<b>8.1</b>	<b>422,061</b>	<b>372,676</b>	<b>367,668</b>
<i>Of which: impaired assets of loans and advances to customers</i>	<i>7.2.2</i>	<i>13,493</i>	<i>14,657</i>	<i>14,672</i>
<i>Of which: loss allowances of loans and advances</i>	<i>7.2.5</i>	<i>(11,291)</i>	<i>(11,142)</i>	<i>(12,141)</i>
<i>Of which: loss allowances of debt securities</i>		<i>(93)</i>	<i>(52)</i>	<i>(48)</i>

During financial years 2022, 2021 and 2020, there have been no significant reclassifications from the heading "Financial assets at amortized cost" to other headings or from other headings to "Financial assets at amortized cost".

## 14.2 Debt securities

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

Financial assets at amortized cost. Debt securities. (Millions of Euros)												
	2022				2021				2020			
	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value	Amortized cost	Unrealized gains	Unrealized losses	Fair value
<b>Domestic debt securities</b>												
Government and other government agencies	18,397	10	(1,330)	17,077	17,693	1,326	(7)	19,013	13,656	1,212	—	14,868
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	—	—	—	—	—	—	—	—	—	—	—	—
Other issuers	144	1	(18)	127	337	10	(6)	341	4,835	59	(7)	4,887
<b>Subtotal</b>	<b>18,541</b>	<b>11</b>	<b>(1,348)</b>	<b>17,204</b>	<b>18,031</b>	<b>1,336</b>	<b>(13)</b>	<b>19,353</b>	<b>18,492</b>	<b>1,271</b>	<b>(7)</b>	<b>19,756</b>
<b>Foreign debt securities</b>												
<b>Mexico</b>	<b>10,743</b>	<b>—</b>	<b>—</b>	<b>10,743</b>	<b>8,464</b>	<b>182</b>	<b>(138)</b>	<b>8,508</b>	<b>7,771</b>	<b>534</b>	<b>(16)</b>	<b>8,289</b>
Government and other government agencies	9,806	—	—	9,806	7,669	170	(131)	7,708	6,963	479	—	7,442
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	745	—	—	745	614	11	—	625	632	55	—	687
Other issuers	192	—	—	192	181	1	(7)	175	176	—	(16)	160
<b>The United States</b>	<b>2,412</b>	<b>—</b>	<b>(10)</b>	<b>2,402</b>	<b>93</b>	<b>—</b>	<b>—</b>	<b>93</b>	<b>52</b>	<b>—</b>	<b>(26)</b>	<b>26</b>
Government and other government agencies	2,159	—	(5)	2,154	10	—	—	10	14	—	—	14
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	28	—	(2)	27	26	—	—	26	23	—	(16)	7
Other issuers	224	—	(3)	221	57	—	—	57	15	—	(10)	5
<b>Turkey</b>	<b>5,332</b>	<b>—</b>	<b>—</b>	<b>5,332</b>	<b>2,634</b>	<b>143</b>	<b>(95)</b>	<b>2,682</b>	<b>3,628</b>	<b>95</b>	<b>(25)</b>	<b>3,698</b>
Government and other government agencies	5,325	—	—	5,325	2,628	143	(95)	2,676	3,621	95	(25)	3,691
Central banks	—	—	—	—	—	—	—	—	—	—	—	—
Credit institutions	6	—	—	6	5	—	—	5	6	—	—	6
Other issuers	—	—	—	—	—	—	—	—	1	—	—	1
<b>Other countries</b>	<b>6,578</b>	<b>44</b>	<b>(343)</b>	<b>6,280</b>	<b>5,559</b>	<b>289</b>	<b>(37)</b>	<b>5,812</b>	<b>5,795</b>	<b>505</b>	<b>(1)</b>	<b>6,299</b>
Other foreign governments and other government agency	4,701	32	(311)	4,423	4,144	257	(28)	4,374	4,473	467	(1)	4,939
Central banks	21	—	(1)	21	—	—	—	—	—	—	—	—
Credit institutions	397	2	(11)	389	171	—	—	171	122	—	—	122
Other issuers	1,458	10	(21)	1,448	1,243	32	(9)	1,267	1,200	38	—	1,238
<b>Subtotal</b>	<b>25,065</b>	<b>45</b>	<b>(353)</b>	<b>24,757</b>	<b>16,750</b>	<b>614</b>	<b>(270)</b>	<b>17,094</b>	<b>17,245</b>	<b>1,134</b>	<b>(68)</b>	<b>18,311</b>
<b>Total</b>	<b>43,606</b>	<b>56</b>	<b>(1,701)</b>	<b>41,961</b>	<b>34,781</b>	<b>1,950</b>	<b>(284)</b>	<b>36,447</b>	<b>35,737</b>	<b>2,405</b>	<b>(75)</b>	<b>38,067</b>

As of December 31, 2022, 2021 and 2020, the distribution according to the credit quality (ratings) of the issuers of debt securities classified as financial assets at amortized cost, was as follows:

Debt securities by rating						
	2022		2021		2020	
	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%	Carrying amount (Millions of Euros)	%
AAA	3,068	7.0 %	143	0.4 %	151	0.4 %
AA+	217	0.5 %	77	0.2 %	74	0.2 %
AA	86	0.2 %	76	0.2 %	64	0.2 %
AA-	108	0.2 %	69	0.2 %	48	0.1 %
A+	13	— %	62	0.2 %	42	— %
A	592	1.4 %	619	1.8 %	590	1.7 %
A-	17,050	39.1 %	16,312	46.9 %	16,736	46.8 %
BBB+	11,037	25.3 %	9,336	26.8 %	7,919	22.2 %
BBB	4,265	9.8 %	3,853	11.1 %	942	2.6 %
BBB-	535	1.2 %	527	1.5 %	4,499	12.6 %
BB+ or below	5,967	13.7 %	3,120	9.0 %	3,928	11.0 %
Unclassified	667	1.5 %	587	1.7 %	743	2.1 %
<b>Total</b>	<b>43,606</b>	<b>100.0 %</b>	<b>34,781</b>	<b>100.0 %</b>	<b>35,737</b>	<b>100.0 %</b>

### 14.3 Loans and advances to customers

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

Loans and advances to customers (Millions of Euros)			
	2022	2021	2020
On demand and short notice	4,101	3,161	2,835
Credit card debt	18,898	14,030	13,093
Trade receivables	25,987	19,524	15,544
Finance leases	8,571	7,911	7,650
Reverse repurchase agreements	102	23	71
Other term loans	294,059	268,047	267,031
Advances that are not loans	6,305	6,243	4,924
<b>Total</b>	<b>358,023</b>	<b>318,939</b>	<b>311,147</b>

The heading "Financial assets at amortized cost – Loans and advances to customers" in the consolidated balance sheets also includes certain secured loans that, pursuant to the Mortgage Market Act, are linked to long-term mortgage covered bonds.

The following table sets forth a breakdown of the gross carrying amount "Loans and advances to customers" with maturity greater than one year by fixed and variable rate as of December 31, 2022, 2021 and 2020:

Loans and advances maturing in more than one year by fixed and variable rate (Millions of Euros)									
	2022			2021			2020		
	Domestic	Foreign	Total	Domestic	Foreign	Total	Domestic	Foreign	Total
Fixed rate	59,394	67,874	127,269	56,756	62,228	118,984	46,104	66,444	112,548
Variable rate	69,647	53,440	123,087	75,544	44,237	119,781	86,710	41,452	128,162
<b>Total</b>	<b>129,042</b>	<b>121,314</b>	<b>250,356</b>	<b>132,300</b>	<b>106,465</b>	<b>238,765</b>	<b>132,814</b>	<b>107,895</b>	<b>240,710</b>

As of December 31, 2022, 2021 and 2020, 51%, 50% and 47%, respectively, of "Loans and advances to customers" with maturity greater than one year have fixed-interest rates and 49%, 50% and 53%, respectively, have variable interest rates.

This heading also includes some loans that have been securitized. The balances recognized in the consolidated balance sheets corresponding to these securitized loans are as follows:

Securitized loans (Millions of Euros)			
	2022	2021	2020
Securitized mortgage assets	23,290	23,695	23,953
Other securitized assets	5,495	6,547	6,144
<b>Total</b>	<b>28,784</b>	<b>30,242</b>	<b>30,098</b>





## 15. Hedging derivatives and fair value changes of the hedged items in portfolio hedges of interest rate risk

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

Derivatives – Hedge accounting and fair value changes of the hedged items in portfolio hedge of interest rate risk (Millions of Euros)			
	2022	2021	2020
<b>ASSETS</b>			
Derivatives - Hedge accounting	1,891	1,805	1,991
Fair value changes of the hedged items in portfolio hedges of interest rate risk	(148)	5	51
<b>LIABILITIES</b>			
Derivatives - Hedge accounting	3,303	2,626	2,318
Fair value changes of the hedged items in portfolio hedges of interest rate risk	—	—	—

As of December 31, 2022, 2021 and 2020, the main positions hedged by the Group and the derivatives designated to hedge those positions were:

- Fair value hedging:
  - a. Fixed-interest debt securities at fair value through other comprehensive income and at amortized cost: The interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps) and forward sales.
  - b. Long-term fixed-interest debt securities issued by the Bank: the interest rate risk of these securities is hedged using interest rate derivatives (fixed-variable swaps).
  - c. Fixed-interest loans: The equity price risk of these instruments is hedged using interest rate derivatives (fixed-variable swaps).
  - d. Fixed-interest and/or embedded derivative deposit portfolio hedges: it covers the interest rate risk through fixed-variable swaps. The valuation of the borrowed deposits corresponding to the interest rate risk is in the heading "Fair value changes of the hedged items in portfolio hedges of interest rate risk".
- Cash-flow hedges: Most of the hedged items are floating interest-rate loans and asset hedges linked to the inflation of the amortized cost portfolio and the financial assets at fair value through other comprehensive income portfolio. This risk is hedged using foreign-exchange, interest-rate swaps, inflation and FRA (Forward Rate Agreement).
- Net foreign-currency investment hedges: These hedged risks are foreign-currency investments in the Group's foreign subsidiaries. This risk is hedged mainly with foreign-exchange options and forward currency sales and purchases.

Note 7 analyzes the Group's main risks that are hedged using these financial instruments.

The details of the net positions by hedged risk of the fair value of the hedging derivatives recognized in the consolidated balance sheets are as follows:

**Derivatives - Hedge accounting. Breakdown by type of risk and type of hedge (Millions of Euros)**

	2022		2021		2020	
	Assets	Liabilities	Assets	Liabilities	Assets	Liabilities
<b>Interest rate</b>	<b>656</b>	<b>376</b>	<b>697</b>	<b>322</b>	<b>989</b>	<b>525</b>
OTC	656	376	697	322	989	525
Organized market	—	—	—	—	—	—
<b>Equity</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
OTC	—	—	—	—	—	—
Organized market	—	—	—	—	—	—
<b>Foreign exchange and gold</b>	<b>259</b>	<b>83</b>	<b>463</b>	<b>135</b>	<b>435</b>	<b>350</b>
OTC	259	83	463	135	435	350
Organized market	—	—	—	—	—	—
<b>Credit</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Commodities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>FAIR VALUE HEDGES</b>	<b>915</b>	<b>459</b>	<b>1,160</b>	<b>457</b>	<b>1,424</b>	<b>874</b>
<b>Interest rate</b>	<b>470</b>	<b>2,763</b>	<b>228</b>	<b>1,786</b>	<b>154</b>	<b>1,055</b>
OTC	454	2,763	226	1,786	154	1,041
Organized market	16	—	2	—	—	15
<b>Equity</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Foreign exchange and gold</b>	<b>239</b>	<b>46</b>	<b>180</b>	<b>79</b>	<b>225</b>	<b>55</b>
OTC	239	45	180	79	225	50
Organized market	—	1	—	—	—	5
<b>Credit</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Commodities</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Other</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>CASH FLOW HEDGES</b>	<b>708</b>	<b>2,809</b>	<b>408</b>	<b>1,865</b>	<b>379</b>	<b>1,111</b>
<b>HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION</b>	<b>213</b>	<b>26</b>	<b>198</b>	<b>196</b>	<b>166</b>	<b>139</b>
<b>PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK</b>	<b>7</b>	<b>8</b>	<b>18</b>	<b>95</b>	<b>18</b>	<b>170</b>
<b>PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK</b>	<b>48</b>	<b>1</b>	<b>21</b>	<b>13</b>	<b>3</b>	<b>23</b>
<b>DERIVATIVES-HEDGE ACCOUNTING</b>	<b>1,891</b>	<b>3,303</b>	<b>1,805</b>	<b>2,626</b>	<b>1,991</b>	<b>2,318</b>
<i>of which:</i>						
<i>OTC - credit institutions</i>	<i>1,577</i>	<i>2,911</i>	<i>1,454</i>	<i>2,248</i>	<i>1,718</i>	<i>1,965</i>
<i>of which:</i>						
<i>OTC - other financial corporations</i>	<i>297</i>	<i>391</i>	<i>349</i>	<i>378</i>	<i>273</i>	<i>333</i>

Below there is a breakdown of the items covered by fair value hedges:

Hedged items in fair value hedges (Millions of Euros)								
	Carrying amount		Hedge adjustments included in the carrying amount of assets/liabilities <sup>(1)</sup>		Remaining adjustments for discontinued micro hedges including hedges of net positions <sup>(1)</sup>		Hedged items in portfolio hedge of interest rate risk	
	2022	2021	2022	2021	2022	2021	2022	2021
<b>ASSETS</b>								
<b>Financial assets measured at fair value through other comprehensive income</b>	<b>13,994</b>	<b>20,333</b>	<b>(1,024)</b>	<b>(52)</b>	<b>2</b>	<b>11</b>	<b>—</b>	<b>—</b>
Interest rate	13,602	20,285						
Foreign exchange and gold	327	—						
Other	66	49						
<b>Financial assets measured at amortized cost</b>	<b>4,838</b>	<b>8,273</b>	<b>(485)</b>	<b>168</b>	<b>13</b>	<b>5</b>	<b>1,179</b>	<b>1,997</b>
Interest rate	4,835	8,270						
Foreign exchange and gold	3	2						
<b>LIABILITIES</b>								
<b>Financial liabilities measured at amortized costs</b>	<b>34,898</b>	<b>24,567</b>	<b>1,299</b>	<b>(690)</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>
Interest rate	34,894	24,563						
Foreign exchange and gold	5	5						

(1) The balance of discontinued hedges is not significant.

The following is the breakdown, by their notional maturities, of the hedging instruments as of December 31, 2022:

Calendar of the notional maturities of the hedging instruments (Millions of Euros)					
	Up to 3 months	From 3 months to 1 year	From 1 to 5 years	More than 5 years	Total
<b>FAIR VALUE HEDGES</b>	<b>2,697</b>	<b>5,629</b>	<b>31,055</b>	<b>12,944</b>	<b>52,325</b>
<i>Of which: Interest rate</i>	2,697	5,524	29,031	12,944	50,196
<b>CASH FLOW HEDGES</b>	<b>4,495</b>	<b>17,900</b>	<b>27,732</b>	<b>3,051</b>	<b>53,178</b>
<i>Of which: Interest rate</i>	4,430	17,900	25,777	2,932	51,040
<b>HEDGE OF NET INVESTMENTS IN A FOREIGN OPERATION</b>	<b>5,292</b>	<b>4,738</b>	<b>—</b>	<b>—</b>	<b>10,031</b>
<b>PORTFOLIO FAIR VALUE HEDGES OF INTEREST RATE RISK</b>	<b>87</b>	<b>27</b>	<b>1,609</b>	<b>1,067</b>	<b>2,790</b>
<b>PORTFOLIO CASH FLOW HEDGES OF INTEREST RATE RISK</b>	<b>340</b>	<b>140</b>	<b>573</b>	<b>65</b>	<b>1,118</b>
<b>DERIVATIVES-HEDGE ACCOUNTING</b>	<b>12,912</b>	<b>28,434</b>	<b>60,969</b>	<b>17,128</b>	<b>119,442</b>

In 2022, 2021 and 2020, there was no reclassification in the consolidated income statements of any amount corresponding to cash flow hedges that was previously recognized in equity (see Note 41).

The amount for derivatives designated as accounting hedges that did not pass the effectiveness test in the years ended December 31, 2022, 2021 and 2020 were not material.

## IBOR Reform

The transition from IBOR indices to the new risk free rates (RFR) (see Note 7.3.4) may cause uncertainty about the future of some references or its impact on the contracts held by an entity, which could cause uncertainty about the term or the amounts of the cash flows of the hedged instrument or the hedging instrument. Due to such uncertainties, in the period before the benchmark rate reform actually takes place, some entities may be forced to discontinue hedge accounting, or not be able to designate new hedging relationships. To avoid this, the IASB made a series of transitory amendments to IFRS 9, IAS 39 and IFRS 7 providing temporary exceptions to the application of certain specific hedge accounting requirements that are applicable to all hedging relationships that are affected by the uncertainty derived from the IBOR Reform. These exceptions should end once the uncertainty is resolved (rates to be modified according to the new RFRs) or the hedge ceases to exist.

The nominal amount of the hedging instruments for hedging relationships directly affected by the IBOR reform as of December 31, 2022 is the following:

<b>Hedges affected by the IBOR reform (Millions of Euros)</b>				
	<b>LIBOR USD</b>	<b>LIBOR GBP</b>	<b>Other</b>	<b>Total</b>
Cash flow hedges	1,061	—	316	1,377
Fair value hedges	7,276	369	657	8,302

## 16. Investments in joint ventures and associates

### 16.1 Joint ventures and associates

The breakdown of the balance of "Investments in joint ventures and associates" in the consolidated balance sheets is as follows:

<b>Joint ventures and associates. Breakdown by entities (Millions of Euros)</b>				
<b>Joint ventures</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>	
Altura Markets, S.V., S.A.	42	76	77	
RCl Colombia	36	40	36	
Desarrollo Metropolitanos del Sur, S.L.	—	18	17	
Other	22	18	19	
<b>Subtotal</b>	<b>100</b>	<b>152</b>	<b>149</b>	
<b>Associates</b>				
Divarian Propiedad, S.A.U.	—	—	567	
Metrovacesa, S.A.	259	259	285	
BBVA Allianz Seguros y Reaseguros, S.A.	248	254	250	
Atom Holdco Ltd	132	77	64	
Solaris SE	66	61	39	
Cofides	31	28	25	
Redsys servicios de procesamiento, S.L.	20	19	14	
Servicios Electrónicos Globales S.A. de CV	23	15	11	
Other	37	35	33	
<b>Subtotal</b>	<b>816</b>	<b>749</b>	<b>1,288</b>	
<b>Total</b>	<b>916</b>	<b>900</b>	<b>1,437</b>	

Details of the joint ventures and associates as of December 31, 2022 are shown in Appendix II.

The following is a summary of the changes in the years ended December 31, 2022, 2021 and 2020 under this heading in the consolidated balance sheets:

<b>Joint ventures and associates. Changes in the year (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning</b>		<b>900</b>	<b>1,437</b>	<b>1,488</b>
Acquisitions and capital increases		87	22	257
Disposals and capital reductions		(88)	(1)	(47)
Transfers and changes of consolidation method		—	(559)	(7)
Share of profit and loss	39	20	1	(39)
Exchange differences		(1)	9	(27)
Dividends, valuation adjustments and others		(2)	(9)	(188)
<b>Balance at the end</b>		<b>916</b>	<b>900</b>	<b>1,437</b>

During the year 2022, the most significant changes under the heading "Investment in joint ventures and associates" correspond to capital increases in Atom Holdco Limited. During the year 2022 Atom Holdco Limited, the owner of 100% of the shares of Atom Bank PLC, was created. BBVA became a shareholder of Atom Holdco Limited under the same terms and conditions as those previously applicable under the agreement with Atom Bank PLC.

During the year 2021, the most significant changes in the heading "Investment in joint ventures and associates" correspond to the reclassification of the 20% stake in Divarian Property, S.A.U. under the heading "Non-current assets and disposal groups classified as held for sale" in July 2021 and their subsequent sale in October 2021 (see Note 21).



During the year 2020, the most significant changes in the heading “Investments in joint ventures and associates” correspond to changes in the valuation of Metrovacesa and BBVA Allianz Seguros y Reaseguros, S.A.

Appendix III provides notifications on acquisitions and disposals of holdings in subsidiaries, joint ventures and associates, in compliance with article 155 of the Corporations Act and article 125 of the Securities Market Act 4/2015.

## **16.2 Other information about associates and joint ventures**

If these entities had been consolidated rather than accounted for using the equity method, the change in each of the lines of balance sheet and the consolidated income statement would not be significant.

As of December 31, 2022, 2021 and 2020 there was no financial support agreement or other contractual commitment to associates and joint ventures entities from the holding or the subsidiaries that are not recognized in the financial statements (see Note 53.2).

As of December 31, 2022, 2021 and 2020 there was no contingent liability in connection with the investments in joint ventures and associates (see Note 53.2).

## **16.3 Impairment**

As required by IAS 36, the book value of the associates and joint venture entities has been compared with their recoverable amount, with the latter being calculated as the higher between the value in use and the fair value minus the cost of sale. For the year ended December 31, 2022, a reversal of impairment was recorded for €42 million; while for the year ended December 31, 2021, there was no impairment recorded in the Group's consolidated income statement; and for the year ended December 31, 2020, €190 million were recorded due to impairment (see Note 48).

## 17. Tangible assets

The breakdown and movement of the balance and changes of this heading in the consolidated balance sheets, according to the nature of the related items, is as follows:

### Tangible assets. Breakdown by type of assets and changes in the year 2022 (Millions of Euros)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset		Investment Properties	Assets leased out under an operating lease	Total
					Own use	Investment Properties			
<b>Cost</b>									
<b>Balance at the beginning</b>		4,350	67	5,388	3,154	162	147	267	13,535
Additions		366	71	475	578	19	95	122	1,726
Retirements		(4)	—	(140)	(1,620)	(1)	(19)	—	(1,784)
Acquisition of subsidiaries in the year <sup>(1)</sup>		1,392	—	—	—	—	—	—	1,392
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(21)	(54)	(40)	(274)	33	(4)	—	(360)
Exchange difference and other <sup>(2)</sup>		171	9	150	32	—	23	193	580
<b>Balance at the end</b>		6,255	93	5,833	1,871	214	242	582	15,089
<b>Accrued depreciation</b>									
<b>Balance at the beginning</b>		900	—	3,833	811	47	17	33	5,641
Additions	45	108	—	393	295	18	5	—	818
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		(2)	—	(132)	(244)	—	(13)	—	(392)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		11	—	52	(220)	6	13	—	(139)
Exchange difference and other		47	—	59	11	—	2	19	138
<b>Balance at the end</b>		1,064	—	4,204	653	70	23	52	6,066
<b>Impairment</b>									
<b>Balance at the beginning</b>		114	—	—	427	34	21	—	596
Additions	49	(29)	—	4	(45)	16	2	—	(53)
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(1)	—	—	(7)	—	21	—	13
Exchange difference and other		70	—	(4)	(309)	—	(26)	—	(270)
<b>Balance at the end</b>		154	—	—	65	50	17	—	286
<b>Net tangible assets</b>									
<b>Balance at the beginning</b>		3,336	67	1,555	1,916	81	109	234	7,298
<b>Balance at the end</b>		5,036	93	1,629	1,153	94	201	530	8,737

(1) The variation in 2022 corresponds mainly to the closing of the transaction with Merlin Properties in which 100% of the shares of Tree *Inversiones Inmobiliarias*, SOCIMI, S.A. were acquired by BBVA Group.

(2) The variation in 2022 corresponds mainly to the effect of the IAS 29 implementation in Turkey (see Note 2.2.19).

**Tangible assets. Breakdown by type of assets and changes in the year 2021 (Millions of Euros)**

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset		Investment properties	Assets leased out under an operating lease	Total
					Own use	Investment properties			
<b>Cost</b>									
<b>Balance at the beginning</b>		4,380	52	5,515	3,061	123	201	345	13,677
Additions		58	31	262	230	4	—	—	585
Retirements		(5)	(1)	(281)	(59)	—	(1)	—	(347)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(112)	(8)	(29)	(34)	35	1	—	(147)
Exchange difference and other		29	(7)	(79)	(44)	—	(54)	(78)	(233)
<b>Balance at the end</b>		4,350	67	5,388	3,154	162	147	267	13,535
<b>Accrued depreciation</b>									
<b>Balance at the beginning</b>		833	—	3,859	582	27	16	54	5,371
Additions	45	79	—	358	284	15	4	—	740
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		(19)	—	(259)	(16)	—	(4)	—	(298)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(23)	—	(17)	(5)	5	1	—	(39)
Exchange difference and other		30	—	(108)	(34)	—	—	(21)	(134)
<b>Balance at the end</b>		900	—	3,833	811	47	17	33	5,641
<b>Impairment</b>									
<b>Balance at the beginning</b>		149	—	—	274	26	34	—	483
Additions <sup>(1)</sup>	49	—	—	1	151	8	1	—	161
Additions transfer to discontinued operations		—	—	—	—	—	—	—	—
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Disposal of entities in the year		—	—	—	—	—	—	—	—
Transfers		(24)	—	17	—	—	2	—	(5)
Exchange difference and other		(11)	—	(18)	2	—	(16)	—	(43)
<b>Balance at the end</b>		114	—	—	427	34	21	—	596
<b>Net tangible assets</b>									
<b>Balance at the beginning</b>		3,398	52	1,656	2,205	70	151	291	7,823
<b>Balance at the end</b>		3,336	67	1,555	1,916	81	109	234	7,298

(1) In 2021, it includes allowances on right of use of the rented offices after the agreement with union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 24 and 49).



## Tangible assets. Breakdown by type of assets and changes in the year 2020 (Millions of euros)

	Notes	Land and buildings	Work in progress	Furniture, fixtures and vehicles	Right to use asset			Assets leased out under an operating lease	Total
					Own use	Investment properties	Investment properties		
<b>Cost</b>									
<b>Balance at the beginning</b>		6,001	56	6,351	3,516	101	216	337	16,578
Additions		157	54	255	183	0	2	—	651
Retirements		(10)	(23)	(294)	(157)	(3)	(11)	—	(498)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale <sup>(1)</sup>		(925)	(31)	(366)	(294)	—	—	—	(1,616)
Transfers		(248)	(2)	(5)	(60)	25	18	—	(272)
Exchange difference and other		(595)	(2)	(426)	(127)	—	(24)	8	(1,166)
<b>Balance at the end</b>		4,380	52	5,515	3,061	123	201	345	13,677
<b>Accrued depreciation</b>									
<b>Balance at the beginning</b>		1,253	—	4,344	370	11	15	74	6,067
Additions	45	83	—	370	312	12	3	1	781
Additions transfer to discontinued operations <sup>(1)</sup>		24	—	20	32	—	—	—	76
Retirements		(2)	—	(248)	(10)	—	—	—	(260)
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale <sup>(1)</sup>		(373)	—	(321)	(71)	—	—	—	(765)
Transfers		(42)	—	(12)	(9)	4	1	—	(58)
Exchange difference and other		(110)	—	(294)	(42)	—	(3)	(21)	(470)
<b>Balance at the end</b>		833	—	3,859	582	27	16	54	5,371
<b>Impairment</b>									
<b>Balance at the beginning</b>		212	—	—	191	14	26	—	443
Additions	49	18	—	26	68	12	1	—	125
Retirements		—	—	—	—	—	—	—	—
Acquisition of subsidiaries in the year		—	—	—	—	—	—	—	—
Companies held for sale <sup>(1)</sup>		(8)	—	—	—	—	—	—	(8)
Transfers		(68)	—	—	10	—	7	—	(51)
Exchange difference and other		(5)	—	(26)	5	—	—	—	(26)
<b>Balance at the end</b>		149	—	—	274	26	34	—	483
<b>Net tangible assets</b>									
<b>Balance at the beginning</b>		4,536	56	2,007	2,955	76	175	263	10,068
<b>Balance at the end</b>		3,398	52	1,656	2,205	70	151	291	7,823

(1) Amount is mainly due to the companies in the United States included in the USA Sale (see Notes 3 and 21).

The right to use asset consists mainly of the rental of commercial real estate premises for central services and the network branches located in the countries where the Group operates whose average term is between 5 and 20 years. The clauses included in rental contracts correspond to a large extent to rental contracts under normal market conditions in the country where the property is rented.

As of December 31, 2022, 2021 and 2020, the cost of fully amortized tangible assets that remained in use were €2,443, €2,318 and €2,299 million respectively while its recoverable residual value was not significant.

The following table shows the detail of the net carrying amount of the tangible assets corresponding to Spanish and foreign subsidiaries as of December 31, 2022, 2021 and 2020:

Tangible assets by Spanish and foreign subsidiaries. Net assets values (Millions of euros)	2022 <sup>(1)</sup>	2021 <sup>(2)</sup>	2020
BBVA and Spanish subsidiaries	4,285	3,873	4,294
Foreign subsidiaries	4,452	3,425	3,529
<b>Total</b>	<b>8,737</b>	<b>7,298</b>	<b>7,823</b>

(1) The variation in 2022 corresponds mainly to the closing of the transaction with Merlin Properties in which 100% of the shares of Tree Inversiones Inmobiliarias, SOCIMI, S.A. were acquired by BBVA Group.

(2) The variation in 2021 is mainly due to the reclassification of owned offices and facilities from "Tangible assets" to "Non-current assets and disposal groups classified as held for sale" (see Notes 21, 24 and 50).



## Purchase of Tree *Inversiones Inmobiliarias SOCIMI, S.A. (Tree) to Merlin Properties SOCIMI, S.A.*

On June 15, 2022, BBVA acquired from Merlin Properties SOCIMI, S.A. the shares representing the entire share capital of Tree *Inversiones Inmobiliarias SOCIMI, S.A.* (hereinafter "Tree") for an amount of €1,988 million. This company has 662 properties leased to BBVA that were part of the set of properties that BBVA sold between 2009 and 2010 under a sale and leaseback agreement. Prior to that date, these properties were registered as "Rights of use" in the consolidated balance sheet of the BBVA Group under the headings "Tangible assets - Property, plant and equipment" and "Tangible assets - Investment property", while the payment obligation was reflected under the heading "Financial liabilities at amortized cost – Other financial liabilities", in accordance with IFRS 16 Leases.

The Tree purchase transaction has been considered an asset purchase given that the Group has determined that it is not acquiring a set of activities that present elements that could constitute a business. After the closing of this transaction, the BBVA Group has once again become owner of the properties and recorded them at their acquisition price in the Group's consolidated financial statements as of June 30, 2022. The assets acquired that are not used for the Bank's activity are recorded under the heading "Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale" (see Note 21).

The impact of the transaction amounted to €-201 million (losses net of taxes) which have been registered under the headings "Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations" for an amount of €-134 million and "Tax expense or income related to profit or loss from continuing operations" for an amount of €-67 million in the consolidated income statement of the BBVA Group.

## 18. Intangible assets

### 18.1 Goodwill

The breakdown of the balance under this heading in the consolidated balance sheets, according to the CGU to which goodwill has been allocated, is as follows:

Goodwill. Breakdown by CGU and changes of the year (Millions of Euros)							
	The United States <sup>(1)</sup>	Mexico	Turkey <sup>(2)</sup>	Colombia	Chile	Other	Total
<b>Balance as of December 31, 2019</b>	<b>3,846</b>	<b>550</b>	<b>346</b>	<b>164</b>	<b>27</b>	<b>22</b>	<b>4,955</b>
Additions	—	—	—	—	—	—	—
Exchange difference	(22)	(72)	(92)	(21)	—	(1)	(208)
Impairment	(2,084)	—	—	—	—	(13)	(2,097)
Companies held for sale	(1,740)	—	—	—	—	—	(1,740)
Other	—	—	—	—	—	—	—
<b>Balance as of December 31, 2020</b>	<b>—</b>	<b>478</b>	<b>254</b>	<b>143</b>	<b>27</b>	<b>8</b>	<b>910</b>
Additions	—	—	—	—	—	—	—
Exchange difference	—	26	(102)	(9)	(3)	—	(88)
Impairment	—	—	—	—	—	(4)	(4)
Companies held for sale	—	—	—	—	—	—	—
Other	—	—	—	—	—	—	—
<b>Balance as of December 31, 2021</b>	<b>—</b>	<b>504</b>	<b>152</b>	<b>134</b>	<b>24</b>	<b>4</b>	<b>818</b>
Additions	—	—	—	—	—	—	—
Exchange difference	—	55	—	(16)	1	1	41
Impairment	—	—	—	—	—	—	—
Companies held for sale	—	—	—	—	—	—	—
Other	—	—	(152)	—	—	—	(152)
<b>Balance as of December 31, 2022</b>	<b>—</b>	<b>559</b>	<b>—</b>	<b>118</b>	<b>25</b>	<b>5</b>	<b>707</b>

(1) Since the USA sale agreement, the United States is no longer considered a CGU (see Note 3).

(2) As a result of the application of IAS 29, as indicated in Note 2.2.19, the book value of the Turkish CGU exceeded the existing recoverable value as of December 31, 2021, and as a consequence the goodwill as well as other intangible assets (see Note 18.2) assigned to the Turkish CGU were derecognized.

### Goodwill in business combinations

There were no significant business combinations during 2022, 2021 and 2020.

### Impairment Test

As mentioned in Note 2.2.7, the CGU to which goodwill has been allocated, are periodically tested for impairment by including the allocated goodwill in their carrying amount. This analysis is performed at least annually and whenever there is any indication of impairment. Furthermore, it is analyzed whether certain changes in the valuation assumptions used could give rise to differences in the result of the impairment test.

The BBVA Group performs estimations on the recoverable amount of certain CGU by calculating the value in use through the discounted value of future cash flows method.



The main hypotheses used for the value in use calculation are the following:

- The forecast cash flows, including net interest margin and cost of risk, estimated by the Group's management, and based on the latest available budgets for the next 4 to 5 years, considering the macroeconomic variables of each CGU, regarding the existing balance structure as well as macroeconomic variables such as the evolution of interest rates and the CPI of the geography where the CGU is located, among others.
- The constant growth rate for extrapolating cash flows, starting in the fourth or fifth year, beyond the period covered by the budgets or forecasts.
- The discount rate on future cash flows, which coincides with the cost of capital assigned to each CGU, and which consists of a risk-free rate plus a premium that reflects the inherent risk of each of the businesses evaluated.

The focus used by the Group's management to determine the values of the assumptions is based both on its projections and past experience. These values are verified and use external sources of information, wherever possible.

### Goodwill - Mexico CGU

The Group's most significant goodwill corresponds to the CGU in Mexico, the main significant assumptions used in the impairment test of this CGU as of December 31, 2022, 2021 and 2020 are as follows:

Impairment test assumptions CGU goodwill in Mexico			
	2022	2021	2020
Discount rate <sup>(1)</sup>	12.7 %	14.5 %	15.3 %
Growth rate	6.3 %	5.7 %	5.7 %

(1) After tax discount rates.

In accordance with paragraph 33.c of IAS 36, as of December 31, 2022, the Group used a growth rate of 6.3% based on the real GDP growth rate of Mexico, the expected inflation rate and the potential growth of the banking sector in Mexico.

The assumptions with a greater relative weight and whose volatility could have a greater impact in determining the present value of the cash flows starting on the fourth year are the discount rate and the growth rate. The table below shows, in a simplified way, the relative variation by which the CGU recoverable amount would increase (or decrease) as a result of a reasonable variation (in basis points) of each of the key assumptions, considered in isolation as of December 31, 2022, where, in each case, their value in use would continue to exceed their book value:

Sensitivity analysis for main assumptions - Mexico		
	Increase of 50 basis points <sup>(1)</sup>	Decrease of 50 basis points <sup>(1)</sup>
Discount rate	(7 %)	8 %
Growth rate	5 %	(5 %)

(1) The use of very different discount or growth rates would be inconsistent with the macroeconomic assumptions under which the Unit builds its business plan, such as inflation assumptions or interest rate curves used to determine cash flows.

### Goodwill - Turkey CGU

As a result of the application of IAS 29 in 2022, as indicated in Note 2.2.19, the book value of the Turkish CGU exceeded the existing recoverable value as of December 31, 2021 and as a consequence the goodwill as well as other intangible assets (see Note 18.2) assigned to the Turkish CGU were derecognized.

The main significant assumptions used in the impairment test of this CGU as of December 31, 2021 were a discount rate (after tax) of 27.0% and a growth rate of 7.0% (21.0% and 7.0% respectively as of December 31, 2020).

### Goodwill - The United States CGU

Since the USA sale in 2021, the United States is no longer considered a CGU (see Note 3).

As of March 31, 2020, the Group identified an indicator of impairment of goodwill in the United States CGU and as a result of the goodwill impairment test, the Group estimated impairment in the United States CGU of €2,084 million, which was mainly due to the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic and the expected evolution of interest rates. This recognition did not affect the tangible book value or the liquidity nor the solvency ratio of the BBVA Group.

The main significant assumptions used in the impairment test of this CGU as of March 31, 2020 were a discount rate (after tax) of 10.3% and a growth rate of 3.0%.

### Goodwill - Other CGUs

The impairment tests carried out on the rest of the CGUs have not detected significant impairment. Likewise, the sensitivity analysis on the main assumptions carried out for the rest of the CGU of the Group indicate that their value in use would continue to exceed their book value.



## 18.2 Other intangible assets

The breakdown of the balance and changes of this heading in the consolidated balance sheets, according to the nature of the related items, is as follows:

Other intangible assets (Millions of Euros)			
	2022	2021	2020
Computer software acquisition expense	1,393	1,239	1,202
Other intangible assets with an infinite useful life	13	12	12
Other intangible assets with a definite useful life	43	128	221
<b>Total</b>	<b>1,449</b>	<b>1,379</b>	<b>1,435</b>

The changes of this heading during the years ended December 31, 2022, 2021 and 2020, are as follows:

Other intangible assets (Millions of Euros)										
	Notes	Computer software			Other intangible assets			Total of intangible assets		
		2022	2021	2020	2022	2021	2020	2022	2021	2020
Balance at the beginning		1,239	1,202	1,598	140	233	412	1,379	1,435	2,010
Additions		592	470	452	—	—	8	592	470	460
Amortization in the year	45	(490)	(446)	(448)	(20)	(48)	(59)	(510)	(494)	(507)
Amortization transfer to discontinued operations <sup>(1)</sup>		—	—	(77)	—	—	(3)	—	—	(80)
Exchange differences and other		80	29	(38)	(63)	(45)	(91)	17	(16)	(129)
Impairment		(25)	(15)	(6)	—	—	—	(25)	(15)	(6)
Decreases by companies held for sale <sup>(1)</sup>		—	—	(279)	—	—	(34)	—	—	(313)
<b>Balance at the end</b>		<b>1,396</b>	<b>1,239</b>	<b>1,202</b>	<b>56</b>	<b>140</b>	<b>233</b>	<b>1,453</b>	<b>1,379</b>	<b>1,435</b>

(1) Amount is mainly due to the companies in the United States included in the USA Sale (see Notes 3 and 21).

As of December 31, 2022, 2021 and 2020, the cost of fully amortized intangible assets that remained in use were €3,490 million, €2,992 million and €2,622 million respectively, while their recoverable value was not significant.

## 19. Tax assets and liabilities

### 19.1 Consolidated tax group

Pursuant to current legislation, BBVA consolidated tax group in Spain includes the Bank (as the parent company) and its Spanish subsidiaries that meet the requirements provided for under Spanish legislation regulating the taxation regime for the consolidated profit of corporate groups.

The Group's non-Spanish banks and subsidiaries file tax returns in accordance with the tax legislation in force in each country.

### 19.2 Years open for review by the tax authorities

At the date of preparation of these financial statements, the BBVA consolidated tax group in Spain has 2017 and subsequent years subject to inspection, with respect to the main taxes applicable to it.

The remainder of the Spanish consolidated entities in general have the last four years open for inspection by the tax authorities for the main taxes applicable, except for those in which there has been an interruption of the limitation period due to the start of an inspection.

In relation to the BBVA consolidated tax group in Spain, in 2022, the tax assessments issued as a result of the tax authorities' inspection activities for 2014 to 2016 became final. These assessments were signed in 2021 and were signed in conformity, except for those corresponding to 2016, for which a partial disagreement has been expressed. The impacts of the conclusion of these audits were accounted for in 2021 and did not have a material effect on the financial statements.

On the other hand, in relation to the main jurisdictions in which the Group is present and carries out its activity, in the case of Mexico, the inspection procedure for the fiscal year 2017 continues in BBVA México, S.A. corresponding to Corporate Income Tax and Value Added Tax.

In view of the varying interpretations that can be made of some applicable tax legislation, the outcome of the tax inspections of the open years that may be conducted by the tax authorities in the future may give rise to contingent tax liabilities which cannot be reasonably estimated at the present time. However, the Group considers that the possibility of these contingent liabilities becoming actual liabilities is remote and, in any case, the tax charge which might arise therefore would not materially affect the Group's consolidated financial statements.

### 19.3 Reconciliation

The reconciliation of the Group's corporate income tax expense resulting from the application of the Spanish corporation income tax rate and the income tax expense recognized in the consolidated income statements is as follows:

Reconciliation of taxation at the Spanish corporation tax rate to the tax expense recorded for the year (Millions of Euros)						
	2022		2021		2020	
	Amount	Effective tax %	Amount	Effective tax %	Amount	Effective tax %
<b>Profit or (-) loss before tax</b>	<b>10,356</b>		<b>8,399</b>		<b>3,576</b>	
From continuing operations	10,356		7,247		5,248	
From discontinued operations	—		1,152		(1,672)	
Taxation at Spanish corporation tax rate 30%	3,107		2,519		1,073	
Lower/higher effective tax rate from foreign entities <sup>(1)</sup>	315		(332)		(181)	
Mexico	(205)	26 %	(109)	27 %	(32)	29 %
Chile	(8)	13 %	(5)	22 %	(2)	23 %
Colombia	24	37 %	—	30 %	3	31 %
Peru	(16)	27 %	5	31 %	(7)	28 %
Turkey	621	70 %	(125)	23 %	(73)	25 %
USA	17	17 %	(62)	19 %	(75)	16 %
Others	(118)		(36)		5	
Revenues with lower tax rate (dividends/capital gains)	(25)		(30)		(49)	
Equity accounted earnings	(6)		—		12	
USA Sale effect	—		544		—	
Other effects <sup>(2)</sup>	138		80		661	
<b>Income tax</b>	<b>3,529</b>		<b>2,781</b>		<b>1,516</b>	
Of which: Continuing operations	3,529		1,909		1,459	
Of which: Discontinued operations	—		872		57	

(1) Calculated by applying the difference between the tax rate in force in Spain and the one applied to the Group's earnings in each jurisdiction.

(2) In 2020, related mainly to the impact of the goodwill impairment of the United States' CGU that amounted to €2,084 million. This impact did not have associated any Corporate Income Tax (CIT) expense credit (once the 30% tax rate is applied, the effect amounted to €625 million).

The effective income tax rate for the Group in the years ended December 31, 2022, 2021 and 2020 is as follows:

Effective tax rate (Millions of Euros)			
	2022	2021	2020
<b>Income from:</b>			
Consolidated tax group in Spain	2,222	655	259
Other Spanish entities	(462)	5	7
Foreign entities	8,596	6,587	4,982
<b>Gains (losses) before taxes from continuing operations</b>	<b>10,356</b>	<b>7,247</b>	<b>5,248</b>
Tax expense or income related to profit or loss from continuing operations	3,529	1,909	1,459
<b>Effective tax rate</b>	<b>34.1 %</b>	<b>26.3 %</b>	<b>27.8 %</b>

In 2022, in general, in the main countries in which the Group operates, there were no changes in the nominal corporate income tax rate compared to the previous year (including in Turkey, where the tax rate of 25% was maintained), except in the case of Colombia, where the applicable tax rate has changed from 34% of the previous year to 38%. On the other hand, in 2021, the changes in the nominal corporate income tax rate, with respect to the previous year, in the main countries in which the Group operates, were in Turkey (from 22% to 25%), Argentina (from 30% to 35%) and Colombia (from 36% to 34%).

### 19.4 Income tax recognized in equity

In addition to the income tax expense recognized in the consolidated income statements, the Group has recognized the following income tax charges for these items in the consolidated total equity:

Tax recognized in total equity (Millions of Euros)			
	2022	2021	2020
<b>Charges/credits to total equity</b>			
Debt securities and others	701	(174)	(230)
Equity instruments	(56)	(33)	(43)
<b>Total</b>	<b>645</b>	<b>(207)</b>	<b>(273)</b>





## 19.5 Current and deferred taxes

The balance under the heading "Tax assets" in the consolidated balance sheets includes the balances receivable from the tax authorities relating to current and deferred tax assets. The balance under the "Tax liabilities" heading includes the balances payable in respect of the Group's various current and deferred tax liabilities. The details of the mentioned tax assets and liabilities are as follows:

<b>Tax assets and liabilities (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Tax assets</b>			
Current tax assets <sup>(1)</sup>	1,978	932	1,199
Deferred tax assets	14,494	14,917	15,327
Pensions	422	416	439
Financial Instruments	1,302	1,408	1,292
Loss allowances	1,834	1,676	1,683
Other	1,184	1,101	1,069
Secured tax assets	8,689	9,304	9,361
Tax losses	1,063	1,012	1,483
<b>Total</b>	<b>16,472</b>	<b>15,850</b>	<b>16,526</b>
<b>Tax liabilities</b>			
Current tax liabilities <sup>(1)</sup>	1,415	644	545
Deferred tax liabilities	1,326	1,769	1,809
Financial Instruments	568	1,124	908
Other	758	645	901
<b>Total</b>	<b>2,742</b>	<b>2,413</b>	<b>2,355</b>

(1) The increase in current tax assets relates mainly to a higher tax receivable by the tax group in Spain for the refund of the 2022 corporate income tax as a result of the instalment payments made in the year. On the other hand, the increase in current tax liabilities mainly corresponds to a higher tax payable in both Mexico and Turkey in relation to the estimated corporate income tax for the year 2022.

The most significant variations of the deferred tax assets and liabilities in the years 2022, 2021 and 2020 were derived from the following items:

<b>Deferred tax assets and liabilities. Annual variations (Millions of Euros)</b>						
	<b>2022</b>		<b>2021</b>		<b>2020</b>	
	<b>Deferred assets</b>	<b>Deferred liabilities</b>	<b>Deferred assets</b>	<b>Deferred liabilities</b>	<b>Deferred assets</b>	<b>Deferred liabilities</b>
<b>Balance at the beginning</b>	<b>14,917</b>	<b>1,769</b>	<b>15,327</b>	<b>1,809</b>	<b>15,318</b>	<b>1,928</b>
Pensions	6	—	(23)	—	(17)	—
Financials instruments	(106)	(556)	116	216	(94)	(106)
Loss allowances	158	—	(7)	—	47	—
Others	83	113	32	(256)	24	(13)
Guaranteed tax assets	(615)	—	(57)	—	(2)	—
Tax losses	51	—	(471)	—	51	—
<b>Balance at the end</b>	<b>14,494</b>	<b>1,326</b>	<b>14,917</b>	<b>1,769</b>	<b>15,327</b>	<b>1,809</b>

With respect to the changes in deferred tax assets and liabilities in 2022 contained in the above table, the following should be pointed out:

- Guaranteed tax assets decreased mainly due to the utilization in the year of deferred tax assets converted into a receivable from the tax authorities, which was recognized in the Spanish tax group's corporate income tax return for the year 2020, and as a result of the offsetting of these assets in the Spanish tax group's estimated corporate income tax return for 2022.
- The increase in tax assets for tax losses is due to the fact that, despite the fact that in 2022 the tax Group in Spain generated positive taxable income, which allowed for the offset of tax losses and deductions, new deductions were generated during the year to avoid double taxation and, additionally, the filing of the 2021 corporate income tax return also led to an increase in the balance of these tax assets for tax losses.
- The evolution of deferred tax assets (other than those guaranteed and those linked to tax losses) net of deferred tax liabilities is due, among other things, to the exchange rate effect, especially in the case of Mexico and Turkey, the effects associated with the valuations of financial instruments, the effect in Argentina associated with the tax revaluation of fixed assets, the impacts linked to the application of IAS 29 in Turkey which are largely associated with the changes in accounting valuations arising from its consideration as a hyperinflationary economy and, finally, the operation of corporate income tax, where the differences between accounting and taxation give rise to constant movements in deferred taxes.

Of the deferred tax assets and liabilities contained in the table above, those included in Note 19.4 above have been recognized against the entity's equity, and the rest against earnings for the year or reserves.

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As of December 31, 2022, 2021 and 2020, the estimated amount of temporary differences associated with investments in subsidiaries, joint ventures and associates, which were not recognized as deferred tax liabilities in the consolidated balance sheets, amounted to €88, €93 and €106 million, respectively.

Of the deferred tax assets contained in the above table, the detail of the items and amounts guaranteed by the Spanish government, broken down by the items that originated those assets is as follows:

<b>Secured tax assets (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Pensions	1,622	1,759	1,924
Loss allowances	7,067	7,545	7,437
<b>Total</b>	<b>8,689</b>	<b>9,304</b>	<b>9,361</b>

As of December 31, 2022, non-guaranteed net deferred tax assets of the above table amounted to €4,478 million (€3,844 and €4,156 million as of December 31, 2021 and 2020, respectively), which broken down by major geographies is as follows:

- Spain: Net deferred tax assets recognized in Spain totaled €2,407 million as of December 31, 2022 (€2,342 and €2,590 million as of December 31, 2021 and 2020, respectively). €1,050 million of the figure recorded in the year ended December 31, 2022 for net deferred tax assets related to tax credits and tax loss carry forwards and €1,357 million relate to temporary differences.
- Mexico: Net deferred tax assets recognized in Mexico amounted to €1,628 million as of December 31, 2022 (€1,121 and €1,036 million as of December 31, 2021 and 2020, respectively). Practically all of deferred tax assets as of December 31, 2022 relate to temporary differences.
- South America: Net deferred tax assets recognized in South America amounted to €198 million as of December 31, 2022 (€65 and €126 million as of December 31, 2021 and 2020, respectively). Practically all the deferred tax assets are related to temporary differences.
- Turkey: Net deferred tax assets recognized in Turkey amounted to €228 million as of December 31, 2022 (€302 and €395 million as of December 31, 2021 and 2020, respectively). All the deferred tax assets are related to temporary differences.

Based on the information available as of December 31, 2022, including historical levels of benefits and projected results available to the Group for the coming 15 years, the Group has carried out an analysis of its recovery of deferred tax assets and liabilities and it is considered that there is sufficient positive evidence, in excess of the negative evidence, that sufficient positive taxable income will be generated for the recovery of the aforementioned unsecured deferred tax assets when they become deductible in accordance with tax legislation.

On the other hand, the Group has not recognized certain negative tax losses and deductions for which, in general, there is no legal period for offsetting, amounting to approximately €2,048 million, which are mainly originated by Catalunya Banc.

## **19.6 Other Contributions**

On December 28, 2022, the Law for the establishment of the temporary tax on credit institutions and financial credit establishments was published in the Official State Gazette.

This law establishes an obligation to pay a non-taxable equity benefit of public nature during the years 2023 and 2024 to those credit institutions that operate in Spain whose aggregated amount of interest income and fee and commission income generated, corresponding to the year 2019, equals or exceeds €800 million.

The amount of the benefit to be paid will be the result of applying the percentage of 4.8% to the sum of the net interest income and fee and commission income and expense derived from the activity carried out in Spain, as shown in the income statement of the tax consolidation group to which the credit institutions belongs, corresponding to the calendar year prior to the year in which the obligation to pay arose. The payment obligation arises on the first day of the calendar year of fiscal years 2023 and 2024.

The estimated impact for 2023 is €225 million and has been recorded on January 1, 2023 in the heading "Other operating expense" of the consolidated income statement.

## 20. Other assets and liabilities

The composition of the balance of these captions of the consolidated balance sheets is:

Other assets and liabilities (Millions of Euros)			
	2022	2021	2020
<b>ASSETS</b>			
Inventories	325	424	572
Transactions in progress	93	131	160
Accruals	1,490	730	756
Other items	706	649	1,025
<b>Total</b>	<b>2,614</b>	<b>1,934</b>	<b>2,513</b>
<b>LIABILITIES</b>			
Transactions in progress	44	48	75
Accruals	2,566	2,137	1,584
Other items <sup>(1)</sup>	2,269	1,436	1,144
<b>Total</b>	<b>4,880</b>	<b>3,621</b>	<b>2,802</b>

(1) The increases relate mainly to the Bank in Spain for items pending settlement.

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

The composition of the balances under the headings "Non-current assets and disposal groups classified as held for sale" and "liabilities included in disposal groups classified as held for sale" in the consolidated balance sheets, broken down by the origin of the assets, is as follows:

Non-current assets and disposal groups classified as held for sale and liabilities included in disposal groups classified as held for sale. Breakdown by items (Millions of Euros)			
	2022	2021	2020
<b>ASSETS</b>			
Foreclosures and recoveries	1,070	1,218	1,398
Other assets from tangible assets <sup>(1)</sup>	1,063	563	480
Companies held for sale <sup>(2)</sup>	40	41	84,792
Accrued amortization <sup>(3)</sup>	(93)	(112)	(89)
Impairment losses <sup>(1)</sup>	(1,057)	(650)	(594)
<b>Total</b>	<b>1,022</b>	<b>1,061</b>	<b>85,987</b>
<b>LIABILITIES</b>			
Companies held for sale <sup>(2)</sup>	—	—	75,446
<b>Total</b>	<b>—</b>	<b>—</b>	<b>75,446</b>

(1) The variation in 2022 corresponds mainly to the reclassification of offices previously in own use and now closed after the closing of the transaction with Merlin Properties (see Note 17). In 2021, it includes the reclassification of owned offices and facilities from "tangible assets" to "non-current assets and disposal groups classified as held for sale" and the adjustments due to the closing of the owned offices and the decommissioning of facilities after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 24 and 50).

(2) It includes mainly BBVA's stake in BBVA USA in 2020 (see Note 3).

(3) Corresponds to the accumulated depreciation of assets before their classification as "Non-current assets and disposal groups classified as held for sale".

### Assets and liabilities from discontinued operations

As mentioned in Note 3, in 2020 the agreement for the sale of the BBVA subsidiary in the United States was announced, which sale was completed on June 1, 2021. The assets and liabilities corresponding to the 37 companies sold were reclassified to the headings "Non-current assets and disposal groups classified as held for sale" and "Liabilities included in disposal groups classified as held for sale" of the consolidated balance sheet as of December 31, 2020, and the earnings from these companies for the first five months of 2021 and the earnings for the year ended December 31, 2020 were classified under the heading "Profit (loss) after tax from discontinued operations" of the consolidated income statements.

The condensed consolidated balance sheets as of December 31, 2021 and 2020, and the condensed consolidated income statements and condensed consolidated statements of cash flow of the companies held for sale in the United States the first five months of 2021 and for the year 2020 are provided below:

## Condensed consolidated balance sheets of companies sold in the United States

<b>CONDENSED CONSOLIDATED BALANCE SHEETS (Millions of Euros)</b>		
	<b>2021</b>	<b>2020</b>
Cash, cash balances at central banks and other demand deposits	—	11,368
Financial assets held for trading	—	821
Non-trading financial assets mandatorily at fair value through profit or loss	—	13
Financial assets at fair value through other comprehensive income	—	4,974
Financial assets at amortized cost	—	61,558
Derivatives - Hedge accounting	—	9
Tangible assets	—	799
Intangible assets	—	1,949
Tax assets	—	360
Other assets	—	1,390
Non-current assets and disposal groups classified as held for sale	—	16
<b>TOTAL ASSETS</b>	<b>—</b>	<b>83,257</b>
Financial liabilities held for trading	—	98
Financial liabilities at amortized cost	—	73,132
Derivatives - Hedge accounting	—	2
Provisions	—	157
Tax liabilities	—	201
Other liabilities	—	492
<b>TOTAL LIABILITIES</b>	<b>—</b>	<b>74,082</b>
Actuarial gains (losses) on defined benefit pension plans	—	(66)
Hedge of net investments in foreign operations (effective portion)	—	(432)
Foreign currency translation	—	801
Hedging derivatives. Cash flow hedges (effective portion)	—	250
Fair value changes of debt instruments measured at fair value through other comprehensive income	—	70
<b>ACCUMULATED OTHER COMPREHENSIVE INCOME (LOSS)</b>	<b>—</b>	<b>622</b>

## Condensed consolidated income statements of companies sold in the United States

CONDENSED CONSOLIDATED INCOME STATEMENTS (Millions of Euros)		
	2021 <sup>(1)</sup>	2020
Interest and other income	974	2,638
Interest expense	(53)	(429)
<b>NET INTEREST INCOME</b>	<b>921</b>	<b>2,209</b>
Dividend income	2	4
Fee and commission income	285	677
Fee and commission expense	(86)	(183)
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	(4)	19
Gains (losses) on financial assets and liabilities held for trading, net	26	90
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	2	8
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	2	5
Gains (losses) from hedge accounting, net	(1)	4
Exchange differences, net	5	19
Other operating income	9	19
Other operating expense	(30)	(63)
<b>GROSS INCOME</b>	<b>1,132</b>	<b>2,808</b>
Administration costs	(661)	(1,462)
Depreciation and amortization	(80)	(205)
Provisions or reversal of provisions	4	2
Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification	(66)	(729)
<b>NET OPERATING INCOME</b>	<b>330</b>	<b>413</b>
Impairment or reversal of impairment on non-financial assets	—	(2,084)
Gains (losses) on derecognition of non-financial assets and subsidiaries, net	(2)	(3)
Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations	3	2
<b>PROFIT (LOSS) BEFORE TAX</b>	<b>330</b>	<b>(1,671)</b>
Tax expense or income related to profit or loss	(80)	(57)
<b>PROFIT (LOSS) AFTER TAX</b>	<b>250</b>	<b>(1,729)</b>
Profit (loss) after tax from the sale	29	—
<b>PROFIT (LOSS) FOR THE PERIOD</b>	<b>280</b>	<b>(1,729)</b>
<b>ATTRIBUTABLE TO MINORITY INTEREST (NON-CONTROLLING INTEREST)</b>	<b>—</b>	<b>—</b>
<b>ATTRIBUTABLE TO OWNERS OF THE PARENT <sup>(2)</sup></b>	<b>280</b>	<b>(1,729)</b>

(1) Corresponds to the first five months of 2021 (See Note 3).

(2) Cumulative profit net of taxes earned and recognized by BBVA Group in relation to the sale of BBVA USA Bancshares was €582 million, corresponding to the results generated by the entities within the scope of the sale agreement from the date of the agreement to the closing date of the agreement, plus the profit after tax on the sale as of the closing.

## Condensed consolidated statements of cash flows of companies sold in the United States

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (Millions of Euros)		
	2021 <sup>(1)</sup>	2020
A) CASH FLOWS FROM OPERATING ACTIVITIES	62	6,874
B) CASH FLOWS FROM INVESTING ACTIVITIES	(34)	(145)
C) CASH FLOWS FROM FINANCING ACTIVITIES	(26)	(65)
D) EFFECT OF EXCHANGE RATE CHANGES	60	(974)
<b>INCREASE (DECREASE) NET CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>62</b>	<b>5,690</b>

(1) Corresponds to the first five months of 2021 (See Note 3).

## Effects of disposal on the financial position of the Group

<b>EFFECT OF DISPOSAL ON THE FINANCIAL POSITION OF THE GROUP (Millions of Euros)</b>	
	<b>June 2021</b>
Cash, cash balances at central banks and other demand deposits	(11,476)
Financial assets held for trading	(638)
Non-trading financial assets mandatorily at fair value through profit or loss	(15)
Financial assets at fair value through other comprehensive income	(4,620)
Financial assets at amortized cost	(61,440)
Derivatives - Hedge accounting	(8)
Tangible assets	(788)
Intangible assets	(1,938)
Tax assets	(349)
Other assets	(1,439)
Non-current assets and disposal groups classified as held for sale	(10)
<b>Total assets</b>	<b>(82,720)</b>
Financial liabilities held for trading	129
Financial liabilities at amortized cost	72,357
Provisions	156
Tax liabilities	207
Other liabilities	491
<b>Total liabilities</b>	<b>73,341</b>
<b>Total net assets/liabilities</b>	<b>(9,378)</b>

<b>EFFECT ON NET CASH OUTFLOWS FROM DISCONTINUED OPERATIONS - USA (Millions of Euros)</b>	
	<b>June 2021</b>
Consideration received satisfied in cash	9,512
Cash and cash equivalents disposed of	(11,476)
<b>Total net cash outflows from discontinued operations - USA</b>	<b>(1,964)</b>

<b>EFFECT OF THE MOST SIGNIFICANT SALES OF NON-CURRENT ASSETS HELD FOR SALE OF THE BBVA GROUP REFLECTED IN THE CONSOLIDATED STATEMENT OF CASH FLOWS (Millions of Euros)</b>	
	<b>December 2021</b>
Consideration received satisfied in cash - USA	9,512
Consideration received satisfied in cash - Divarian	513
Consideration received satisfied in cash - Paraguay	210
Other collections from non-current assets and liabilities for sale	435
<b>Total cash received from non-current assets and liabilities for sale</b>	<b>10,670</b>



## Non-current assets and disposal groups classified as held for sale

The changes in the balances of "Non-current assets and disposal groups classified as held for sale" in 2022, 2021 and 2020, are as follows:

Non-current assets and disposal groups classified as held for sale (Millions of Euros)												
Notes	Foreclosed assets			Property, Plant and Equipment <sup>(1)</sup>			Companies held for sale <sup>(2)</sup>			Total		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Cost (a)</b>												
Balance at the beginning	1,218	1,398	1,648	452	391	258	41	84,792	1,716	1,711	86,581	3,622
Additions	211	245	285	1	—	—	2	522	83,266	214	768	83,551
Contributions from merger transactions	—	—	—	592	—	—	—	—	—	592	—	—
Retirements (sales and other decreases)	(353)	(298)	(288)	(110)	(39)	(45)	(2)	(83,172)	(190)	(465)	(83,509)	(523)
Transfers, other movements and exchange differences <sup>(2)</sup>	(6)	(127)	(228)	35	100	180	(2)	(2,100)	—	27	(2,128)	(48)
Disposals by companies held for sale	—	—	(19)	—	—	(2)	—	—	—	—	—	(21)
<b>Balance at the end</b>	<b>1,070</b>	<b>1,218</b>	<b>1,398</b>	<b>970</b>	<b>452</b>	<b>391</b>	<b>39</b>	<b>41</b>	<b>84,792</b>	<b>2,078</b>	<b>1,711</b>	<b>86,581</b>
<b>Impairment (b)</b>												
Balance at the beginning	381	386	411	269	208	132	—	—	—	650	594	543
Additions	50	64	36	74	158	62	29	—	—	221	97	103
Additions transfer to discontinued operations	—	—	—	—	—	—	—	—	—	—	—	—
Contributions from merger transactions	—	—	—	—	—	—	—	—	—	—	—	—
Retirements (sales and other decreases)	(102)	(65)	(56)	(46)	(13)	(13)	—	—	—	(148)	(78)	(69)
Other movements and exchange differences	13	24	(42)	320	12	60	—	—	—	333	36	18
Disposals by companies held for sale	—	—	(1)	—	—	—	—	—	—	—	—	(1)
<b>Balance at the end</b>	<b>356</b>	<b>381</b>	<b>386</b>	<b>701</b>	<b>269</b>	<b>208</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>1,057</b>	<b>650</b>	<b>594</b>
Balance at the end of net carrying value (a)-(b)	714	837	1,012	269	183	183	39	41	84,792	1,022	1,061	85,987

(1) Net of accumulated amortization until assets were reclassified as "Non-current assets and disposal groups classified as held for sale".

(2) In 2020, the variation corresponds mainly to the USA Sale agreement of BBVA USA (see Note 3).

As indicated in Note 2.2.4, "Non-current assets and disposal groups held for sale" and "Liabilities included in disposal groups classified as held for sale" are valued at the lower amount between its fair value less costs to sell and its carrying amount. As of December 31, 2022, 2021 and 2020 practically all of the carrying amount of the assets recorded at fair value on a non-recurring basis equals their fair value.

### Assets from foreclosures or recoveries

As of December 31, 2022, 2021 and 2020, assets from foreclosures and recoveries, net of impairment losses, by nature of the asset, amounted to €478 million, €608 million and €747 million in assets for residential use; €199 million, €202 million and €215 million in assets for tertiary use (industrial, commercial or office) and €34 million, €19 million and €21 million in assets for agricultural use, respectively.

As of December 31, 2022, 2021 and 2020, the average sale time of assets from foreclosures or recoveries was between 2 and 3 years.

During the years 2022, 2021 and 2020, some of the sale transactions for these assets were financed by Group companies. The amount of loans granted to the buyers of these assets in those years amounted to €43 million, €62 million and €78 million, respectively; with an average financing of 37% of the sales price during 2022.

As of December 31, 2022, 2021 and 2020, the amount of the profits arising from the sale of assets financed by Group companies that are not recognized in the consolidated income statement is not significant.

## 22. Financial liabilities at amortized cost

### 22.1 Breakdown of the balance

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

Financial liabilities measured at amortized cost (Millions of Euros)			
	2022	2021	2020
Deposits	459,114	416,947	415,467
Deposits from central banks	38,323	47,351	45,177
<i>Demand deposits</i>	205	8	163
<i>Time deposits and other</i>	33,534	41,790	38,274
<i>Repurchase agreements</i>	4,584	5,553	6,740
Deposits from credit institutions	26,935	19,834	27,629
<i>Demand deposits</i>	11,434	7,601	7,196
<i>Time deposits and other</i>	11,787	8,599	16,079
<i>Repurchase agreements</i>	3,714	3,634	4,354
Customer deposits	393,856	349,761	342,661
<i>Demand deposits</i>	316,082	293,015	266,250
<i>Time deposits and other</i>	75,516	55,479	75,666
<i>Repurchase agreements</i>	2,259	1,267	746
Debt certificates	55,429	55,763	61,780
Other financial liabilities	14,086	15,183	13,358
<b>Total</b>	<b>528,629</b>	<b>487,893</b>	<b>490,606</b>

The amount recorded in "Deposits from central banks - Time deposits" includes the drawdowns of the TLTRO III facilities of the European Central Bank, mainly by BBVA S.A., amounting to €26,711 million as of December 31, 2022, €38,692 million as of December 31, 2021 and €35,032 million as of December 31, 2020, after the partial repayment made in December 2022 (see Note 7.5).

On April 30, 2020, the European Central Bank modified some of the terms and conditions of the TLTRO III facilities in order to support the continued access of companies and households to bank credit in the face of interruptions and temporary shortages of funds associated with the COVID-19 pandemic. Entities whose eligible net lending exceeded 0% between March 1, 2020 and March 31, 2021 paid an interest rate 0.5% lower than the average rate of the deposit facilities during the period from June 24, 2020 to June 23, 2021.

On December 10, 2020, the European Central Bank extended the support via targeted lending operations (TLTRO), extending by twelve additional months, until June 2022, the period of application of favorable interest rates to credit institutions for which the net variation of their eligible loans, between October 1, 2020 and December 31, 2021, reached a given lending performance threshold. Additionally, the maximum borrowing amount was increased to 55% of the eligible loans (from 50% previously). This meant that the interest rate applicable to the outstanding operations was -1% provided that the lending objectives were met according to the conditions of the European Central Bank.

As of December 31, 2021, the Group fulfilled these lending objectives. Therefore, the recognition of the favorable interest rate associated with the COVID-19 pandemic was recognized for the period from June 24, 2020 to June 23, 2022.

In its monetary policy decision of October 27, 2022, the ECB decided to adjust the interest rates applicable to TLTRO III from November 23, 2022 and offer credit institutions additional voluntary early repayment dates for these operations. In this sense, up to November 23, 2022, outside of special periods, the interest rate applicable to each drawdown is the average rate of the deposit facilities from the beginning of each drawdown until November 23. From November 23, 2022 until the maturity date or early redemption date of the corresponding TLTRO III operation, the interest rate applicable to the remaining TLTRO III operations will be indexed to the average applicable key ECB interest rates over this period. In December 2022, BBVA began the repayment of the TLTRO III program for an amount of €12 billion, corresponding to approximately a third of the total drawn amount.

The positive income generated by the drawdowns of the TLTRO III facilities was recorded under the heading of "Interest and other income – Other income" in the consolidated income statements (see Note 37.1), while the negative remuneration generated by the drawdowns of the TLTRO III facilities are recorded under "Interest expense" in the consolidated income statement.

## 22.2 Deposits from credit institutions

The breakdown by geographical area and the nature of the related instruments of this heading in the consolidated balance sheets is as follows:

Deposits from credit institutions (Millions of Euros)				
	Demand deposits	Time deposits and other <sup>(1)</sup>	Repurchase agreements	Total
<b>December 2022</b>				
Spain	1,215	1,429	67	2,709
Mexico	855	732	—	1,587
Turkey	10	633	29	672
South America	844	2,251	—	3,095
Rest of Europe	3,613	2,944	1,669	8,226
Rest of the world	4,897	3,797	1,949	10,645
<b>Total</b>	<b>11,434</b>	<b>11,787</b>	<b>3,714</b>	<b>26,935</b>
<b>December 2021</b>				
Spain	1,671	375	—	2,047
Mexico	444	558	—	1,002
Turkey	83	672	37	792
South America	532	1,225	—	1,757
Rest of Europe	1,841	3,110	2,549	7,500
Rest of the world	3,030	2,657	1,048	6,736
<b>Total</b>	<b>7,601</b>	<b>8,599</b>	<b>3,634</b>	<b>19,834</b>
<b>December 2020</b>				
Spain	345	1,405	1	1,751
Mexico	689	672	188	1,549
Turkey	8	580	28	617
South America	557	1,484	—	2,041
Rest of Europe	2,842	4,531	4,070	11,444
Rest of the world	2,755	7,406	67	10,228
<b>Total</b>	<b>7,196</b>	<b>16,079</b>	<b>4,354</b>	<b>27,629</b>

(1) Subordinated deposits are included amounting to €24, €14 and €12 million as of December 31, 2022, 2021 and 2020, respectively.

## 22.3 Customer deposits

The breakdown by geographical area of this heading in the consolidated balance sheets, by type of instrument is as follows:

<b>Customer deposits (Millions of Euros)</b>				
	<b>Demand deposits</b>	<b>Time deposits and other</b>	<b>Repurchase agreements</b>	<b>Total</b>
<b>December 2022</b>				
Spain	188,803	13,389	2	202,194
Mexico	64,671	12,916	630	78,217
Turkey	22,117	17,254	747	40,118
South America	27,083	14,505	—	41,587
Rest of Europe	11,670	14,224	880	26,774
Rest of the world	1,737	3,228	—	4,965
<b>Total</b>	<b>316,082</b>	<b>75,516</b>	<b>2,259</b>	<b>393,856</b>
<b>December 2021</b>				
Spain	181,565	10,407	2	191,974
Mexico	53,359	10,383	505	64,247
Turkey	19,725	13,644	6	33,376
South America	28,039	9,822	—	37,861
Rest of Europe	8,933	9,546	754	19,234
Rest of the world	1,393	1,677	—	3,070
<b>Total</b>	<b>293,015</b>	<b>55,479</b>	<b>1,267</b>	<b>349,761</b>
<b>December 2020</b>				
Spain	168,690	20,065	2	188,757
Mexico	43,768	10,514	117	54,398
Turkey	17,906	16,707	8	34,621
South America	25,730	11,259	—	36,989
Rest of Europe	8,435	12,373	619	21,427
Rest of the world	1,720	4,748	—	6,468
<b>Total</b>	<b>266,250</b>	<b>75,666</b>	<b>746</b>	<b>342,661</b>

## 22.4 Debt certificates

The breakdown of the balance under this heading, by financial instruments and by currency, is as follows:

<b>Debt certificates (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>In Euros</b>	<b>35,611</b>	<b>36,289</b>	<b>42,462</b>
Promissory bills and notes	1,079	319	860
Non-convertible bonds and debentures	16,979	15,712	14,538
Covered bonds <sup>(1)</sup>	7,665	9,930	13,274
Hybrid financial instruments <sup>(2)</sup>	959	366	355
Securitization bonds	2,501	2,302	2,538
Wholesale funding	139	438	2,331
Subordinated liabilities	6,289	7,221	8,566
Convertible perpetual certificates	3,000	3,500	4,500
Non-convertible preferred stock	—	—	159
Other non-convertible subordinated liabilities	3,289	3,721	3,907
<b>In foreign currencies</b>	<b>19,819</b>	<b>19,475</b>	<b>19,318</b>
Promissory bills and notes	351	579	1,024
Non-convertible bonds and debentures	9,323	7,885	8,691
Covered bonds <sup>(1)</sup>	114	178	217
Hybrid financial instruments <sup>(2)</sup>	3,724	2,843	455
Securitization bonds	—	4	4
Wholesale funding	111	412	1,016
Subordinated liabilities	6,196	7,574	7,911
Convertible perpetual certificates	1,876	1,771	1,633
Non-convertible preferred stock	—	—	35
Other non-convertible subordinated liabilities	4,320	5,803	6,243
<b>Total</b>	<b>55,429</b>	<b>55,763</b>	<b>61,780</b>

(1) Including mortgage-covered bonds. In years 2022, 2021 and 2020 there were several maturities of mortgage bonds.

(2) Corresponds to structured note issuances with embedded derivatives that have been segregated according to IFRS 9.

### 22.4.1 Subordinated liabilities

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

<b>Memorandum item: Subordinated liabilities at amortized cost (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Subordinated deposits	24	14	12
Subordinated certificates	12,485	14,794	16,476
Preferred stock	—	—	194
Compound convertible financial instruments	4,876	5,271	6,133
Other non-convertible subordinated liabilities	7,609	9,523	10,149
<b>Total</b>	<b>12,509</b>	<b>14,808</b>	<b>16,488</b>

The balance variances are mainly due to the following transactions:

#### Perpetual Contingent Convertible Securities

The Annual General Shareholders' Meeting of BBVA held on March 17, 2017, resolved, under agenda item five, to confer authority on the Board of Directors to issue securities convertible into newly issued BBVA shares, on one or several occasions, within the maximum term of five years to be counted from the date the resolution was adopted, up to the maximum overall amount of €8 billion or its equivalent in any other currency. Likewise, the Annual General Shareholders' Meeting resolved to confer on the Board of Directors authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of convertible securities, although this power was limited to ensure the nominal amount of the capital increases resolved or carried to cover the conversion of the mandatory convertible issues in use of this authority (without prejudice to anti-dilution adjustments), with exclusion of pre-emptive subscription rights and of those likewise resolved or carried out with exclusion of pre-emptive subscription rights in use of the authority to increase the share capital conferred under the Annual General Shareholders' Meeting held on March 17, 2017, under agenda item four, do not exceed the maximum nominal amount, overall, of 20% of the share capital of BBVA at the time of the authorization, this limit not being applicable to contingent convertible issues.

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Under that delegation, BBVA has made since 2020 the following contingently convertible issuance that qualifies as additional tier 1 capital of the Bank and the Group in accordance with Regulation (EU) 575/2013:

- On July 15, 2020, BBVA carried out an issuance of perpetual contingent convertible securities (additional tier 1 instruments), with exclusion of shareholders' pre-emptive subscription rights, for a total nominal amount of €1 billion. This issuance is listed in the AIAF Fixed Income Securities Market and was targeted only at professional clients and eligible counterparties, not being offered or sold to any retail clients.

Furthermore, the Annual General Shareholders' Meeting of BBVA held on April 20, 2021, resolved, under agenda item five, to authorize the Board of Directors of BBVA, with sub-delegation powers, to issue convertible securities, whose conversion is contingent and which are intended to meet regulatory requirements for their eligibility as capital instruments (CoCos), in accordance with the solvency regulations applicable from time to time, subject to the legal and statutory provisions that may be applicable at any time. The Board of Directors may make issues on one or several times within the maximum term of five years from the date on which this resolution was adopted, up to the maximum overall amount of €8 billion or its equivalent in any other currency. The Board of Directors may also resolve to exclude, either fully or partially, the pre-emptive subscription rights of shareholders within the framework of a concrete issuance, complying in all cases with the legal requirements and limitations established for this purpose at any given time. Likewise, the authority conferred by the Annual General Meeting of Shareholders held on March 17, 2017 under its agenda item five was repealed in the unused part.

As of the date hereof the Bank has not made use of the authority granted by the BBVA General Shareholders' Meeting held on April 20, 2021.

These perpetual securities issued must be converted into newly issued ordinary shares of BBVA if the CET 1 ratio of the Bank or the Group is less than 5.125%, in accordance with their respective terms and conditions.

These type of issuances made by the Bank may be fully redeemed at BBVA's option only in the cases contemplated in their respective terms and conditions and, in any case, in accordance with the provisions of the applicable legislation. In particular, throughout the financial years 2020, 2021 and 2022:

- On February 18, 2020, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on February 18, 2015, for an amount of €1.5 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained.
- On April 14, 2021, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on April 14, 2016, for an amount of €1 billion on the First Reset Date of the issuance and once the prior consent from the Regulator was obtained.
- On May 24, 2022, the Bank early redeemed the issuance of contingently convertible preferred securities (additional tier 1 instruments) carried out by the Bank on May 24, 2017, for an amount of €500 million on the First Reset Date and once the prior consent from the Regulator was obtained.

## Convertible Securities

Subsequently, the Annual General Shareholders' Meeting of BBVA held on March 18, 2022, resolved, under agenda item five, to confer authority on the Board of Directors of BBVA, with sub-delegation powers, to issue securities convertible into new BBVA shares (other than contingently convertible securities, envisaged to meet regulatory requirements for their eligibility as capital instruments (CoCos) referred to in the resolutions adopted by BBVA's Annual General Shareholders' Meeting held on April 20, 2021, under agenda item five), subject to provisions in the law and in BBVA's bylaws that may be applicable at any time, on one or several occasions within the maximum term of five years to be counted as from the date on which the resolution was adopted, up to a maximum total amount of €6 billion, or the equivalent in any other currency. The Board of Directors may also resolve to exclude, either fully or partially, the pre-emptive subscription rights of shareholders within the framework of a specific issuance, complying in all cases with the legal requirements and limitations established for this purpose at any given time.

As of the date hereof the Bank has not made use of the authority granted by the BBVA General Shareholders' Meeting held on March 18, 2022.

## 22.5 Other financial liabilities

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

Other financial liabilities (Millions of Euros)	2022	2021	2020
Lease liabilities <sup>(1)</sup>	1,398	2,560	2,674
Creditors for other financial liabilities	3,589	2,657	2,408
Collection accounts	3,426	3,839	3,275
Creditors for other payment obligations <sup>(2)</sup>	5,673	6,127	5,000
<b>Total</b>	<b>14,086</b>	<b>15,183</b>	<b>13,358</b>

(1) The variation in 2022 corresponds mainly to the closing of the transaction with Merlin Properties for which 100% of the shares of Tree *Inversiones Inmobiliarias*, SOCIMI, S.A. were acquired by BBVA Group (see Note 17).

(2) In 2021, this caption includes the amount committed for the acquisition of own shares under the share buyback program (see Notes 2.2.14 and 4).

A breakdown of the maturity of the lease liabilities, due after December 31, 2022 is provided below:

Maturity of future payment obligations (Millions of Euros)					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
Leases	142	260	305	691	1,398

## 23. Assets and liabilities under insurance and reinsurance contracts

The Group has insurance subsidiaries mainly in Spain and Latin America (mostly in Mexico). The main product offered by the insurance subsidiaries is life insurance to cover the risk of death (risk insurance) and life-savings insurance. Within life and accident insurance, a distinction is made between freely sold products and those offered to customers who have taken mortgage or consumer loans, which cover the principal of those loans in the event of the customer's death.

There are two types of savings products: individual insurance, which seeks to provide the customer with savings for retirement or other events, and group insurance, which is taken out by employers to cover their commitments to their employees.

The insurance business is affected by different risks, including those that are related to the BBVA Group such as credit risk, market risk, liquidity risk and operational risk and the methodology for risk measurement, control and follow-up applied in the insurance activity is similar (see Note 7), although it has a differentiated management due to the particular characteristics of the insurance business, such as the coverage of contracted obligations and the long term of the commitments.

Additionally, the insurance business generates certain specific risks, of a probabilistic nature:

- Technical risk: arises from deviations in the estimation of the casualty rate of insurances, either in terms of numbers, the amount of such claims and the timing of its occurrence.
- Biometric risk: depending on the deviations in the expected mortality behavior or the survival of the insured persons.

The insurance industry is highly regulated in each geographical area. In this regard, it should be noted that the insurance industry is undergoing a gradual regulatory transformation through new risk-based capital regulations, which have already been published in several countries.

The heading "Assets under reinsurance and insurance contracts" in the consolidated balance sheets includes the amounts that the consolidated insurance entities are entitled to receive under the reinsurance contracts entered into by them with third parties and, more specifically, the share of the reinsurer in the technical provisions recognized by the consolidated insurance subsidiaries. As of December 31, 2022, 2021 and 2020, the balance under this heading amounted to €210 million, €269 million and €306 million, respectively.

The most significant provisions recognized by consolidated insurance subsidiaries with respect to insurance policies issued by them are under the heading "Liabilities under insurance and reinsurance contracts" in the consolidated balance sheets. The breakdown of the balance under this heading is as follows:

Technical reserves (Millions of Euros)			
	2022	2021	2020
Mathematical reserves	10,396	9,495	8,731
Individual life insurance <sup>(1)</sup>	8,682	7,265	6,268
Group insurance <sup>(2)</sup>	1,714	2,230	2,463
Provision for unpaid claims reported	612	706	672
Provisions for unexpired risks and other provisions	839	664	548
<b>Total</b>	<b>11,848</b>	<b>10,865</b>	<b>9,951</b>

(1) Provides coverage in the event of death, disability and serious illness.

(2) The insurance policies purchased by employers (other than BBVA Group) on behalf of their employees.

The cash flows of those "Liabilities under insurance and reinsurance contracts" are shown below:

Maturity (Millions of Euros). Liabilities under insurance and reinsurance contracts					
	Up to 1 year	1 to 3 years	3 to 5 years	Over 5 years	Total
2022	2,264	732	1,836	7,016	11,848
2021	1,808	290	1,664	7,103	10,865
2020	1,227	950	1,616	6,158	9,951





The change in provisions for pensions and similar obligations for the years ended December 31, 2022, 2021 and 2020 is as follows:

<b>Provisions for pensions, other post-employment obligations for defined benefit plans, and other long term employee benefits. Changes over the year (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Balance at the beginning</b>		<b>3,576</b>	<b>4,272</b>	<b>4,631</b>
Charges to income for the year		26	141	298
<i>Interest expense and similar charges</i>		75	37	44
<i>Personnel expense</i>	44.1	43	49	49
<i>Provision expense</i>		(92)	56	205
Charges (credits) to equity <sup>(1)</sup>	25	(433)	(206)	191
Transfers and other changes <sup>(2)</sup>		23	(21)	(71)
Benefit payments	25	(492)	(608)	(654)
Employer contributions	25	(67)	(4)	(124)
<b>Balance at the end</b>		<b>2,632</b>	<b>3,576</b>	<b>4,272</b>

(1) Correspond to actuarial losses (gains) arising from certain post-employment defined-benefit commitments for pensions recognized in "Equity" (see Note 2.2.11).

(2) In 2020, it includes the amount of the USA Sale (see Notes 3 and 21).

<b>Provisions for taxes, legal contingencies and other provisions. Changes over the year (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Balance at beginning</b>	<b>990</b>	<b>1,091</b>	<b>1,134</b>
Additions <sup>(1)</sup>	417	1,175	555
Acquisition of subsidiaries	—	—	—
Unused amounts reversed during the year	(130)	(227)	(215)
Amount used and other variations <sup>(1)</sup>	(211)	(1,050)	(383)
<b>Balance at the end</b>	<b>1,065</b>	<b>990</b>	<b>1,091</b>

(1) In 2021, it includes the initial recognition of the estimated cost of the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A., and the subsequent reclassification from "Other provisions" to "Other long term employee benefits" for the remaining amount at the time of the reclassification.

### Collective layoff procedure

On June 8, 2021, BBVA reached an agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain on April 13, 2021, which would affect a maximum of 2,935 employees. The agreement also included the closing of 480 offices. The cost of the process amounted to €994 million before taxes, of which €754 million corresponded to the collective layoff and €240 million to the closing of offices (see Notes 17, 21, 46, 49 and 50). By the time the procedure was over, 2,899 employees had accepted the agreement and effectively departed BBVA.

### Ongoing legal proceedings and litigation

The financial sector faces an environment of increased regulatory pressure and litigation. In this environment, the various Group entities are often subject to lawsuits and involved in individual or collective legal proceedings and litigation arising from their activity and operations, including proceedings arising from their lending activity, from their labor relations and from other commercial, regulatory or tax issues, as well as in arbitration.

On the basis of the information available, the Group considers that, as of December 31, 2022, the provisions made in relation to judicial proceedings and arbitrations, where so required, are adequate and reasonably cover the liabilities that might arise, if any, from such proceedings and arbitrations. Furthermore, on the basis of the information available and with the exceptions indicated in Note 7.1 "Risk factors", BBVA considers that the liabilities that may arise from such proceedings will not have, on a case-by-case basis, a significant adverse effect on the Group's business, financial situation or results of operations.

## 25. Post-employment and other employee benefit commitments

As stated in Note 2.2.11, the Group has assumed commitments with employees including short-term employee benefits (see Note 44.1), defined contribution and defined benefit plans (see Glossary), healthcare and other long-term employee benefits.

The Group sponsors defined-contribution plans for the majority of its active employees with the plans in Spain and Mexico being the most significant. Most defined benefit plans are closed to new employees with liabilities relating largely to retired employees, the most significant being those in Spain, Mexico and Turkey. In Mexico, the Group provides medical benefits to a closed group of employees and their family members, both active service and in retirees.

The breakdown of the net defined benefit liability recorded on the balance sheet as of December 31, 2022, 2021 and 2020 is provided below:

<b>Net defined benefit liability (asset) on the consolidated balance sheet (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Pension commitments		3,661	4,218	4,539
Early retirement commitments		606	952	1,247
Medical benefits commitments		1,448	1,377	1,562
Other long term employee benefits		466	632	49
<b>Total commitments</b>		<b>6,181</b>	<b>7,180</b>	<b>7,398</b>
Pension plan assets		1,608	1,494	1,608
Medical benefit plan assets		1,476	1,494	1,484
<b>Total plan assets <sup>(1)</sup></b>		<b>3,084</b>	<b>2,988</b>	<b>3,092</b>
<b>Total net liability / asset</b>		<b>3,097</b>	<b>4,193</b>	<b>4,305</b>
<i>Of which: Net asset on the consolidated balance sheet <sup>(2)</sup></i>		<i>(1)</i>	<i>(15)</i>	<i>(16)</i>
<i>Of which: Net liability on the consolidated balance sheet for provisions for pensions and similar obligations <sup>(3)</sup></i>	24	<i>2,632</i>	<i>3,576</i>	<i>4,272</i>
<i>Of which: Net liability on the consolidated balance sheet for other long term employee benefits <sup>(4)</sup></i>	24	<i>466</i>	<i>632</i>	<i>49</i>

(1) In Turkey, the foundation responsible for managing the benefit commitments holds an additional asset of €188 million as of December 31, 2022 which, in accordance with IFRS regarding the asset ceiling, has not been recognized in the Consolidated Financial Statements, because although it could be used to reduce future pension contributions it could not be immediately refunded to the employer.

(2) Recorded under the heading "Other Assets - Other" of the consolidated balance sheet (see Note 20).

(3) Recorded under the heading "Provisions - Provisions for pensions and similar obligations" of the consolidated balance sheet.

(4) Recorded under the heading "Provisions – Other long-term employee benefits" of the consolidated balance sheet. The variation is mainly explained by the collective layoff procedure that was carried out at Banco Bilbao Vizcaya Argentaria, S.A.

The impact relating to benefit commitments charged to consolidated income statement for the years 2022, 2021 and 2020 is as follows:

<b>Consolidated income statement impact (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Interest and other expense</b>		<b>75</b>	<b>37</b>	<b>44</b>
Interest expense		342	257	265
Interest income		(267)	(220)	(220)
<b>Personnel expense</b>		<b>130</b>	<b>120</b>	<b>121</b>
Defined contribution plan expense	44.1	87	71	72
Defined benefit plan expense	44.1	43	49	49
<b>Provisions or (reversal) of provisions</b>	<b>46</b>	<b>(89)</b>	<b>61</b>	<b>210</b>
Early retirement expense		—	100	224
Past service cost expense		34	(28)	(8)
Remeasurements <sup>(1)</sup>		(126)	(16)	(11)
Other provision expense		3	6	4
<b>Total impact on consolidated income statement: expense (income)</b>		<b>116</b>	<b>218</b>	<b>375</b>

(1) Actuarial losses (gains) on remeasurement of the net defined benefit liability relating to early retirements in Spain and other long-term employee benefits that are charged to the income statements (see Note 2.2.12).

The amounts relating to post-employment benefits charged to the consolidated balance sheet correspond to the actuarial gains (losses) on remeasurement of the net defined benefit liability relating to pension and medical commitments before income taxes as of December 31, 2022, 2021 and 2020 are as follows:

<b>Equity impact (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Defined benefit plans	(363)	52	161
Post-employment medical benefits	(71)	(257)	30
<b>Total impact on equity: debit (credit)</b>	<b>(433)</b>	<b>(206)</b>	<b>191</b>

In 2022, the aggregate impact of this heading amounted to a credit of €433 million driven by the variation in financial assumptions, gains of €558 million from commitments in Spain, and losses of €72 million for commitments in Mexico. These amounts are offset by other minor effects of actuarial experience in these geographical areas and financial, demographic and experience effects in other geographical areas.

In 2021, the aggregate impact of this heading amounted to a credit of €206 million driven by the variation in financial assumptions, gains of €171 million for the commitments in Mexico, and gains of €55 million for the commitments in Spain. These amounts are offset by other geographies and demographic and experience effects.

In 2020, the aggregate impact of this heading amounted to a debit of €191 million, driven mainly by the variation in interest rates and losses on commitments (€91 million in Mexico and €68 million in Spain) and, to a lesser extent, the updating of the mortality tables in Spain (€49 million losses). These amounts are partially offset by the effect in other geographies and experience.

## 25.1 Defined benefit plans

Defined benefit commitments relate mainly to employees who have already retired or taken early retirement, certain closed groups of active employees still accruing defined benefit pensions, and in-service death and disability benefits provided to most active employees. For the latter, the Group pays the required premiums to fully insure the related liability. The change in these pension commitments during the years ended December 31, 2022, 2021 and 2020 is presented below:

	2022			2021			2020		
	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
<b>Balance at the beginning</b>	<b>6,547</b>	<b>2,988</b>	<b>3,560</b>	<b>7,348</b>	<b>3,092</b>	<b>4,256</b>	<b>8,116</b>	<b>3,493</b>	<b>4,622</b>
Current service cost	45	—	45	53	—	53	53	—	53
Interest income/expense	333	267	65	253	220	33	261	219	42
Contributions by plan participants	10	10	—	5	5	—	4	4	—
Employer contributions	—	67	(67)	—	4	(4)	—	124	(124)
Past service costs <sup>(1)</sup>	34	—	34	75	—	75	219	—	219
Remeasurements:	(741)	(240)	(501)	(406)	(184)	(223)	364	176	187
Return on plan assets <sup>(2)</sup>	—	(240)	240	—	(184)	184	—	176	(176)
From changes in demographic assumptions	(29)	—	(29)	(121)	—	(121)	57	—	57
From changes in financial assumptions	(812)	—	(812)	(259)	—	(259)	276	—	276
Other actuarial gains and losses	100	—	100	(27)	—	(27)	30	—	30
Benefit payments	(676)	(184)	(492)	(765)	(158)	(608)	(839)	(185)	(654)
Settlement payments	(4)	(4)	—	(1)	(1)	—	—	—	—
Business combinations and disposals <sup>(3)</sup>	—	—	—	(2)	1	(3)	(371)	(327)	(44)
Effect on changes in foreign exchange rates	161	180	(20)	(24)	8	(32)	(459)	(409)	(50)
Conversions to defined contributions	—	—	—	—	—	—	—	—	—
Other effects	7	—	7	13	—	13	1	(3)	4
<b>Balance at the end</b>	<b>5,715</b>	<b>3,084</b>	<b>2,631</b>	<b>6,547</b>	<b>2,988</b>	<b>3,560</b>	<b>7,348</b>	<b>3,092</b>	<b>4,256</b>
Of which: Spain	2,546	147	2,399	3,670	206	3,464	4,288	249	4,039
Of which: Mexico	2,426	2,329	97	2,150	2,149	1	2,219	2,122	97
Of which: The United States	—	—	—	—	—	—	—	—	—
Of which: Turkey	418	315	103	272	209	63	367	282	85

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

(3) The amount in 2020 is mainly due to the companies in the United States included in the USA Sale (see Notes 3 and 21).

The balance under the heading "Provisions - Pensions and other post-employment defined benefit obligations" of the consolidated balance sheet as of December 31, 2022 includes €201 million relating to post-employment benefit commitments to former members of the Board of Directors and the Bank's Management (see Note 54).

The most significant commitments are those in Spain and Mexico and, to a lesser extent, in Turkey. The remaining commitments are located mostly in Portugal and South America. Unless otherwise required by local regulation, all defined benefit plans have been closed to new entrants, who instead are able to participate in the Group's defined contribution plans.

Both the costs and the present value of the commitments are determined by independent qualified actuaries using the "projected unit credit" method. In order to enable the good governance of these plans, the Group has established specific benefits committees. These benefit committees include members from the different areas of the business so that all decisions are made taking into consideration all of the associated impacts.

The following table sets out the key actuarial assumptions used in the valuation of these commitments as of December 31, 2022, 2021 and 2020:

<b>Actuarial assumptions (%)</b>									
	2022			2021			2020		
	Spain	Mexico	Turkey	Spain	Mexico	Turkey	Spain	Mexico	Turkey
Discount rate	3.91 %	10.68 %	17.79 %	0.74 %	9.68 %	19.10 %	0.53 %	8.37 %	13.00 %
Rate of salary increase	—	4.50 %	15.86 %	—	4.00 %	16.60 %	—	4.00 %	11.20 %
Rate of pension increase	—	4.41 %	14.36 %	—	2.95 %	15.10 %	—	1.94 %	9.70 %
Medical cost trend rate	—	8.04 %	18.56 %	—	7.00 %	19.30 %	—	7.00 %	13.90 %
Mortality tables	PER 2020	EMSSA09	TUIK 2019	PER 2020	EMSSA09	CSO2001	PER 2020	EMSSA09	CSO2001

In Spain, the discount rate shown as of December 31, 2022, corresponds to the weighted average rate, the actual discount rates used are 3.75% and 4% depending on the type of commitment.

Discount rates used to value future benefit cash flows have been determined by reference to high quality corporate bonds (Note 2.2.12) denominated in Euro in the case of Spain and Mexican peso for Mexico, and government bonds denominated in Turkish Lira for Turkey.

The expected return on plan assets has been set in line with the adopted discount rate.

Assumed retirement ages have been set by reference to the earliest age at which employees are entitled to retire, the contractually agreed age in the case of early retirements in Spain or by using retirement rates.

Changes in the main actuarial assumptions may affect the valuation of the commitments. The table below shows the sensitivity of the benefit obligations to changes in the key assumptions:

	Basis points change	2022		2021		2020	
		Increase	Decrease	Increase	Decrease	Increase	Decrease
		Discount rate	50	(321)	350	(282)	307
Rate of salary increase	50	1	(1)	2	(2)	4	(4)
Rate of pension increase	50	32	(39)	28	(26)	29	(27)
Medical cost trend rate	50	119	(106)	109	(98)	145	(129)
Change in obligation from each additional year of longevity		113	—	170	—	211	—

The sensitivities provided above have been determined at the date of these consolidated financial statements, and reflect solely the impact of changing one individual assumption at a time, keeping the rest of the assumptions unchanged, thereby excluding the effects which may result from combined assumption changes.

In addition to the commitments to employees shown above, the Group has other less material long-term employee benefits. These include long-service awards, which consist of either an established monetary award or some vacation days granted to certain groups of employees when they complete a given number of years of service. Additionally, this heading included a fund related to the collective layoff procedure that was carried out in Banco Bilbao Vizcaya Argentaria, S.A. in 2021. As of December 31, 2022, 2021 and 2020, the actuarial liabilities for the outstanding awards amounted to €466 million, €632 million and €49 million, respectively. These commitments are recorded under the heading "Provisions - Other long-term employee benefits" of the consolidated balance sheet (see Note 24).

### 25.1.1 Post-employment commitments and similar obligations

These commitments relate mostly to pension payments, and which have been determined based on salary and years of service. For most plans, pension payments are due on retirement, death and long term disability.

In 2021 and 2020 the Group entities in Spain offered certain employees the option to take retirement or early retirement (that is, earlier than the age stipulated in the collective labor agreement in force). This offer was accepted by 432 and 781 employees during 2021 and 2020, respectively (0 employees in 2022). These commitments include the compensation and indemnities due as well as the contributions payable to external pension funds during the early retirement period. As of December 31, 2022, 2021 and 2020, the value of these commitments amounted to €606 million, €952 million and €1,247 million, respectively.

The change in the benefit plan obligations and plan assets during the year ended December 31, 2022 was as follows:

<b>Post-employment commitments 2022 (Millions of Euros)</b>				
	<b>Spain</b>	<b>Mexico</b>	<b>Turkey</b>	<b>Rest of the world</b>
<b>Defined benefit obligation</b>				
<b>Balance at the beginning</b>	<b>3,670</b>	<b>779</b>	<b>272</b>	<b>449</b>
Current service cost	4	7	13	3
Interest income or expense	53	84	42	10
Contributions by plan participants	—	—	8	1
Employer contributions	—	—	—	—
Past service costs <sup>(1)</sup>	—	1	2	3
Remeasurements:	(677)	107	166	(122)
Return on plan assets <sup>(2)</sup>	—	—	—	—
From changes in demographic assumptions	—	—	(37)	8
From changes in financial assumptions	(643)	73	82	(132)
Other actuarial gains and losses	(34)	34	122	2
Benefit payments	(511)	(77)	(15)	(13)
Settlement payments	—	(1)	—	(3)
Business combinations and disposals	—	—	—	—
Effect on changes in foreign exchange rates	—	85	(70)	(9)
Conversions to defined contributions	—	—	—	—
Other effects	7	—	—	—
<b>Balance at the end</b>	<b>2,546</b>	<b>985</b>	<b>418</b>	<b>318</b>
Of which: Vested benefit obligation relating to current employees	2,491			
Of which: Vested benefit obligation relating to retired employees	55			
<b>Plan Assets</b>				
<b>Balance at the beginning</b>	<b>206</b>	<b>655</b>	<b>209</b>	<b>424</b>
Current service cost	—	—	—	—
Interest income or expense	2	69	33	6
Contributions by plan participants	—	—	8	1
Employer contributions	—	41	22	3
Past service costs <sup>(1)</sup>	—	—	—	—
Remeasurements:	(34)	(45)	104	(121)
Return on plan assets <sup>(2)</sup>	(34)	(45)	104	(121)
From changes in demographic assumptions	—	—	—	—
From changes in financial assumptions	—	—	—	—
Other actuarial gains and losses	—	—	—	—
Benefit payments	(27)	(77)	(9)	(12)
Settlement payments	—	(1)	—	(3)
Business combinations and disposals	—	139	—	—
Effect on changes in foreign exchange rates	—	72	(52)	(6)
Conversions to defined contributions	—	—	—	—
Other effects	—	—	—	—
<b>Balance at the end</b>	<b>147</b>	<b>853</b>	<b>315</b>	<b>293</b>
<b>Net liability (asset)</b>				
<b>Balance at the beginning</b>	<b>3,464</b>	<b>124</b>	<b>63</b>	<b>24</b>
Current service cost	4	7	13	3
Interest income or expense	51	14	10	4
Contributions by plan participants	—	—	—	—
Employer contributions	—	(41)	(22)	(3)
Past service costs <sup>(1)</sup>	—	1	2	3
Remeasurements:	(643)	152	62	(1)
Return on plan assets <sup>(2)</sup>	34	45	(104)	121
From changes in demographic assumptions	—	—	(37)	8
From changes in financial assumptions	(643)	73	82	(132)
Other actuarial gains and losses	(34)	34	122	2

Benefit payments	(484)	—	(6)	(1)
Settlement payments	—	—	—	—
Business combinations and disposals	—	(139)	—	—
Effect on changes in foreign exchange rates	—	13	(18)	(3)
Conversions to defined contributions	—	—	—	—
Other effects	7	—	—	—
<b>Balance at the end</b>	<b>2,399</b>	<b>132</b>	<b>103</b>	<b>25</b>

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

The change in net liabilities (assets) during the years ended December 31, 2021 and 2020 was as follows:

	2021: Net liability (assets)				2020: Net liability (assets)				
	Spain	Mexico	Turkey	Rest of the world	Spain	Mexico	The United States	Turkey	Rest of the world
<b>Balance at the beginning</b>	<b>4,039</b>	<b>28</b>	<b>85</b>	<b>27</b>	<b>4,326</b>	<b>72</b>	<b>52</b>	<b>86</b>	<b>38</b>
Current service cost	5	5	16	3	5	5	1	18	3
Interest income or expense	20	1	9	1	28	6	2	8	1
Contributions by plan participants	—	—	—	—	—	—	—	—	—
Employer contributions	11	(2)	(11)	(1)	—	(86)	—	(14)	(1)
Past service costs <sup>(1)</sup>	75	—	2	2	224	(1)	—	2	3
Remeasurements:	(98)	128	10	(5)	95	62	(4)	18	(14)
Return on plan assets <sup>(2)</sup>	8	49	(11)	19	(41)	(31)	(35)	23	(26)
From changes in demographic assumptions	—	(4)	—	(2)	60	—	(3)	—	—
From changes in financial assumptions	(61)	84	(18)	(7)	79	(19)	34	54	17
Other actuarial gains and losses	(45)	(2)	39	(15)	(3)	112	—	(59)	(5)
Benefit payments	(599)	(1)	(6)	(1)	(643)	(1)	(2)	(6)	(1)
Settlement payments	—	—	—	—	—	—	—	—	—
Business combinations and disposals	—	(40)	—	(2)	—	(19)	(44)	—	—
Effect on changes in foreign exchange rates	—	5	(43)	1	—	(10)	(5)	(26)	(4)
Conversions to defined contributions	—	—	—	—	—	—	—	—	—
Other effects	12	—	—	—	3	—	—	—	—
<b>Balance at the end</b>	<b>3,464</b>	<b>124</b>	<b>63</b>	<b>24</b>	<b>4,039</b>	<b>28</b>	<b>—</b>	<b>85</b>	<b>27</b>

(1) Includes gains and losses from settlements.

(2) Excludes interest which is reflected in the line item "Interest income and expense".

In Spain, local regulation requires that pension and death benefit commitments must be funded, either through a qualified pension plan or an insurance contract.

In the Spanish entities these commitments are covered by insurance contracts which meet the requirements of the accounting standard regarding the non-recoverability of contributions. However, a significant number of the insurance contracts are with BBVA Seguros, S.A. – a consolidated subsidiary and related party – and consequently these policies cannot be considered plan assets under IAS 19. For this reason, the liabilities insured under these policies are fully recognized under the heading "Provisions – Pensions and other post-employment defined benefit obligations" of the consolidated balance sheet (see Note 24), while the related assets held by the insurance company are included within the Group's consolidated assets (recorded according to the classification of the corresponding financial instruments). As of December 31, 2022 the value of these separate assets was €1,656 million (€2,326 and €2,572 million as of December 31, 2021 and 2020, respectively) representing direct rights of the insured employees held in the consolidated balance sheet, hence these benefits are effectively fully funded.

On the other hand, some pension commitments have been funded through insurance contracts with insurance companies not related to the Group. In this case the consolidated balance sheet reflects the value of the obligations net of the fair value of the qualifying insurance policies. As of December 31, 2022, 2021 and 2020, the value of the aforementioned insurance policies (€147, €206 and €249 million, respectively) exactly match the value of the corresponding obligations and therefore no amount for this item has been recorded in the consolidated balance sheet.

Pension benefits are paid by the insurance companies with whom BBVA has insurance contracts and to whom all insurance premiums have been paid. The premiums are determined by the insurance companies using cash flow matching techniques so that benefits can be met when due, guaranteeing both the actuarial and interest rate risk.

In Mexico, there is a defined benefit plan for employees hired prior to 2001. Other employees participate in a defined contribution plan. External funds/trusts have been constituted locally to meet benefit payments as required by local regulation.

In 2008, the Turkish government passed a law to unify the different existing pension systems under a single umbrella Social Security system. Such system provides for the transfer of the various previously established funds. The financial sector is in this stage at present, maintaining these pension commitments managed by external pension funds (foundations) established for that purpose.

The foundation that maintains the assets and liabilities relating to employees of Garanti BBVA in Turkey, as per the local regulatory requirements, has registered an obligation amounting to €292 million as of December 31, 2022 pending future transfer to the Social Security system. Furthermore, Garanti BBVA has set up a defined benefit pension plan for employees, additional to the social security benefits, reflected in the consolidated balance sheet.



## 25.1.2 Medical benefit commitments

The change in defined benefit obligations and plan assets during the years 2022, 2021 and 2020 was as follows:

Medical benefits commitments (Millions of Euros)									
	2022			2021			2020		
	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)	Defined benefit obligation	Plan assets	Net liability (asset)
Balance at the beginning	1,377	1,494	(116)	1,562	1,484	77	1,580	1,532	48
Current service cost	19	—	19	24	—	24	21	—	21
Interest income or expense	144	157	(14)	131	129	2	117	120	(3)
Contributions by plan participants	—	—	—	—	—	—	—	—	—
Employer contributions	—	—	—	—	1	(1)	—	22	(22)
Past service costs <sup>(1)</sup>	28	—	28	(5)	—	(5)	(8)	—	(8)
Remeasurements:	(215)	(144)	(71)	(377)	(119)	(257)	95	66	30
Return on plan assets <sup>(2)</sup>	—	(144)	144	—	(119)	119	—	66	(66)
From changes in demographic assumptions	—	—	—	(115)	—	(115)	—	—	—
From changes in financial assumptions	(191)	—	(191)	(257)	—	(257)	110	—	110
Other actuarial gain and losses	(23)	—	(23)	(4)	—	(4)	(15)	—	(15)
Benefit payments	(60)	(60)	—	(49)	(48)	—	(37)	(37)	—
Settlement payments	—	—	—	—	—	—	—	—	—
Business combinations and disposals	—	(139)	139	—	(39)	39	—	(19)	19
Effect on changes in foreign exchange rates	155	167	(11)	90	86	4	(207)	(201)	(6)
Other effects	—	—	—	—	—	—	—	—	—
Balance at the end	1,448	1,476	(28)	1,377	1,494	(116)	1,562	1,484	77

(1) Including gains and losses arising from settlements.

(2) Excluding interest, which is recorded under "Interest income or expense".

In Mexico, there is a medical benefit plan for employees hired prior to 2007. New employees from 2007 are covered by a medical insurance policy. An external trust has been constituted locally to fund the plan, in accordance with local legislation and Group policy.

In Turkey, employees are currently provided with medical benefits through a foundation in collaboration with the Social Security system, although local legislation prescribes the future unification of this and similar systems into the general Social Security system itself.

The valuation of these benefits and their accounting treatment follow the same methodology as that employed in the valuation of pension commitments.

## 25.1.3 Estimated benefit payments

As of December 31, 2022, the estimated benefit payments over the next ten years for all the entities in Spain, Mexico and Turkey are as follows:

Estimated benefit payments (Millions of Euros)						
	2023	2024	2025	2026	2027	2028 - 2032
Commitments in Spain	522	384	326	279	242	794
Commitments in Mexico	159	171	180	189	198	1,148
Commitments in Turkey	19	16	20	24	31	265
Total	700	571	526	493	471	2,208

## 25.1.4 Plan assets

The majority of the Group's defined benefit plans are funded by plan assets held in external funds/trusts legally separate from the Group sponsoring entity. However, in accordance with local regulation, some commitments are not externally funded and covered through internally held provisions, principally those relating to early retirements.

Plan assets are those assets which will be used to directly settle the assumed commitments and which meet the following conditions: they are not part of the Group sponsoring entities assets, they are available only to pay post-employment benefits and they cannot be returned to the Group sponsoring entity.

To manage the assets associated with defined benefit plans, BBVA Group has established investment policies designed according to criteria of prudence and minimizing the financial risks associated with plan assets.

The investment policy consists of investing in a low risk and diversified portfolio of assets with maturities consistent with the term of the benefit obligation and which, together with contributions made to the plan, will be sufficient to meet benefit payments when due, thus mitigating the plans' risks.



In those countries where plan assets are held in pension funds or trusts, the investment policy is developed consistently with local regulation. When selecting specific assets, current market conditions, the risk profile of the assets and their future market outlook are all taken into consideration. In all the cases, the selection of assets takes into consideration the term of the benefit obligations as well as short-term liquidity requirements.

The risks associated with these commitments are those which give rise to a deficit in the plan assets. A deficit could arise from factors such as a fall in the market value of plan assets, an increase in long-term interest rates leading to a decrease in the fair value of fixed income securities, or a deterioration of the economy resulting in more write-downs and credit rating downgrades.

The table below shows the allocation of plan assets of the main companies of the BBVA Group as of December 31, 2022, 2021 and 2020:

<b>Plan assets breakdown (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash or cash equivalents	169	24	38
Debt securities (government bonds)	2,270	2,394	2,707
Mutual funds	—	1	1
Asset-backed securities	—	—	—
Structured debt	—	—	—
Insurance contracts	183	148	140
<b>Total</b>	<b>2,622</b>	<b>2,566</b>	<b>2,887</b>
<i>Of which: Bank account in BBVA</i>	7	3	4
<i>Of which: Debt securities issued by BBVA</i>	—	—	—
<i>Of which: Property occupied by BBVA</i>	—	—	—

In addition to the above there are plan assets relating to the previously mentioned insurance contracts in Spain and the foundation in Turkey.

The following table provides details of investments in listed securities (Level 1) as of December 31, 2022, 2021 and 2020:

<b>Investments in listed markets (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Cash or cash equivalents	169	24	38
Debt securities (Government bonds)	2,270	2,394	2,707
Mutual funds	—	1	1
<b>Total</b>	<b>2,439</b>	<b>2,418</b>	<b>2,747</b>
<i>Of which: Bank account in BBVA</i>	7	3	4
<i>Of which: Debt securities issued by BBVA</i>	—	—	—
<i>Of which: Property occupied by BBVA</i>	—	—	—

The remainder of the assets are mainly invested in Level 2 assets in accordance with the classification established under IFRS 13 (mainly insurance contracts). As of December 31, 2022, almost all of the assets related to employee commitments corresponded to fixed income securities.

## 25.2 Defined contribution plans

Certain Group entities sponsor defined contribution plans. Some of these plans allow employees to make contributions which are then matched by the employer.

Contributions are recognized as and when they are accrued, with a charge to the consolidated income statement in the corresponding year. No liability is therefore recognized in the consolidated balance sheet (see Note 44.1).

## 26. Common stock

As of December 31, 2022 BBVA's share capital amounted to €2,954,757,116.36 divided into 6,030,116,564 shares, while as of each of December 31, 2021 and 2020 BBVA's share capital amounted to €3,267,264,424.20 divided into 6,667,886,580 shares. The decrease was the result of the partial executions of the share capital reduction resolution adopted by the Ordinary General Shareholders' Meeting of BBVA held on March 18, 2022, under item seven of its agenda, which were notified by means of Other Relevant Information on June 15, 2022 and on September 30, 2022 (see Note 4).

As of December 31, 2022, 2021 and 2020, the shares were fully subscribed and paid-up registered, all of the same class and series, at €0.49 par value each, represented through book-entry accounts. All of the Bank's shares carry the same voting and dividend rights, and no single stockholder enjoys special voting rights. Each and every share is part of the Bank's capital.

The Bank's shares are traded on the stock markets of Madrid, Barcelona, Bilbao and Valencia through the *Sistema de Interconexión Bursátil Español (Mercado Continuo)*, as well as on the London and Mexico stock markets. BBVA American Depositary Shares (ADSs) traded on the New York Stock Exchange under the ticker "BBVA".

Additionally, as of December 31, 2022, the shares of Banco BBVA Peru, S.A., BBVA Banco Provincial, S.A., Banco BBVA Colombia, S.A., Banco BBVA Argentina, S.A., and Garanti BBVA A.S., were listed on their respective local stock markets. Banco BBVA Argentina, S.A. was also quoted in the Latin American market (Latibex) of the Madrid Stock Exchange and the New York Stock Exchange. Also, the Depositary Receipts ("DR") of Garanti BBVA, A.S. are listed in the London Stock Exchange. BBVA is also currently included, amongst other indexes, in the IBEX 35® Index, which is made up by the 35 most liquid securities traded on the Spanish Market and, technically, it is a price index that is weighted by capitalization and adjusted according to the free float of each company comprised in the index.

As of December 31, 2022, State Street Bank and Trust Co., The Bank of New York Mellon SA NV and Chase Nominees Ltd in their capacity as international custodian/depositary banks, held 14.88%, 2.12%, and 6.84% of BBVA common stock, respectively. Of said positions held by the custodian banks, BBVA is not aware of any individual shareholders with direct or indirect holdings greater than or equal to 3% of BBVA common stock outstanding.

On February 24, 2023, BlackRock, Inc. reported to the SEC that it beneficially owned 7.4% of BBVA's common stock.

BBVA is not aware of any direct or indirect interests through which control of the Bank may be exercised. Furthermore, BBVA has not received any information on stockholder agreements including the regulation of the exercise of voting rights at its annual general meetings or restricting or placing conditions on the free transferability of BBVA shares. No agreement is known to BBVA that could give rise to changes in the control of the Bank.

BBVA banking subsidiaries, associates and joint ventures worldwide, are subject to supervision and regulation from a variety of regulatory bodies in relation to, among other aspects, the satisfaction of minimum capital requirements. The obligation to satisfy such capital requirements may affect the ability of such entities to transfer funds in the form of cash dividends, loans or advances. In addition, under the laws of the various jurisdictions where such entities are incorporated, dividends may only be paid out through funds legally available for such purpose. Even when the minimum capital requirements are met and funds are legally available, the relevant regulators or other public administrations could discourage or delay the transfer of funds to the Group in the form of cash, dividends, loans or advances for prudential reasons.

## Resolutions adopted by the Annual General Meeting

### Capital increase

BBVA's Annual General Shareholders' Meeting held on March 18, 2022 resolved, under agenda item four, to confer authority on the Board of Directors of BBVA to increase BBVA's share capital, on one or several occasions, within the legal term of five years to be counted as from the date on which this resolution was adopted, up to the maximum amount corresponding to 50% of BBVA's share capital at the time of this authorization. Likewise, the Annual General Shareholders' Meeting resolved to confer on the Board of Directors authority to totally or partially exclude shareholders' pre-emptive subscription rights within the framework of a specific issue of shares that may be made thereunder.

However, the power to exclude pre-emptive subscription rights was limited, such that the nominal amount of any share capital increases resolved or effectively carried out with the exclusion of pre-emptive subscription rights in use of this authority and those that may be resolved or carried out to cover the conversion of convertible issuances that may equally be made with the exclusion of pre-emptive subscription rights in use of the authority delegated to issue securities convertible into new BBVA shares (other than contingently convertible securities, envisaged to meet regulatory requirements for their eligibility as capital instruments (CoCos)) as resolved by BBVA's Annual General Shareholders' Meeting held on March 18, 2022 under agenda item five (without prejudice to anti-dilution adjustments), may not exceed the nominal maximum overall amount of 10% of BBVA's share capital at the time of this authorization. This authority repealed the authority conferred by the Annual General Meeting of Shareholders held on March 17, 2017 under its agenda item four, which BBVA did not use.

As of the date of this document, the Bank has not exercised the authority conferred by the General Shareholders' Meeting.

### Capital Decrease

BBVA's Annual General Shareholders' Meeting held on March 18, 2022 resolved, under agenda item seven, to approve the share capital reduction of BBVA by up to a maximum amount of 10% of the share capital on the date of this resolution, through the redemption of own shares acquired derivatively by BBVA, both those acquired by virtue of the authorization granted by the BBVA General Shareholders' Meeting held on March 16, 2018 under item three of the agenda, and those that may be acquired by virtue of the authorization granted by the General Shareholders' Meeting held on March 18, 2022 under item six of the agenda, through any mechanism whose objective or purpose is redemption. The implementation period of this resolution will end on the date of the next Annual General Shareholders' Meeting, being rendered null and void from that date in respect of the amount not executed. The Annual General Shareholders' Meeting conferred authority on the Board of Directors of BBVA, with sub-delegation powers, to totally or partially execute the aforementioned share capital reduction, on one or more occasions, repealing the resolution adopted by the Annual General Shareholders' Meeting held on April 20, 2021 under agenda item six, which BBVA did not use.

Within the framework of the share buyback program (see Note 4), BBVA has executed the following share capital reductions during the financial year 2022:

- On June 15, 2022, BBVA notified the partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €137,797,167.90 and the consequent redemption, charged to unrestricted reserves, of 281,218,710 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Tranche of the share buyback program Scheme and which were held as treasury shares.
- On September 30, 2022, BBVA notified through Other Relevant Information an additional partial execution of the share capital reduction resolution adopted by the Annual General Shareholders' Meeting of BBVA held on 18 March 2022, through the reduction of BBVA's share capital in a nominal amount of €174,710,139.94 and the consequent redemption, charged to unrestricted reserves, of 356,551,306 own shares of €0.49 par value each acquired derivatively by the Bank in execution of the First Segment and Second Segment of the Second Tranche of the share buyback program Scheme and which were held as treasury shares.

### Convertible and/or exchangeable securities:

Note 22.4 introduces the details of the convertible and/or exchangeable securities.

## 27. Share premium

As of December 31, 2022, the balance under this heading in the consolidated balance sheets was €20,856 million. As of December 31, 2021 and 2020, the balance under this heading was €23,599 and €23,992 million, respectively (see Note 4).

The amended Spanish Corporation Act expressly permits the use of the share premium balance to increase capital and establishes no specific restrictions as to its use (see Note 26).

## 28. Retained earnings, revaluation reserves and other reserves

### 28.1 Breakdown of the balance

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

Retained earnings, revaluation reserves and other reserves. Breakdown by concepts (Millions of Euros)			
	2022	2021	2020
Legal reserve	591	653	653
Restricted reserve	482	761	120
Voluntary reserves <sup>(1)</sup>	3,906	3,994	8,117
<b>Total reserves holding company</b>	<b>4,979</b>	<b>5,409</b>	<b>8,890</b>
Consolidation reserves attributed to the Bank and subsidiary consolidated companies	29,902	24,575	21,454
<b>Total</b>	<b>34,881</b>	<b>29,984</b>	<b>30,344</b>

(1) The variation in 2021 is mainly due to the allocation of earnings of BBVA, S.A. and the share buyback program (see Note 4).

### 28.2 Legal reserve

Under the amended Spanish Corporations Act, 10% of any profit made each year must be transferred to the legal reserve. The transfer must be made until the legal reserve reaches 20% of the common stock.

The legal reserve can be used to increase the common stock provided that the remaining reserve balance does not fall below 10% of the increased capital. While it does not exceed 20% of the common stock, it can only be allocated to offset losses exclusively in the case that there are not sufficient reserves available.

### 28.3 Restricted reserves

As of December 31, 2022, 2021 and 2020, the Bank's restricted reserves are as follows:

Restricted reserves. Breakdown by concepts (Millions of Euros)			
	2022	2021	2020
Restricted reserve for retired capital <sup>(1)</sup>	400	88	88
Restricted reserve for Parent Company shares and loans for those shares <sup>(2)</sup>	80	672	30
Restricted reserve for redenomination of capital in euros	2	2	2
<b>Total</b>	<b>482</b>	<b>761</b>	<b>120</b>

(1) The change in 2022 is a consequence of the partial executions of the capital reduction resolution adopted by BBVA's General Shareholders' Meeting held on March 18, 2022 (see Note 26).

(2) The balance of 2021 is mainly due to the share buyback program (see Note 4).

Until 2021, the restricted reserve for retired capital resulted from the reduction of the nominal par value of the BBVA shares made in April 2000. In 2022, this account includes the reserve corresponding to the share capital reductions carried out in 2022.



The second heading corresponds to restricted reserves related to the amount of shares issued by the Bank in its possession at each date, as well as the amount of customer loans outstanding at those dates that were granted for the purchase of, or are secured by, the parent company shares.

Finally, pursuant to Law 46/1998 on the Introduction of the Euro, a restricted reserve is recognized as a result of the rounding effect of the redenomination of the parent company common stock in euros.

## 28.4 Retained earnings, Revaluation reserves and Other reserves by entity

The breakdown, by company or corporate group, under the headings "Retained earnings", "Revaluation reserves" and "other reserves" in the consolidated balance sheets is as follows:

<b>Retained earnings, revaluation reserves and other reserves. Breakdown by company or corporate group (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Retained earnings (losses), revaluation reserves and other reserves</b>			
Holding Company	14,003	12,467	15,014
BBVA Mexico Group	13,839	13,894	12,890
Garanti BBVA Group	5,710	3,043	2,509
BBVA Provincial Group	1,720	1,721	1,731
BBVA Argentina Group	1,456	1,423	1,302
BBVA Colombia Group	1,510	1,393	1,287
BBVA Peru Group	1,065	1,031	984
Corporación General Financiera, S.A.	338	322	920
Forum Servicios Financieros S.A.	632	604	619
Sociedades inmobiliarias CX	263	277	251
BBV America, S.L.	299	270	262
BBVA Seguros, S.A.	284	239	(35)
Pecri Inversión, S.L.	119	118	114
BBVA Uruguay Group	118	106	87
Bilbao Vizcaya Holding, S.A.	144	68	77
Compañía de Cartera de Inversiones, S.A.	65	42	59
Gran Jorge Juan, S.A.	61	57	42
BBVA USA Group	—	—	(1,098)
Anida Grupo Inmobiliario	(525)	(556)	(594)
Sociedades inmobiliarias Unnim	(647)	(655)	(617)
Anida Operaciones Singulares, S.A.	(5,529)	(5,512)	(5,409)
Other	177	(121)	112
<b>Subtotal <sup>(1)</sup></b>	<b>35,102</b>	<b>30,231</b>	<b>30,508</b>
<b>Other reserves or accumulated losses of investments in joint ventures and associates</b>			
Atom Holdco Limited	(169)	(158)	(91)
Metrovacesa, S.A.	(84)	(84)	(84)
Other	32	(5)	11
<b>Subtotal</b>	<b>(221)</b>	<b>(247)</b>	<b>(164)</b>
<b>Total</b>	<b>34,881</b>	<b>29,984</b>	<b>30,344</b>

(1) In 2021 includes the accounting for shares pending from buyback program (see Note 4) and the reclassification of items not subject to reclassification to income statement to by results for "Actuarial gains (losses) in defined benefit pension plans".

For the purpose of allocating the reserves and accumulated losses to the consolidated entities and to the parent company, the transfers of reserves arising from the dividends paid and transactions between these entities are taken into account in the period in which they took place.

## 29. Treasury shares

In the years ended December 31, 2022, 2021 and 2020 the Group entities performed the following transactions with shares issued by the Bank:

	2022		2021		2020	
	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros	Number of Shares	Millions of Euros
<b>Treasury shares (Millions of Euros)</b>						
Balance at beginning	127,633,399	647	14,352,832	46	12,617,189	62
+ Purchases	598,457,024	2,966	203,530,570	1,022	234,691,887	807
- Sales and other changes	(720,605,009)	(3,583)	(90,250,003)	(417)	(232,956,244)	(830)
+/- Derivatives on BBVA shares	—	—	—	(4)	—	7
+/- Other changes	—	—	—	—	—	—
<b>Balance at the end</b>	<b>5,485,414</b>	<b>29</b>	<b>127,633,399</b>	<b>647</b>	<b>14,352,832</b>	<b>46</b>
Of which:						
<i>Held by BBVA, S.A.</i>	—	3	112,733,730	574	592,832	9
<i>Held by Corporación General Financiera, S.A.</i>	5,454,516	26	14,899,669	72	13,760,000	37
<i>Held by other subsidiaries</i>	30,898	—	—	—	—	—
Average purchase price in Euros	4.96	—	5.02	—	3.44	—
Average selling price in Euros	4.99	—	4.89	—	3.63	—
Net gains or losses on transactions (Shareholders' funds-Reserves)		9		17		—

In 2022 and 2021 there were transactions included in the share buyback program (see Note 4).

The percentages of treasury shares held by the Group in the years ended December 31, 2022, 2021 and 2020 are as follows:

Treasury Share	2022			2021			2020		
	Min	Max	Closing	Min	Max	Closing	Min	Max	Closing
% treasury share	0.078 %	7.492 %	0.094 %	0.108 %	1.922 %	1.914 %	0.008 %	0.464 %	0.215 %

The number of BBVA shares accepted by the Group in pledge of loans as of December 31, 2022, 2021 and 2020 is as follows:

Shares of BBVA accepted in pledge	2022	2021	2020
Number of shares in pledge	23,437,363	29,372,853	39,407,590
Nominal value (in Euros)	0.49	0.49	0.49
% of share capital	0.39 %	0.44 %	0.59 %

The number of BBVA shares owned by third parties but under management of a company within the Group as of December 31, 2022, 2021 and 2020 is as follows:

Shares of BBVA owned by third parties but managed by the Group	2022	2021	2020
Number of shares owned by third parties	18,686,027	17,645,506	18,266,509
Nominal value (in Euros)	0.49	0.49	0.49
% of share capital	0.31 %	0.26 %	0.27 %



### 30. Accumulated other comprehensive income (loss)

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

<b>Accumulated other comprehensive income (loss). Breakdown by concepts (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Items that will not be reclassified to profit or loss</b>				
Actuarial gains (losses) on defined benefit pension plans		(760)	(998)	(1,474)
Non-current assets and disposal groups classified as held for sale		—	—	(65)
Fair value changes of equity instruments measured at fair value through other comprehensive income	13.4	(1,194)	(1,079)	(1,256)
Fair value changes of financial liabilities at fair value through profit or loss attributable to changes in their credit risk		72	2	(21)
<b>Items that may be reclassified to profit or loss</b>				
Hedge of net investments in foreign operations (effective portion)		(1,408)	(146)	(62)
<i>Mexican peso</i>		(1,751)	(681)	(362)
<i>Turkish lira</i>		358	555	317
<i>Other exchanges</i>		(15)	(19)	(18)
Foreign currency translation		(13,103)	(14,988)	(14,185)
<i>Mexican peso</i>		(2,813)	(4,503)	(5,220)
<i>Turkish lira</i>		(6,601)	(6,607)	(4,960)
<i>Argentine peso</i>		(869)	(1,024)	(1,247)
<i>Venezuela Bolívar</i>		(1,850)	(1,858)	(1,860)
<i>Other exchanges</i>		(971)	(995)	(898)
Hedging derivatives. Cash flow hedges (effective portion)		(458)	(533)	10
Fair value changes of debt instruments measured at fair value through other comprehensive income	13.4	(562)	1,274	2,069
Non-current assets and disposal groups classified as held for sale <sup>(1)</sup>		—	—	644
Share of other recognized income and expense of investments in joint ventures and associates		(18)	(9)	(17)
<b>Total</b>		<b>(17,432)</b>	<b>(16,476)</b>	<b>(14,356)</b>

(1) Corresponds mainly to BBVA USA in 2020 (see Notes 3 and 21).

The balances recognized under these headings are presented net of tax.

The main changes in 2022 are explained by the depreciation against the euro of some of the currencies of the main geographies where the Group operates against the euro such as the Argentine peso (38.3%), the Turkish lira (23.7%) and the Colombian peso (12.1%), partially offset by the appreciation against the euro of the Mexican peso (11.0%) and Peruvian sol (11.0%), and the application of IAS 29 in Turkey (see Note 2.2.19) and the recognition under "Foreign currency translation" of the 36.12% acquired from minority interests (see Note 3).

### 31. Non-controlling interest

The breakdown by groups of consolidated entities under the heading "Minority interests (non-controlling interest)" of total equity in the consolidated balance sheets is as follows:

<b>Non-controlling interests. Breakdown by subgroups (Millions of Euros)</b>				
	<b>2022</b>	<b>2021</b>	<b>2020</b>	
Garanti BBVA <sup>(1)</sup>	1,180	2,851	3,692	
BBVA Peru	1,469	1,212	1,171	
BBVA Argentina	687	557	416	
BBVA Colombia	73	76	70	
BBVA Venezuela	95	70	65	
Other entities	119	87	56	
<b>Total</b>	<b>3,624</b>	<b>4,853</b>	<b>5,471</b>	

(1) The change corresponds mainly to the voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş. completed on May 18, 2022 (see Note 3).

These amounts are broken down by groups of consolidated entities under the heading “Attributable to minority interests (non-controlling interests)” in the consolidated income statements:

<b>Profit attributable to non-controlling interests. Breakdown by subgroups (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Garanti BBVA <sup>(1)</sup>	29	758	579
BBVA Peru	236	143	126
BBVA Argentina	83	26	38
BBVA Colombia	5	9	6
BBVA Venezuela	22	3	2
Other entities	32	25	5
<b>Total</b>	<b>407</b>	<b>965</b>	<b>756</b>

(1) The change corresponds mainly to the IAS 29 implementation and the voluntary takeover bid for the entire share capital of Türkiye Garanti Bankası A.Ş. completed on May 18, 2022 (see Notes 2.2.19 and 3).

Dividends distributed to non-controlling interest of the Group during the year 2022 are: BBVA Banco Continental Group €109 million, BBVA Garanti Group €49 million and other Group entities €27 million.

## **32. Capital base and capital management**

### **32.1 Capital base**

As of December 31, 2022, 2021 and 2020, own funds is calculated in accordance to the applicable regulation of each year on minimum capital requirements for Spanish credit institutions –both as individual entities and as consolidated group– that establish how to calculate them, as well as the various internal capital adequacy assessment processes they should have in place and the information they should disclose to the market.

Regarding the minimum capital requirements, the ECB informed the Group that the Pillar 2 requirement would remain at 1.5% (of which at least 0.84% must be CET1) since March 1, 2022. Therefore, BBVA should maintain a CET1 capital ratio of 8.60% and a total capital ratio of 12.76% at a consolidated level, which once updated taking into account the countercyclical buffer as of December 31, 2022, are 8.63% and 12.79%, respectively.

In addition, after the latest SREP (Supervisory Review and Evaluation Process) decision, applicable as from January 1, 2023, the ECB has informed the Group that it must maintain a total capital ratio of 13.00% and a CET1 capital ratio of 8.75% at the consolidated level, which include the consolidated Pillar 2 requirement of 1.71% (at least 0.96% must be CET1), of which 0.21% (0.12% must be CET1) is determined on the basis of the ECB's prudential provisioning expectation which, as of January 1, 2023, will no longer be treated as a deduction from CET1, with a 19 basis points positive effect on fully-loaded CET1 ratio as of December 31, 2022.

The BBVA Group has set the objective of maintaining a CET1 ratio at a consolidated level between 11.5% and 12.0%, increasing the target distance to the minimum requirement (8.63% until December 31, 2022 and 8.75% since January 1, 2023) at 287 and 337 basis points (275 and 325 basis points since January 1, 2023). At closing of the financial year 2022, CET1 ratio was above this target management range.

A reconciliation of the main figures between the accounting and regulatory own funds as of December 31, 2022, 2021 and 2020 is shown below:

<b>Eligible capital resources (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Capital	26	2,955	3,267	3,267
Share premium	27	20,856	23,599	23,992
Retained earnings, revaluation reserves and other reserves	28	34,881	29,984	30,344
Other equity instruments, net		63	60	42
Treasury shares	29	(29)	(647)	(46)
Profit (loss) attributable to the parent company	5	6,420	4,653	1,305
Interim dividend		(722)	(532)	—
<b>Total equity</b>		<b>64,422</b>	<b>60,384</b>	<b>58,904</b>
Accumulated other comprehensive income (loss)	30	(17,432)	(16,476)	(14,356)
Non-controlling interest	31	3,624	4,853	5,471
<b>Shareholders' equity</b>		<b>50,615</b>	<b>48,760</b>	<b>50,020</b>
Goodwill and other intangible assets		(1,395)	(1,484)	(3,775)
<b>Deductions</b>		<b>(1,722)</b>	<b>(1,484)</b>	<b>(3,775)</b>
Differences from solvency and accounting perimeter		(123)	(130)	(186)
Equity not eligible at solvency level		(123)	(130)	(186)
Other adjustments and deductions <sup>(1)</sup>		(6,032)	(7,197)	(3,128)
<b>Common Equity Tier 1 (CET 1)</b>		<b>42,738</b>	<b>39,949</b>	<b>42,931</b>
<b>Additional Tier 1 before Regulatory Adjustments</b>		<b>5,193</b>	<b>5,737</b>	<b>6,666</b>
<b>Total Regulatory Adjustments to Additional Tier 1</b>		<b>—</b>	<b>—</b>	<b>—</b>
<b>Tier 1</b>		<b>47,931</b>	<b>45,686</b>	<b>49,597</b>
<b>Tier 2</b>		<b>5,930</b>	<b>7,383</b>	<b>8,548</b>
<b>Total Capital (Total Capital=Tier 1 + Tier 2)</b>		<b>53,861</b>	<b>53,069</b>	<b>58,145</b>
<b>Total Minimum equity required</b>		<b>43,111</b>	<b>39,275</b>	<b>45,042</b>

(1) Other adjustments and deductions includes, among others, the adjustment of non-eligible minority interests, the amount of repurchase of own shares up to the maximum limit authorized by the ECB for the BBVA Group in 2021 (see Note 4) and the amount of shareholders remuneration pending to be distributed.

The Group's eligible own funds and risk-weighted assets (RWAs) in accordance with the aforementioned applicable regulation as of December 31, 2022, 2021 and 2020 are shown below:

<b>Amount of capital CC1 (Millions of Euros)</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Capital and share premium	23,810	26,866	27,259
Retained earnings and equity instruments	31,436	30,745	29,974
Other accumulated income and other reserves	(13,952)	(17,200)	(14,023)
Minority interests	1,853	2,800	3,656
Net interim attributable profit	3,814	2,573	860
<b>Common Equity Tier I (CET1) before other regulatory adjustments</b>	<b>46,962</b>	<b>45,784</b>	<b>47,726</b>
Goodwill and intangible assets	(1,395)	(1,484)	(3,455)
Direct, indirect and synthetic holdings in own Common Equity Tier I instruments <sup>(1)</sup>	(356)	(2,800)	(366)
Deferred tax assets	(1,057)	(1,009)	(1,478)
Other deductions and filters	(1,416)	(542)	504
<b>Total common equity Tier 1 regulatory adjustments</b>	<b>(4,223)</b>	<b>(5,835)</b>	<b>(4,795)</b>
<b>Common equity TIER 1 (CET1)</b>	<b>42,738</b>	<b>39,949</b>	<b>42,931</b>
Capital instruments and share premium accounts classified as liabilities and qualifying as Additional Tier I	4,875	5,265	6,130
Qualifying Tier 1 capital included in consolidated AT1 capital issued by subsidiaries and held by third parties	318	472	536
<b>Additional Tier 1 (CET 1) before regulatory adjustments</b>	<b>5,193</b>	<b>5,737</b>	<b>6,666</b>
Transitional CET 1 adjustments	—	—	—
<b>Total regulatory adjustments to additional Tier 1</b>	<b>—</b>	<b>—</b>	<b>—</b>
<b>Additional Tier 1 (AT1)</b>	<b>5,193</b>	<b>5,737</b>	<b>6,666</b>
<b>Tier 1 (Common equity TIER 1+ additional TIER 1)</b>	<b>47,931</b>	<b>45,686</b>	<b>49,597</b>
Capital instruments and share premium accounted as Tier 2	3,510	4,324	4,540
Qualifying Tier 2 capital included in consolidated T2 capital issued by subsidiaries and held by third parties	2,310	2,516	3,410
Credit risk adjustments	213	722	604
<b>Tier 2 before regulatory adjustments</b>	<b>6,033</b>	<b>7,562</b>	<b>8,554</b>
<b>Tier 2 regulatory adjustments</b>	<b>(103)</b>	<b>(179)</b>	<b>(6)</b>
<b>Tier 2</b>	<b>5,930</b>	<b>7,383</b>	<b>8,547</b>
<b>Total capital (Total capital=Tier 1 + Tier 2)</b>	<b>53,861</b>	<b>53,069</b>	<b>58,145</b>
<b>Total RWA</b>	<b>337,066</b>	<b>307,795</b>	<b>353,273</b>
CET 1 (phased-in)	12.68 %	12.98 %	12.15 %
Tier 1 (phased-in)	14.22 %	14.84 %	14.04 %
Total capital (phased-in)	15.98 %	17.24 %	16.46 %

(1) With respect to 2021, it includes mainly the amount of shares pending to be acquired under the share buyback program based on the maximum limit authorized by the ECB for the BBVA Group as of December 31, 2021 (see Note 4).

As of December 31, 2022, the Common Equity Tier 1 (CET1) fully-loaded ratio stood at 12.61% which represented a reduction of -14 basis points with respect to 2021, with the CET1 phased-in ratio at 12.68%, which represented a reduction of -30 basis points with respect to 2021. The difference between the CET1 fully-loaded ratio and the CET1 phased-in ratio is mainly explained by the effect of the transitory adjustments for the treatment in the solvency ratios of the impacts of IFRS 9.

These ratios include the effect of the corporate transactions carried out during the year, with a combined impact of -38 basis points of CET1. These transactions are the agreement reached with Neon Payments Limited in the first quarter of 2022, the voluntary takeover bid for Garanti BBVA and the acquisition of 100% of Tree from Merlin in the second quarter of 2022 (see Notes 3 and 17). In addition, these ratios include the positive impact of the downward reversion of the estimated impact of the share buyback program recorded as of December 31, 2021, as well as the impact on equity of the effect of hyperinflation on results. Excluding these impacts during the year, BBVA recorded a profit which, net of shareholder remuneration and payments made in respect of BBVA's contingent convertible bonds (CoCos), contributed by +106 basis points to the CET1 ratio and offset the increase in RWAs, the impact of changes in exchange rates and volatility as well as year-on-year regulatory differences.

Risk-weighted assets (RWAs) increased by approximately €30 billion, mainly as a result of the increase in the loan portfolio and the abovementioned year-on-year regulatory differences.

The additional Tier 1 capital ratio (AT1) stood at 1.54% (1.54% phased-in) at December 31, 2022, which included a reduction of €500 million due to the early redemption of a series of CoCos issued in 2017.

The Tier 2 ratio stood at 1.79%, which represents a reduction of -58 basis points compared to December 31, 2021, mainly explained by the RWA growth during the year as well as the reduction in the computability of provisions from internal credit models. The phased-in Tier 2 ratio stood at 1.76%. The difference with the fully-loaded Tier 2 ratio relates mainly to the transitional treatment of certain subordinated issuances.



As result of the above, the total capital ratio stood at 15.94% as of December 31, 2022, and the total phased-in ratio stood at 15.98%.

Regarding MREL (Minimum Requirement for Own Funds and Eligible Liabilities) requirements, on March 8, 2022, the Bank announced that it had received a communication from the Bank of Spain of its minimum level of own funds and eligible liabilities requirement (MREL), as determined by the Single Resolution Board (SRB), repealing and superseding the previous MREL requirement communicated in May 2021.

In accordance with this new MREL communication, BBVA has to reach, by January 1, 2022, a volume of own funds and eligible liabilities equal to 21.46% of the total RWAs of its resolution group (the "MREL in RWAs"), of which 13.5% of the total RWAs of BBVA's resolution group has to be fulfilled with subordinated instruments (the "MREL in RWAs subordination requirement"). The MREL in RWAs and the MREL in RWAs subordination requirement do not include the combined capital buffer requirement which, according to applicable regulations and supervisory criteria, is currently 3.26% (setting the MREL in RWAs including the combined capital buffer requirement at 24.72% and the MREL in RWAs subordination requirement including the combined capital buffer requirement at 16.76%).

As of December 31, 2022 BBVA met the MREL in RWAs requirement, being this ratio 26.45%. Finally, as of December 31, 2022, the MREL in Leverage Ratio (LR) is 11.14% and the subordination ratios in terms of RWA and in terms of LR were 21.74% and 9.16%, respectively.

## 32.2 Leverage ratio

The leverage ratio (LR) is a regulatory measure complementing capital designed to promote the financial strength of institutions in terms of indebtedness. This measurement can be used to estimate the percentage of the assets and off-balance sheet arrangements financed with Tier 1 capital, being the carrying amount of the assets used in this ratio adjusted to reflect the Group's current or potential leverage of a given balance-sheet position (Leverage ratio exposure).

Breakdown of leverage ratio as of December 31, 2022, 2021 and 2020, calculated according to CCR, is as follows:

Leverage ratio	2022	2021	2020
Tier 1 (millions of Euros) (a)	47,931	45,686	49,597
Exposure to leverage ratio (millions of Euros) (b)	737,990	671,789	741,095
Leverage ratio (a)/(b) (percentage)	6.49 %	6.80 %	6.69 %

Finally, as of December 31, 2022, the phased-in leverage ratio, which includes the transitory treatment of certain capital elements (mainly the impact of IFRS 9), stood at 6.5%. Since March 2022, certain exposures to central banks are no longer excluded from the leverage ratio exposure in accordance with Regulation (EU) 2019/876 ("CRR-Quick fix").

## 32.3 Capital management

The aim of capital management within BBVA and the Group is for both BBVA and the Group to have the necessary capital at any given time to develop the corporate strategy reflected in the Strategic Plan, in line with the risk profile set out in the Group Risk Appetite Framework.

In this regard, BBVA's capital management is also part of the most relevant forward-looking strategic decisions in the Group's management and monitoring, which include the Annual Budget and the Liquidity and Funding Plan, with which it is coordinated — all with the aim of achieving the Group's overall strategy.

Capital must be allocated optimally in order to meet the need to preserve the solvency of BBVA and the Group at all times. Together with the Group's solvency risk profile included in the Risk Appetite Framework (RAF), this optimal allocation serves as a guide for the Group's capital management and seeks a capital position that makes it possible to:

- Anticipate ordinary and extraordinary consumption that may occur, even under stress;
- Promote the development of the Group's business and align it with capital and profitability objectives by allocating resources appropriately and efficiently;
- Cover all risks—including potential risks—to which it is exposed;
- Comply with regulatory and internal management requirements at all times; and
- Remunerate BBVA shareholders in accordance with the Shareholder Remuneration Policy in force at any given time.

The areas involved in capital management in the Group shall follow and respect the following principles in their respective areas of responsibility:

- Ensuring that capital management is integrated and consistent with the Group's Strategic Plan, RAF, Annual Budget and other strategic-prospective processes, to help achieve the Group's long-term sustainability.
- Taking into account both the applicable regulatory and supervisory requirements and the risks to which the Group is—or may be—exposed when conducting its business (economic vision), when establishing a target capital level, all while adopting a forward-looking vision that takes adverse scenarios into consideration.



- Carrying out efficient capital allocation that promotes good business development, ensuring that expectations for the evolution of activity meet the strategic objectives of the Group and anticipating the ordinary and extraordinary consumption that may occur.
- Ensuring compliance with the solvency levels, including the minimum requirement for own funds and eligible liabilities (MREL), required at any given time.
- Compensating BBVA shareholders in an adequate and sustainable manner.
- Optimizing the cost of all instruments used for the purpose of meeting the target capital level at any given time

To achieve the aforementioned principles, capital management will be based on the following essential elements:

- An adequate governance and management scheme, both at the corporate body level and at the executive level.
- Planning, managing and monitoring capital properly, using the measurement systems, tools, structures, resources and quality data necessary to do so.
- A set of metrics, which is duly updated, to facilitate the tracking of the capital situation and to identify any relevant deviations from the target capital level.
- A transparent, correct, consistent and timely communication and dissemination of capital information outside the Group.
- An internal regulatory body, which is duly updated, including with respect to the regulations and procedures that support adequate capital management.

### 33. Commitments and guarantees given

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

<b>Commitments and guarantees given (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Loan commitments given</b>	<b>7.2.2</b>	<b>136,920</b>	<b>119,618</b>	<b>132,584</b>
<i>Of which: impaired</i>		177	171	265
Central banks		—	—	—
General governments		3,031	3,483	2,919
Credit institutions		15,407	16,085	11,426
Other financial corporations		5,895	4,583	5,862
Non-financial corporations		68,120	59,475	71,011
Households		44,467	35,991	41,366
<b>Financial guarantees given</b>	<b>7.2.2</b>	<b>16,511</b>	<b>11,720</b>	<b>10,665</b>
<i>Of which: impaired <sup>(1)</sup></i>		281	245	290
Central banks		—	—	1
General governments		96	162	132
Credit institutions		475	312	339
Other financial corporations		1,263	1,026	587
Non-financial corporations		14,541	10,039	9,376
Households		135	181	231
<b>Other commitments given</b>	<b>7.2.2</b>	<b>39,137</b>	<b>34,604</b>	<b>36,190</b>
<i>Of which: impaired <sup>(1)</sup></i>		689	541	477
Central banks		—	2	124
General governments		215	212	199
Credit institutions		4,134	4,266	5,285
Other financial corporations		1,758	1,753	2,902
Non-financial corporations		32,858	28,224	27,496
Households		171	147	182
<b>Total</b>	<b>7.2.2</b>	<b>192,568</b>	<b>165,941</b>	<b>179,440</b>

(1) In December 2020, it includes the balance of the Group's businesses in the United States included in the USA Sale (see Notes, 3 and 21). Non-performing financial guarantees given amounted to €970, €786, and €767 million, respectively, as of December 31, 2022, 2021 and 2020.

As of December 31, 2022 and 2021, the provisions for loan commitments, financial guarantees and other commitments given, recorded in the consolidated balance sheet amounted to €243, €175 and €353; and €272 million, €164 million and €256 million, respectively (see Note 24).





Since a significant portion of the amounts above will expire without any payment being made by the consolidated entities, the aggregate balance of these commitments cannot be considered to be the actual future requirement for financing or liquidity to be provided by the BBVA Group to third parties.

In the years 2022, 2021 and 2020, no issuance of debt securities carried out by associates of the BBVA Group, joint venture entities or non-Group entities have been guaranteed.

### 34. Other contingent assets and liabilities

As of December 31, 2022, 2021 and 2020 there were no material contingent assets or liabilities other than those disclosed in the Notes to the consolidated financial statements.

### 35. Purchase and sale commitments and future payment obligations

The purchase and sale commitments of the BBVA Group are disclosed in Notes 10, 14 and 22.

Future payment obligations mainly correspond to leases payable derived from operating lease contracts, as detailed in Note 22.5, and estimated employee benefit payments, as detailed in Note 25.1.3.

### 36. Transactions on behalf of third parties

The details of the relevant transactions on behalf of third parties are as follows:

Transactions on behalf of third parties. Breakdown by concepts (Millions of Euros)			
	2022	2021	2020
Financial instruments entrusted to BBVA by third parties	352,139	356,985	357,022
Conditional bills and other securities received for collection	11,738	10,795	10,459
Securities lending	3,223	2,605	5,285
<b>Total</b>	<b>367,100</b>	<b>370,385</b>	<b>372,766</b>

### 37. Net interest income

#### 37.1 Interest and other income

The breakdown of the interest and other income recognized in the consolidated income statement is as follows:

Interest and other income. Breakdown by origin (Millions of Euros)			
	2022	2021	2020
Financial assets held for trading	2,079	1,084	1,189
Financial assets at fair value through other comprehensive income	3,110	1,880	1,392
Financial assets at amortized cost	25,258	18,364	18,357
Insurance activity	1,309	1,084	1,021
Adjustments of income as a result of hedging transactions	(825)	(84)	(112)
Other income <sup>(1)</sup>	501	686	542
<b>Total</b>	<b>31,432</b>	<b>23,015</b>	<b>22,389</b>

(1) Includes, among others, the net interest income accrued from funds obtained through TLTRO III operations, which amounted to €177 million, €384 million and €211 million, as of December 31, 2022, 2021 and 2020, respectively (see Note 22.1).

The amounts recognized in consolidated equity in connection with hedging derivatives for the years ended December 31, 2022, 2021 and 2020 and the amounts derecognized from the consolidated equity and taken to the consolidated income statements during those years are included in the "Consolidated statements of recognized income and expense".

## 37.2 Interest expense

The breakdown of the balance under this heading in the consolidated income statements is as follows:

<b>Interest expense. Breakdown by origin (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Financial liabilities held for trading	1,140	1,339	742
Financial liabilities designated at fair value through profit or loss	58	52	61
Financial liabilities at amortized cost	9,985	6,130	6,346
Adjustments of expense as a result of hedging transactions	(232)	(360)	(413)
Insurance activity	919	773	721
Cost attributable to pension funds	76	52	57
Other expense	333	342	284
<b>Total</b>	<b>12,279</b>	<b>8,329</b>	<b>7,797</b>

## 38. Dividend income

The balances for this heading in the consolidated income statements correspond to dividends on shares and equity instruments other than those from shares in entities accounted for using the equity method (see Note 39), as can be seen in the breakdown below:

<b>Dividend income (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Non-trading financial assets mandatorily at fair value through profit or loss	15	64	15
Financial assets at fair value through other comprehensive income	108	112	122
<b>Total</b>	<b>123</b>	<b>176</b>	<b>137</b>

## 39. Share of profit or loss of entities accounted for using the equity method

Results from "Share of profit or loss of entities accounted for using the equity method" resulted in a positive impact of €21 million as of December 31, 2022, compared with the positive impact of €1 million and the negative impact of €39 million recorded as of December 31, 2021 and 2020, respectively.

## 40. Fee and commission income and expense

The breakdown of the balance under these headings in the consolidated income statements is as follows:

<b>Fee and commission income. Breakdown by origin (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Bills receivables	26	23	27
Demand accounts	424	425	322
Credit and debit cards and POS	3,499	2,628	2,089
Checks	162	136	136
Transfers and other payment orders	812	664	555
Insurance product commissions	261	215	159
Loan commitments given	259	234	185
Other commitments and financial guarantees given	420	364	349
Asset management	1,228	1,250	1,100
Securities fees	266	267	367
Custody securities	193	169	135
Other fees and commissions	711	622	556
<b>Total</b>	<b>8,261</b>	<b>6,997</b>	<b>5,980</b>

The breakdown of fee and commission expense under these heading in the consolidated income statements is as follows:

<b>Fee and commission expense. Breakdown by origin (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Demand accounts	5	5	5
Credit and debit cards	1,884	1,427	1,130
Transfers and other payment orders	133	120	97
Commissions for selling insurance	70	51	54
Custody securities	92	55	52
Other fees and commissions	723	574	519
<b>Total</b>	<b>2,907</b>	<b>2,232</b>	<b>1,857</b>

#### **41. Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net**

The breakdown of the balance under this heading, by source of the related items, in the consolidated income statement is as follows:

<b>Gains (losses) on financial assets and liabilities, hedge accounting and exchange differences, net (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Gains (losses) on derecognition of financial assets and liabilities not measured at fair value through profit or loss, net	64	134	139
<i>Financial assets at amortized cost</i>	8	27	106
<i>Other financial assets and liabilities</i>	56	106	33
Gains (losses) on financial assets and liabilities held for trading, net	562	341	777
<i>Reclassification of financial assets from fair value through other comprehensive income</i>	—	—	—
<i>Reclassification of financial assets from amortized cost</i>	—	—	—
<i>Other gains (losses)</i>	562	341	777
Gains (losses) on non-trading financial assets mandatorily at fair value through profit or loss, net	(67)	432	208
<i>Reclassification of financial assets from fair value through other comprehensive income</i>	—	—	—
<i>Reclassification of financial assets from amortized cost</i>	—	—	—
<i>Other gains (losses)</i>	(67)	432	208
Gains (losses) on financial assets and liabilities designated at fair value through profit or loss, net	150	335	56
Gains (losses) from hedge accounting, net	(45)	(214)	7
<b>Subtotal gains (losses) on financial assets and liabilities</b>	<b>663</b>	<b>1,027</b>	<b>1,187</b>
Exchange differences, net	1,275	883	359
<b>Total</b>	<b>1,938</b>	<b>1,910</b>	<b>1,546</b>

The breakdown of the balance (excluding exchange rate differences) under this heading in the income statements by the nature of financial instruments is as follows:

<b>Gains (losses) on financial assets and liabilities. Breakdown by nature of the financial instrument (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Debt instruments	(2,266)	158	848
Equity instruments	(1,099)	2,059	(28)
Trading derivatives and hedge accounting	1,361	(1,866)	277
Loans and advances to customers	(241)	100	128
Customer deposits	274	55	(79)
Other	2,635	522	42
<b>Total</b>	<b>663</b>	<b>1,027</b>	<b>1,187</b>

The breakdown of the balance of the impact of the derivatives (trading and hedging) under this heading in the consolidated income statements is as follows:

<b>Derivatives - Hedge accounting (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Derivatives</b>			
Interest rate agreements	522	73	269
Securities agreements	1,653	(1,500)	(36)
Commodity agreements	4	3	1
Credit derivative agreements	16	(255)	(89)
Foreign-exchange agreements	(658)	40	88
Other agreements	(131)	(12)	37
<b>Subtotal</b>	<b>1,406</b>	<b>(1,651)</b>	<b>270</b>
<b>Hedging derivatives ineffectiveness</b>			
Fair value hedges	(51)	(235)	5
<i>Hedging derivative</i>	(229)	90	(151)
<i>Hedged item</i>	178	(325)	156
Cash flow hedges	6	21	2
<b>Subtotal</b>	<b>(45)</b>	<b>(214)</b>	<b>7</b>
<b>Total</b>	<b>1,361</b>	<b>(1,866)</b>	<b>277</b>

In addition, in the years ended December 31, 2022, 2021 and 2020, under the heading "Exchange differences, net" in the consolidated income statements negative amounts of €37 million, €41 million and €57 million, respectively, were recognized for transactions with foreign exchange trading derivatives.

## 42. Other operating income and expense

The breakdown of the balance under the heading "Other operating income" in the consolidated income statements is as follows:

<b>Other operating income (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Gains from sales of non-financial services	284	301	244
Other operating income	244	360	248
<b>Total</b>	<b>528</b>	<b>661</b>	<b>492</b>

The breakdown of the balance under the heading "Other operating expense" in the consolidated income statements is as follows:

<b>Other operating expense (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Change in inventories	134	151	124
Contributions to guaranteed banks deposits funds	997	829	800
Hyperinflation adjustment <sup>(1)</sup>	1,687	585	348
Other operating expense	620	475	390
<b>Total</b>	<b>3,438</b>	<b>2,041</b>	<b>1,662</b>

(1) See Note 2.2.19. It includes €832 million related to Turkey and €822 million related to Argentina.

## 43. Income and expense from insurance and reinsurance contracts

The detail of the headings "Income and expense from insurance and reinsurance contracts" in the consolidated income statements is as follows:

<b>Income and expense from insurance and reinsurance contracts (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Income from insurance and reinsurance contracts	3,103	2,593	2,497
Expense from insurance and reinsurance contracts	(1,892)	(1,685)	(1,520)
<b>Total</b>	<b>1,212</b>	<b>908</b>	<b>977</b>



The table below shows the contribution of each insurance product to the Group's income for the years ended December 31, 2022, 2021 and 2020:

Income by type of insurance product (Millions of Euros)			
	2022	2021	2020
Life insurance	665	622	497
<i>Individual</i>	585	583	439
<i>Group insurance</i>	79	39	59
Non-Life insurance	547	286	480
<i>Home insurance</i>	—	—	91
<i>Other non-life insurance products</i>	547	286	389
<b>Total</b>	<b>1,212</b>	<b>908</b>	<b>977</b>

## 44. Administration costs

### 44.1 Personnel expense

The breakdown of the balance under this heading in the consolidated income statements is as follows:

Personnel expense (Millions of Euros)				
	Notes	2022	2021	2020
Wages and salaries		4,317	3,933	3,610
Social security costs		710	668	671
Defined contribution plan expense	25	87	71	72
Defined benefit plan expense	25	43	49	49
Other personnel expense		454	325	293
<b>Total</b>		<b>5,612</b>	<b>5,046</b>	<b>4,695</b>

#### 44.1.1 Share-based employee remuneration

The amounts recognized under the heading "Administration costs - Personnel expense - Other personnel expense" in the consolidated income statements for the year ended December 31, 2022, 2021 and 2020, corresponding to the remuneration plans based on equity instruments in each year, amounted to €32 million, €33 million and €16 million, respectively. These amounts have been recognized with a corresponding entry under the heading "Shareholders' funds - Other equity" in the consolidated balance sheets, net of tax effect.

The characteristics of the Group's remuneration plans based on equity instruments are described below.

#### Variable remuneration in shares

BBVA has a specific remuneration scheme applicable to those employees whose professional activities have a material impact on the risk profile of BBVA and/or its Group (hereinafter "Identified Staff") involving the delivery of BBVA shares or instruments linked to BBVA shares, designed within the framework of applicable regulations to credit institutions and considering best practices and recommendations at the local and international levels in this matter.

In 2022, this remuneration scheme is reflected in the following remuneration policies:

- BBVA Group General Remuneration Policy, approved by the Board of Directors on June 30, 2021, that applies to employees and BBVA Senior Management (excluding BBVA executive directors) and at Group companies with respect to which BBVA exercises control over management. This policy includes the specific rules applicable to the members of the Identified Staff, including BBVA Senior Management.
- BBVA Directors' Remuneration Policy, approved by the General Shareholders' Meeting of BBVA held on April 20, 2021, that it's applicable to the members of the Board of Directors of BBVA. The remuneration system for executive directors corresponds, generally, with the applicable system to the Identified Staff, incorporating some particularities of their own, derived from their condition of directors.

The variable remuneration for the Identified Staff members is subject to the following rules established in their corresponding remuneration policies, specifically:

- Annual Variable Remuneration for Identified Staff members for each financial year will be subject to ex ante adjustments, so that it shall be reduced at the time of their appraisal in the event of a downturn in the Group's results or other parameters such as the level of achievement of budgeted targets, and it will not accrue or it will accrue in a reduced amount, should a certain level of profits and capital ratio not be achieved in accordance with the provisions of applicable regulations at any given time.

- 60% of the Annual Variable Remuneration will be vested and paid, if conditions are met, as a general rule, in the first four months of the financial year following that to which the Annual Variable Remuneration corresponds (the "Upfront Portion"). For executive directors, the rest of the members of the Senior Management and Identified Staff members with particularly high variable remuneration, the Upfront Portion will be 40% of the Annual Variable Remuneration. The remaining portion will be deferred in time (hereinafter the "Deferred Portion") for a 5 year-period for executive directors and members of the Senior Management, and 4 years for the remaining members of the Identified Staff.
- 50% of the Annual Variable Remuneration, including both the Upfront Portion and the Deferred Portion, shall be established in BBVA shares or in instruments linked to BBVA shares. As regards executive directors and the rest of the members of Senior Management, 60% of the Deferred Portion shall be established in shares.
- The shares or instruments awarded as Annual Variable Remuneration, both from the Upfront Portion and the Deferred Portion, shall be withheld for a one-year period after delivery. This will not apply to those shares or instruments the sale of which would be required to honor the payment of taxes accruing on delivery.
- The Deferred Portion of the Annual Variable Remuneration may be reduced, but never increased, depending on the results of multi-year performance indicators which are aligned with the Group's core risk management and control metrics related to the solvency, liquidity, profitability or value creation.
- The cash amounts of the Deferred Portion of Annual Variable Remuneration finally vested, shall be updated by applying the Consumer Price Index (CPI), measured as year-on-year change in prices, or any other criteria established for such purposes by the Board of Directors.
- The entire Annual Variable Remuneration corresponding to each financial year shall be subject to arrangements for the reduction of variable remuneration ("malus") and arrangements for the recovery of variable remuneration already paid ("clawback") during the whole deferral and withholding period, which will be applicable in the event of the occurrence of any of the circumstances expressly named in the remuneration policies.
- No personal hedging strategies or insurances shall be used in connection with variable remuneration or liability that may undermine the effects of alignment with prudent risk management.
- The variable component of the remuneration for a financial year (understood as the sum of all variable components of the remuneration) shall be limited to a maximum amount of 100% of the fixed component of the total remuneration (understood as the sum of all fixed components of the remuneration), unless the General Shareholders' Meeting of BBVA resolves to increase this percentage up to a maximum of 200%.

In this regard, the General Shareholders' Meeting of BBVA held on March 18, 2022 resolved to increase this limit to a maximum level of 200% of the fixed component of the total remuneration for a given number of the Identified Staff members, in the terms indicated in the report issued for this purpose by the Board of Directors dated February 9, 2022.

- Any type of remuneration, other than Annual Variable Remuneration, considered to be variable remuneration shall be subject to the rules regarding award, vesting and payment applicable in accordance with the type and nature of the remuneration component itself.

During 2022, in accordance with the applicable remuneration policies, the right to receive a total amount of 3,420,608 BBVA shares or instruments linked to BBVA shares corresponding mostly to the Upfront Portion of 2021 Annual Variable Remuneration and other variable components of remuneration, was accrued by the Identified Staff.

Additionally, according to the Remuneration Policy applicable in 2017, during 2022 a total amount of 106,072 BBVA shares corresponding to the second payment of the Deferred Portion of 2017 Annual Variable Remuneration of executive directors and the rest of the members of Senior Management were delivered.

Finally, according to the Remuneration Policy applicable in 2018, during 2022 a total amount of 3,739,044 BBVA shares were delivered to the Identified Staff corresponding to the first payment of the Deferred Portion of 2018 Annual Variable Remuneration of executive directors and the rest of the members of Senior Management and to the full Deferred Portion of the 2018 Annual Variable Remuneration of the rest of the Identified Staff.

Detailed information on the delivery of shares to executive directors and the rest of the members of Senior Management of BBVA who held this position as of December 31, 2022, is included in Note 54.

Lastly, in line with specific regulation applicable in Portugal and Brazil, BBVA IFIC and BBVA Brazil Banco de Investimento have identified (on an individual basis, respectively) the staff in these countries whose annual variable remuneration should be subject to a specific settlement and payment scheme established in their corresponding remuneration policies, more specifically:

- A percentage of the annual variable remuneration is subject to a three years deferral that shall be paid yearly over the mentioned period.
- 50% of the annual variable remuneration, both the upfront portion and deferred portion, shall be established in BBVA shares.
- In BBVA IFIC, resulting cash portions of the deferred portion of annual variable remuneration and subject to multi-year performance indicators, finally delivered, shall be updated following the Consumer Price Index (CPI) measured as year-on-year price variation.



- In BBVA Brazil Banco de Investimento, both the cash amounts and share amounts of the deferred portion may be subject to update adjustments in cash.

According to this remuneration scheme, during financial year 2022 a total of 21,774 BBVA shares corresponding to the upfront portion of 2021 annual variable remuneration were delivered to these staff in Portugal and Brazil.

Additionally, during 2022 a total of 3,517 BBVA shares corresponding to the first third of the deferred portion of 2020 annual variable remuneration were delivered to these staff in Portugal and Brazil as well as a total of 425 euros as adjustments for updates (for shares delivered in Brazil), and a total of 4,422 BBVA shares corresponding to the second third of the deferred portion of 2019 annual variable remuneration and 1,203 euros as adjustments for updates (for shares delivered in Brazil), and a total of 5,083 BBVA shares corresponding to the last third of the deferred portion of 2018 annual variable remuneration and 2,195 euros as adjustments for updates (for shares delivered in Brazil).

## 44.2 Other administrative expense

The breakdown of the balance under this heading in the consolidated income statements is as follows:

<b>Other administrative expense. Breakdown by main concepts (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Technology and systems	1,394	1,176	1,088
Communications	195	175	172
Advertising	282	207	186
Property, fixtures and materials	440	380	404
Taxes other than income tax	370	347	344
Surveillance and cash courier services	214	179	161
Other expense	925	786	749
<b>Total</b>	<b>3,820</b>	<b>3,249</b>	<b>3,105</b>

## 45. Depreciation and amortization

The breakdown of the balance under this heading in the consolidated income statements for the years ended December 31, 2022, 2021 and 2020 is as follows:

<b>Depreciation and amortization (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Tangible assets	17	818	740	781
For own use		501	437	453
Right-of-use assets		312	299	324
Investment properties and other		5	3	3
Intangible assets	18.2	510	494	507
<b>Total</b>		<b>1,328</b>	<b>1,234</b>	<b>1,288</b>

## 46. Provisions or reversal of provisions

For the years ended December 31, 2022, 2021 and 2020, the net provisions recognized in this income statement line item were as follows:

<b>Provisions or reversal of provisions (Millions of Euros)</b>				
	<b>Notes</b>	<b>2022</b>	<b>2021</b>	<b>2020</b>
Pensions and other post-employment defined benefit obligations	25	(89)	61	210
Commitments and guarantees given		87	8	192
Pending legal issues and tax litigation		210	135	208
Other provisions <sup>(1)</sup>		84	814	136
<b>Total</b>		<b>291</b>	<b>1,018</b>	<b>746</b>

(1) In 2021, it includes a provision for the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Note 24).

## 47. Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification

The breakdown of impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification by the nature of those assets in the consolidated income statements is as follows:

Impairment or reversal of impairment on financial assets not measured at fair value through profit or loss or net gains by modification (Millions of Euros)				
	Notes	2022	2021	2020
Financial assets at fair value through other comprehensive income - Debt securities		76	17	19
Financial assets at amortized cost <sup>(1)</sup>		3,303	3,017	5,160
<i>Of which: recovery of written-off assets by cash collection</i>	7.2.5	(390)	(423)	(339)
<b>Total</b>		<b>3,379</b>	<b>3,034</b>	<b>5,179</b>

(1) In 2020, the amount included the negative impact of the update of the macroeconomic scenario following the COVID-19 pandemic.

## 48. Impairment or reversal of impairment of investments in joint ventures and associates

The heading "Impairment or reversal of the impairment of investments in joint ventures or associates" included a reversal of impairment of €42 million in the year ended 2022. This heading did not include any impairment or reversal of impairment in the year ended 2021, and included an impairment of €190 million for the year ended December 31, 2020 (see Note 16.3).

## 49. Impairment or reversal of impairment on non-financial assets

The impairment losses on non-financial assets broken down by the nature of those assets in the consolidated income statements are as follows:

Impairment or reversal of impairment on non-financial assets (Millions of Euros)				
	Notes	2022	2021	2020
Tangible assets <sup>(1)</sup>	17	(53)	161	125
Intangible assets		25	19	19
Others		55	41	9
<b>Total</b>		<b>27</b>	<b>221</b>	<b>153</b>

(1) In 2021, it includes the impairment due to the closing of rented offices after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 17 and 24).

## 50. Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations

The main items included in the balance under this heading in the consolidated income statements are as follows:

Gains (losses) from non-current assets and disposal groups classified as held for sale not qualifying as discontinued operations (Millions of Euros)				
	Notes	2022	2021	2020
Gains on sale of real estate		102	39	116
Impairment of non-current assets held for sale <sup>(1)</sup>	21	(221)	(97)	(103)
Gains (losses) on sale of investments classified as non-current assets held for sale <sup>(2)</sup>		11	10	431
Gains on sale of equity instruments classified as non-current assets held for sale		—	8	—
<b>Total</b>		<b>(108)</b>	<b>(40)</b>	<b>444</b>

(1) In 2022 it includes the closing of the transaction with Merlin Properties in which 100% of the shares of Tree *Inversiones Inmobiliarias*, SOCIMI, S.A. were acquired by the BBVA Group (see Note 17). In 2021, it included the impairment due to the closure of owned offices and the decommissioning of facilities after the agreement with the union representatives on the collective layoff procedure proposed for Banco Bilbao Vizcaya Argentaria, S.A. in Spain (see Notes 21 and 24).

(2) The variation in year 2020 is mainly due to the transfer of half plus one share in BBVA Allianz Seguros y Reaseguros, S.A. (see Note 3).

## 51. Consolidated statements of cash flows

The variation between 2022, 2021 and 2020 of the financial liabilities from financing activities is the following:

	Liabilities at amortized cost: Debt certificates			Of which: Issuances of subordinated liabilities <sup>(1)</sup>		
	2022	2021	2020	2022	2021	2020
<b>Liabilities from financing activities (Millions of Euros)</b>						
<b>Balance at the beginning</b>	<b>55,763</b>	<b>61,780</b>	<b>63,963</b>	<b>14,794</b>	<b>17,248</b>	<b>17,675</b>
Cash flows	(678)	(5,728)	3,003	(1,945)	(1,941)	(8)
Non-cash changes	344	(289)	(5,186)	(364)	(513)	(419)
<i>Acquisition</i>	—	—	—	—	—	—
<i>Disposal</i>	—	—	—	—	(772)	—
<i>Disposals by companies held for sale <sup>(2)</sup></i>	—	—	(3,160)	—	—	—
<i>Foreign exchange movement</i>	344	(289)	(2,026)	(364)	259	(419)
<i>Fair value changes</i>	—	—	—	—	—	—
<b>Balance at the end</b>	<b>55,429</b>	<b>55,763</b>	<b>61,780</b>	<b>12,485</b>	<b>14,794</b>	<b>17,248</b>

(1) There were €24, €14 and €12 million of subordinated deposits as of December 31, 2022, 2021 and 2020, respectively (see Note 22.4 and Appendix VI). In addition, there were coupon payments on subordinated liabilities for €313, €359 and €387 million in 2022, 2021 and 2020, respectively. The subordinated issuances of BBVA Paraguay and of the USA Sale perimeter as of December 31, 2020 were recorded in the heading "Liabilities included in disposal groups classified as held for sale" of the consolidated balance and amounted to €37 and €735 million, respectively.

(2) Includes mainly the balance of the USA Sale perimeter (see Notes 3 and 21).

## 52. Accountant fees and services

The details of the fees for the services contracted by entities of the BBVA Group for the year ended December 31, 2022, with their respective auditors and other audit entities are as follows:

<b>Fees for Audits conducted and other related services <sup>(1)</sup> (Millions of Euros)</b>	<b>2022</b>
Audits of the companies audited by firms belonging to the EY worldwide organization and other reports related with the audit <sup>(2)</sup>	24.8
Other reports required pursuant to applicable legislation and tax regulations issued by the national supervisory bodies of the countries in which the Group operates, reviewed by firms belonging to the EY worldwide organization	1.0
Fees for audits conducted by other firms	0.1

(1) Regardless of the billed year.

(2) Including fees pertaining to annual legal audits (€21.8 million as of December 31, 2022).

In the year ended December 31, 2022, certain entities in the BBVA Group contracted other services (other than audits) as follows:

<b>Other Services rendered (Millions of Euros)</b>	<b>2022</b>
Firms belonging to the EY worldwide organization	0.1

This total of contracted services includes the detail of the services provided by Ernst & Young, S.L. to BBVA, S.A. or its controlled companies at the date of preparation of these consolidated financial statements as follows:

<b>Fees for audits conducted <sup>(1)</sup> (Millions of Euros)</b>	<b>2022</b>
Legal audit of BBVA, S.A. or its companies under control	7.6
Other audit services of BBVA, S.A. or its companies under control	5.2
Limited Review of BBVA, S.A. or its companies under control	1.4
Reports related to issuances	0.4
Assurance services and other required by the regulator	0.8

(1) Services provided by Ernst & Young, S.L. to companies located in Spain, to the branch of BBVA in New York and to the branch of BBVA in London.

The services provided by the auditors meet the independence requirements of the external auditor established under Audit of Accounts Law (Law 22/2015) and under the Sarbanes-Oxley Act of 2002 adopted by the Securities and Exchange Commission (SEC).



## 53. Related-party transactions

As financial institutions, BBVA and other entities in the Group engage in transactions with related parties in the normal course of their business. These transactions are not significant and are carried out under normal market conditions. As of December 31, 2022, 2021 and 2020, the following are the transactions with related parties:

### 53.1 Transactions with significant shareholders

As of December 31, 2022, 2021 and 2020, there were no shareholders considered significant (see Note 26).

### 53.2 Transactions with BBVA Group entities

The balances of the main captions in the consolidated balance sheets arising from the transactions carried out by the BBVA Group with associates and joint venture entities accounted for using the equity method are as follows:

<b>Balances arising from transactions with entities of the Group (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Assets</b>			
Loans and advances to credit institutions	9	9	148
Loans and advances to customers	1,842	2,031	1,743
Debt securities	7	7	—
<b>Liabilities</b>			
Deposits from credit institutions	1	1	—
Customer deposits	204	296	791
<b>Memorandum accounts</b>			
Financial guarantees given	136	154	132
Other commitments given	751	1,056	1,400
Loan commitments given	10	11	11

The balances of the main captions in the consolidated income statements resulting from transactions with associates and joint venture entities that are accounted for under the equity method are as follows:

<b>Balances of consolidated income statement arising from transactions with entities of the Group (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
<b>Income statement</b>			
Interest and other income	20	16	20
Interest expense	2	—	1
Fee and commission income	5	8	5
Fee and commission expense	40	31	34

There were no other material effects in the consolidated financial statements arising from dealings with these entities, other than the effects from using the equity method (see Note 2.1) and from the insurance policies to cover pension or similar commitments (see Note 25) and the derivatives transactions arranged by BBVA Group with these entities, associates and joint ventures.

In addition, as part of its normal activity, the BBVA Group has entered into agreements and commitments of various types with shareholders of subsidiaries and associates, which have no material effects on the consolidated financial statements.

### 53.3 Transactions with members of the Board of Directors and Senior Management

The transactions entered into between BBVA or its Group companies with members of the Board of Directors and Senior Management of the Bank or their related parties were within the scope of the ordinary course of business of the Bank and were immaterial, defined as transactions the disclosure of which is not necessary to present a true and fair view of the Bank's equity, financial position and results, and were concluded on normal markets terms or on terms applicable to the rest of employees.

The amount and nature of the main transactions carried out with members of the Board of Directors and Senior Management of the Bank, or their respective related parties, are shown below.

### Balance at 31<sup>st</sup> December of each year (thousands of Euros)

	2022				2021				2020			
	Directors	Related parties of Directors	Senior Management <sup>(1)</sup>	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management <sup>(1)</sup>	Related parties of Senior Management	Directors	Related parties of Directors	Senior Management <sup>(1)</sup>	Related parties of Senior Management
Loans and credits	668	1,880	6,321	764	765	207	5,419	573	—	—	5,349	580
Bank guarantees	—	—	10	—	—	—	10	—	—	—	10	25
Business credit	—	—	—	—	—	—	—	—	—	—	—	—

(1) Excluding executive directors

Information on remuneration paid and other benefits granted to members of the Board of Directors and Senior Management of BBVA is provided in Note 54.

## 54. Remuneration and other benefits for the Board of Directors and members of the Bank's Senior Management

### Remuneration received by non-executive directors

The remuneration of the non-executive directors who are members of the Board of Directors during the financial years 2022 and 2021 is as follows, individually and by remuneration item:

### Remuneration for non-executive directors (thousands of Euros)

	Board of Directors	Executive Committee	Audit Committee	Risk and Compliance Committee	Remuneration Committee	Appointments and Corporate Governance Committee	Technology and Cybersecurity Committee	Other positions <sup>(1)</sup>	Total	
									2022	2021
José Miguel Andrés Torrecillas	129	167	66			115		50	527	527
Jaime Caruana Lacorte	129	167	165	107					567	567
Raúl Galamba de Oliveira	129			107			43	53	332	278
Belén Garijo López	129		66		107	46			349	349
Connie Hedegaard <sup>(2)</sup>	107								107	0
Sunir Kumar Kapoor <sup>(3)</sup>	32						11		43	172
Lourdes Máiz Carro	129		66		43				238	238
José Maldonado Ramos	129	167				46			342	342
Ana Peralta Moreno	129		66		43				238	238
Juan Pi Llorens	129			214		46	43	27	458	512
Ana Revenga Shanklin	129			107			29		264	236
Susana Rodríguez Vidarte	129	167		107		46			449	449
Carlos Salazar Lomelín	129				43				172	172
Jan Verplancke	129				43		43		214	214
<b>Total <sup>(4)</sup></b>	<b>1,684</b>	<b>667</b>	<b>431</b>	<b>642</b>	<b>278</b>	<b>301</b>	<b>168</b>	<b>130</b>	<b>4,300</b>	<b>4,293</b>

(1) Amounts perceived in 2022 and 2021 by José Miguel Andrés Torrecillas, as Deputy Chair of the Board, Juan Pi Llorens, as Lead Director (until April 28, 2022) and Raúl Galamba de Oliveira (from its appointment as Lead Director on April 28, 2022).

(2) Director appointed by the General Meeting held on March 18, 2022. Remuneration received based on date of acceptance of office.

(3) Director who left office on March 18, 2022. Remuneration for the term of office in 2022.

(4) Includes amounts corresponding to membership of the Board and its various committees during the 2022 and 2021 financial years.

In addition, in financial years 2022 and 2021, Carlos Salazar Lomelín received €90 thousand and €101 thousand, respectively, as per diems for his membership of the management body of BBVA México, S.A. and Grupo Financiero BBVA México, S.A. de C.V. and the BBVA México strategy forum.

Also, during the 2022 and 2021 financial years, €110 thousand and €102 thousand was paid out, respectively, in healthcare and casualty insurance premiums for non-executive directors.

### Remuneration system with deferred delivery of shares for non-executive directors

BBVA has a fixed remuneration system with deferred delivery of shares for its non-executive directors, which was approved by the General Meeting held on 18 March 2006 and extended by resolutions of the General Meetings held on 11 March 2011 and 11 March 2016 for a further five-year period in each case, and by the General Meeting held on 20 April 2021 for a further three-year period.

This system is based on the annual allocation to non-executive directors of a number of theoretical shares of BBVA equivalent to 20% of the total annual fixed allowance in cash received by each director in the previous financial year, calculated according to the average closing price of the BBVA share during the 60 trading sessions prior to the dates of the Annual General Meetings approving the corresponding financial statements for each financial year.



These shares will be delivered to each beneficiary, where applicable, after they leave their positions as directors for any reason other than serious dereliction of their duties.

During the financial years 2022 and 2021, the following "theoretical shares" derived from the remuneration system with deferred delivery of shares have been allocated to the non-executive directors, in an amount equivalent to 20% of the total annual fixed cash allocation received by each of them in the financial years 2021 and 2020, respectively:

	2022		2021	
	Theoretical shares allocated	Theoretical shares accumulated as of December 31	Theoretical shares allocated	Theoretical shares accumulated as of December 31
José Miguel Andrés Torrecillas	19,253	118,025	22,860	98,772
Jaime Caruana Lacorte	20,733	77,705	25,585	56,972
Raúl Galamba de Oliveira	10,177	19,677	9,500	9,500
Belén Garijo López	12,741	90,589	15,722	77,848
Connie Hedegaard <sup>(1)</sup>	0	0	0	0
Sunir Kumar Kapoor <sup>(2)</sup>	6,270	0	7,737	30,652
Lourdes Máiz Carro	8,696	64,356	10,731	55,660
José Maldonado Ramos	12,493	136,477	15,416	123,984
Ana Peralta Moreno	8,696	35,092	10,731	26,396
Juan Pi Llorens	18,703	134,599	23,079	115,896
Ana Revenga Shanklin	8,611	16,179	7,568	7,568
Susana Rodríguez Vidarte	16,400	177,775	20,237	161,375
Carlos Salazar Lomelín	6,270	11,912	5,642	5,642
Jan Verplancke	7,835	29,251	9,024	21,416
<b>Total <sup>(3)</sup></b>	<b>156,878</b>	<b>911,637</b>	<b>183,832</b>	<b>791,681</b>

(1) Director appointed by the General Meeting held on 18 March 2022, therefore the allocation of theoretical shares is not due until 2023.

(2) Director who left office on 18 March 2022. In application of the system, he received a total of 36,922 BBVA shares after leaving office, which is equivalent to the total of theoretical shares accumulated up to that date.

(3) The number of theoretical shares allocated in 2022 and 2021 to each non-executive director is equivalent to 20% of the total fixed annual cash allocation received in 2021 and 2020, respectively, based on the average of the closing prices of BBVA shares during the 60 trading sessions prior to the General Meetings of 18 March 2022 and 20 April 2021, which were €5.47 and €4.44 per share, respectively.

## Remuneration received by executive directors

The remuneration of executive directors for the financial years 2022 and 2021 in application of the BBVA Directors' Remuneration Policy approved by the General Meeting of 20 April 2021 is shown below, individually and by remuneration item:

### Annual Fixed Remuneration (thousands of Euros)

	2022	2021
Chair	2,924	2,924
Chief Executive Officer	2,179	2,179
<b>Total</b>	<b>5,103</b>	<b>5,103</b>

In addition, in accordance with the conditions established in the BBVA Directors' Remuneration Policy, during the 2022 and 2021 financial years, the Chief Executive Officer received €654 thousand each year as "cash in lieu of pension" (equivalent to 30% of his Annual Fixed Remuneration) as he does not have a retirement pension (see the "Pension commitments with executive directors" section of this Note), and €600 thousand as mobility allowance.

### Remuneration in kind (thousands of Euros)

Furthermore, during the financial years 2022 and 2021, remuneration in kind was paid to executive directors, including insurance and other premiums, amounting to €283 thousand and €328 thousand in the case of the Chair, and €155 thousand and €158 thousand in the case of the Chief Executive Officer, respectively.



## Annual Variable Remuneration (AVR)

	2022 <sup>(2)</sup>		2021 <sup>(1)</sup>	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Chair	926	158,169	849	159,235
Chief Executive Officer	712	121,646	645	120,977
<b>Total</b>	<b>1,639</b>	<b>279,815</b>	<b>1,494</b>	<b>280,212</b>

(1) Remuneration corresponding to the initial portion (40%) of the Annual Variable Remuneration for the financial year 2021 paid in 2022. The Annual Variable Remuneration for the financial year 2021 is subject to the deferral, vesting and payment rules and the other conditions applicable to Annual Variable Remuneration set out in the BBVA Directors' Remuneration Policy.

(2) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2022, which will be paid, if the conditions are met, during the first quarter of the financial year 2023, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the financial year 2022. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Directors' Remuneration Policy.

Moreover, the remaining rules set forth in the BBVA Directors' Remuneration Policy regarding the Annual Variable Remuneration of executive directors will be applicable to 2022 Annual Variable Remuneration, including: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update of the Deferred Portion in cash in accordance with the CPI; (iv) malus and clawback arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2022.

## Deferred Annual Variable Remuneration from previous financial years

	Deferred AVR	2022 <sup>(2)</sup>		2021 <sup>(1)</sup>	
		In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Chair	2021	215	57,325	—	—
	2020	0	0	—	—
	2019	513	136,587	—	—
	2018	128	35,795	364	107,386
	2017	154	27,898	146	27,898
<b>Subtotal</b>		<b>1,011</b>	<b>257,605</b>	<b>510</b>	<b>135,284</b>
Chief Executive Officer	2021	164	43,552	—	—
	2020	0	0	—	—
	2019	460	122,572	—	—
	2018	—	—	332	61,282
	2017	—	—	—	—
<b>Subtotal</b>		<b>624</b>	<b>166,124</b>	<b>332</b>	<b>61,282</b>
<b>Total</b>		<b>1,635</b>	<b>423,729</b>	<b>842</b>	<b>196,566</b>

(1) Deferred remuneration from previous financial years to be awarded after 2021 year-end. Award to the Chair and the Chief Executive Officer took place in 2022, in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 Deferred AVR: in 2022, the first payment was made (60% of the Deferred Portion) in the case of the Chair and the full payment in the case of the Chief Executive Officer, including in both cases the update of their portion in cash. This remuneration is associated with their previous positions as Chief Executive Officer and President & CEO of BBVA USA, respectively.
- 2017 Deferred AVR: in 2022, the Chair was paid the second payment (20% of the Deferred Portion), including the update of his portion in cash. This remuneration is associated with his former position as Chief Executive Officer.

(2) Deferred remuneration from previous years to be awarded after 2022 year-end. Award to the Chair and/or Chief Executive Officer will take place in 2023 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: corresponding to the first payment (20% of the Deferred Portion) to the executive directors, including the update of their portion in cash. Thereafter, 80% of the 2021 Deferred AVR will be deferred for both executive directors and, if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.



- 2019 Deferred AVR: corresponding to the first payment (60% of the Deferred Portion) to the executive directors, including the update of their portion in cash, and after having verified that no reduction was applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors. Thereafter, 40% of the 2019 Deferred AVR will be deferred for both executive directors and, if the conditions are met, it will be paid in 2024 and 2025.
- 2018 Deferred AVR: corresponds to the second payment (20% of the Deferred Portion) to the Chair, including the update of his portion in cash. Following this, 20% of the 2018 Deferred AVR will be deferred and if the conditions are met, it will be paid in 2024. This remuneration is associated with his previous position as Chief Executive Officer.
- 2017 Deferred AVR: corresponds to the third and final payment (20% of the Deferred Portion) to the Chair, including the update of his portion in cash. Following this, the payment to the Chair of the 2017 Deferred AVR will be finalized. This remuneration is associated with his previous position as Chief Executive Officer.

## Pension commitments with executive directors

The Bank has not assumed any pension obligations with non-executive directors.

With regard to the executive directors, the BBVA Directors' Remuneration Policy establishes a pension framework whereby, in the case of the Chair, he is eligible to receive a retirement pension, paid in either income or capital, when he reaches the legally established retirement age, provided that he does not leave his position as a result of serious dereliction of his duties. The amount of this pension will be determined by the annual contributions made by the Bank, together with their corresponding accumulated yields at that date.

The annual contribution to cover the retirement contingency in the Chair's defined contribution system, established in the BBVA Directors' Remuneration Policy approved by the General Meeting in 2021, is €439 thousand. The Board of Directors may update this amount during the term of the Policy, in the same way and under the same terms as it may update the Annual Fixed Remuneration.

15% of the agreed annual contribution will be based on variable components and considered "discretionary pension benefits" and will, therefore, be subject to the conditions regarding delivery in shares, withholding and clawback established in the applicable regulations, as well as any other conditions concerning variable remuneration that may be applicable in accordance with the BBVA Directors' Remuneration Policy.

In the event that the Chair's contract is terminated before he reaches retirement age for reasons other than serious dereliction of duties, the retirement pension payable to the Chair upon him reaching the legally established retirement age will be calculated based on the funds accumulated through the contributions made by the Bank up to that date, as per the terms set out, plus the corresponding accumulated yield, with no additional contributions to be made by the Bank as of the time of termination.

With respect to the commitments in favor of the Chair to cover the contingencies of death and disability, the Bank will pay the corresponding annual insurance premiums in order to top up this coverage.

In accordance with the foregoing, in the financial year 2022, an amount of €451 thousand has been registered, comprising the agreed annual contribution to cover the retirement contingency, which is €439 thousand, and an amount of €12 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2021, which were declared at the end of that year and which corresponded to the contribution to the accumulated fund in 2022. €473 thousand in premiums for death and disability has also been paid.

As of December 31, 2022, the total accumulated amount of the fund to meet the retirement commitments for the Chair amounted to €22,771 thousand.

With regard to the agreed annual contribution for the retirement contingency corresponding to the 2022 financial year, 15% (€66 thousand) was registered in said financial year as "discretionary pension benefits". Following the end of the financial year, this amount was adjusted by applying the same criteria used to determine the Annual Variable Remuneration for the Chair for the 2022 financial year and was determined to amount to €85 thousand, which represents an upward adjustment of €19 thousand. These "discretionary pension benefits" will be included in the accumulated fund in the 2023 financial year and will be subject to the conditions established for them in the BBVA Directors' Remuneration Policy.

With regard to the Chief Executive Officer, in accordance with the provisions of the BBVA Directors' Remuneration Policy and those in his contract, the Bank has not undertaken any retirement commitments, although he is entitled to an annual cash sum instead of a retirement pension (cash in lieu of pension) equal to 30% of his Annual Fixed Remuneration. In accordance with the above, in the 2022 financial year, the Bank paid the Chief Executive Officer the amount of fixed remuneration in the form of "cash in lieu of pension", as described in the "Remuneration received by executive directors" section of this Note.

However, the Bank has undertaken commitments to cover the death and disability contingencies for the Chief Executive Officer, for which the corresponding annual insurance premiums are paid. To this end, in 2022, €285 thousands of euros have been recognized for this concept.

### Executive directors (thousands of Euros)

	Contributions <sup>(1)</sup>				Funds accumulated	
	Retirement		Death and disability		2022	2021
	2022	2021	2022	2021		
Chair	451	340	473	574	22,771	24,546
Chief Executive Officer	—	—	285	295	—	—
<b>Total</b>	<b>451</b>	<b>340</b>	<b>758</b>	<b>869</b>	<b>22,771</b>	<b>24,546</b>

(1) Contributions recognized to meet pension commitments to executive directors in financial years 2022 and 2021. In the case of the Chair, these correspond to the sum of the annual retirement pension contribution and the adjustment made to the "discretionary pension benefits" for the financial years 2021 and 2020, the contribution to which was to be made in the financial years 2022 and 2021, respectively, and with the death and disability premiums. In the case of the Chief Executive Officer, the contributions recognized correspond exclusively to the insurance premiums paid by the Bank in 2022 and 2021 to cover the contingencies of death and disability, given that, in his case, the Bank has not undertaken any commitments to cover the retirement contingency.

### Remuneration received by Senior Management

The remuneration of all Senior Management, excluding executive directors, for the financial years 2022 and 2021 (16 members with such status as of December, 31 2022 and 2021), in application of the BBVA Group General Remuneration Policy applicable to them, is shown below by remuneration item:

#### Annual Fixed Remuneration (thousands of Euros)

	2022	2021
Senior Management Total	18,149	16,435

#### Remuneration in kind (thousands of Euros)

During the financial years 2022 and 2021, remuneration in kind, including insurance and other premiums, has been paid to all Senior Management, excluding executive directors, for an aggregate total amount of €1,093 thousand and €1,409 thousand, respectively.

#### Annual Variable Remuneration (AVR)

	2022 <sup>(2)</sup>		2021 <sup>(1)</sup>	
	In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total	2,143	365,746	1,849	346,106

(1) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2021 paid in the first half of 2022. The Annual Variable Remuneration for the financial year 2021 is subject to the deferral, vesting and payment rules and the other conditions applicable to Annual Variable Remuneration set out in the BBVA Group General Remuneration Policy.

(2) Remuneration corresponding to the upfront portion (40%) of the Annual Variable Remuneration for the financial year 2022, which will be paid, if the conditions are met, during the first quarter of the financial year 2023, in equal parts in cash and BBVA shares. The remaining 60% will be deferred (40% in cash and 60% in shares) for a period of five years (Deferred Portion) and paid, if conditions are met, proportionally at the end of each of the five years of deferral, in an amount equal to 20% of the Deferred Portion each year. The Deferred Portion may be reduced, but never increased, depending on the results of the multi-year performance indicators determined by the Board of Directors at the beginning of the financial year 2022. After the end of the financial year corresponding to the third year of deferral, the results of the multi-year performance indicators shall determine the ex post adjustments, if any, to be made to the outstanding amount of the Deferred Portion. All of this is subject to the vesting and payment rules provided for in the BBVA Group General Remuneration Policy.

Moreover, the remaining rules applicable to the Annual Variable Remuneration of the members of Senior Management established in the BBVA Group General Remuneration Policy shall apply to the Annual Variable Remuneration for the financial year 2022, which include: (i) a withholding period of one year after delivery of the BBVA shares received; (ii) the prohibition of hedging strategies or insurance that may undermine the effects of alignment with prudent risk management; (iii) update for the Deferred Portion in cash in accordance with the CPI; (iv) malus and clawback arrangements during the whole deferral and withholding period; and (v) the limitation of variable remuneration up to a maximum amount of 200% of the fixed component of the total remuneration, as resolved by the General Meeting held on 2022.

## Deferred Annual Variable Remuneration from previous financial years

	Deferred AVR	2022 <sup>(2)</sup>		2021 <sup>(1)</sup>	
		In cash (thousands of Euros)	In shares	In cash (thousands of Euros)	In shares
Senior Management Total	2021	473	124,602	—	—
	2020	0	0	—	—
	2019	1,355	320,172	—	—
	2018	152	41,442	697	177,104
	2017	168	29,267	158	29,267
<b>Total</b>		<b>2,149</b>	<b>515,483</b>	<b>855</b>	<b>206,371</b>

(1) Deferred remuneration from previous financial years to be awarded after 2021 year-end. Award to Senior Management who were beneficiaries took place in 2022 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2018 Deferred AVR: in 2022, the members of Senior Management who were beneficiaries have been paid the amounts that corresponded in each case in accordance with the payment schedule established in the remuneration policies in force in 2018, including the update of their portion in cash.
- 2017 Deferred AVR: in 2022, the second payment (20% of the Deferred Share) has been paid to the members of the Senior Management who were beneficiaries, including the update of their portion in cash.

(2) Deferred remuneration from previous years to be awarded after 2022 year-end. Award to members of Senior Management who are beneficiaries will take place in 2023 in the percentages applicable in each case in accordance with the vesting and payment rules established in the remuneration policies in force in each financial year:

- 2021 Deferred AVR: corresponds to the first payment (20% of the Deferred Portion), including the update of their portion in cash. Thereafter, 80% of the 2021 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2024, 2025, 2026 and 2027.
- 2019 Deferred AVR: corresponds to the first payment (60% of the Deferred Portion) or payment in full (depending on the payment schedule set out in the policies in force in 2019) including the update of their portion in cash, and after having verified that no reduction is applicable based on the result of the multi-year performance indicators determined in 2019 by the Board of Directors. In addition, the first payment of the Deferred Portion of a withholding plan is payable to two members of Senior Management. Thereafter, 40% of the 2019 Deferred AVR will be deferred for certain members of Senior Management. For the two members of Senior Management with withholding plans, the remaining 40% will be paid, if the conditions are met, in 2024 and 2025.
- 2018 Deferred AVR: corresponds to the second payment (20% of the Deferred Portion) including the update of their portion in cash. Thereafter, 20% of the 2018 Deferred AVR will be deferred, and if the conditions are met, it will be paid in 2024.
- 2017 Deferred AVR: corresponds to the third and final payment (20% of the Deferred Portion), including the update of their portion in cash. After this, the payment of the 2017 Deferred AVR to its beneficiaries will be finalized.

## Pension commitments with members of Senior Management

In the 2022 financial year, an aggregate total amount of €3,694 thousand has been recognized in 2022 to cover pension commitments to members of Senior Management (16 members with such status as of December 31, 2022, excluding executive directors), which corresponds to the annual contribution agreed to cover the retirement contingency, increased by an amount of €111 thousand corresponding to the upward adjustment of the "discretionary pension benefits" for the financial year 2021, which were registered at the end of the financial year 2021 and which should have been contributed to the accumulated fund in 2022. Furthermore, an aggregate total amount of €1,465 thousand in premiums for death and disability has also been paid.

As of December, 31 2022, the total accumulated amount of the fund to meet the retirement commitments for members of Senior Management amounted to €29,435 thousand.

As in the case of executive directors, 15% of the annual contributions agreed for members of Senior Management to cover the contingency of retirement will be based on variable components and will be considered "discretionary pension benefits", and will therefore be subject to the conditions of delivery in shares, withholding and recovery established in the applicable regulations, as well as to such other conditions of variable remuneration as may be applicable to them in accordance with the remuneration policy applicable to members of Senior Management.

For these purposes, of the annual contribution for the retirement contingency recognized in the 2022 financial year, an amount of €536 thousand has been recognized in the 2022 financial year as "discretionary pension benefits" and, once the financial year is closed, as in the case of the Chair, this amount has been adjusted, applying the same criteria used to determine the Annual Variable Remuneration of the members of Senior Management corresponding to the 2022 financial year. As a result, the "discretionary pension benefits" for the year, corresponding to all members of Senior Management, have been determined at a total combined amount of €689 thousand, which represents an upward adjustment of €153 thousand. These "discretionary pension benefits" will be included in the accumulated fund for the 2023 financial year, and will be subject to the conditions established for them in the remuneration policy applicable to members of Senior Management, in accordance with the regulations applicable to the Bank on this matter.



## Senior Management (thousands of Euros)

	Contributions <sup>(1)</sup>				Funds accumulated	
	Retirement		Death and disability		2022	2021
	2022	2021	2022	2021		
Senior Management Total	3,694	3,056	1,465	1,333	29,435	27,472

(1) Contributions recognized to meet pension commitments to all Senior Management in 2022 and 2021, which correspond to the sum of the annual retirement pension contributions and the adjustments made to the "discretionary pension benefits" for 2021 and 2020 whose contribution was to be made in 2022 and 2021, respectively, and to the insurance premiums paid by the Bank for death and disability contingencies.

### Payments for the termination of the contractual relationship

In accordance with the BBVA Directors' Remuneration Policy, the Bank has no commitments to pay severance indemnity to executive directors.

With regard to Senior Management, excluding executive directors, the Bank did not make any payments arising from the termination of contractual relationships in 2022 and 2021.

## 55. Other information

### Environmental impact

The Group has no environmental liabilities, expenses, assets, provisions or contingencies that could have a significant effect on its consolidated equity, financial situation and profits. Consequently, as of December 31, 2022, there is no item included in the Consolidated Financial Statements that requires disclosure in an environmental information report pursuant to Ministry JUS/616/2022, of June 30, by which the new model for the presentation of consolidated annual accounts in the Commercial Register is approved.

## 56. Subsequent events

On February 1, 2023, it was announced that a cash distribution in the amount of €0.31 gross per share, to be paid in April as a final dividend for the year 2022, and the execution of a share buyback program of BBVA for an amount of €422 million, would be proposed to the relevant corporate bodies for consideration, subject to obtaining the corresponding regulatory authorizations and the communication of the specific terms and conditions of the program before its execution (see Note 4).

In relation to the recent earthquake in Turkey, at these early stages, the Group is working on the definition of some emergency measures to help alleviate the effects of the humanitarian crisis caused by this catastrophe.

In addition, internal protocols have been put in place to monitor the situation and begin to assess the direct and future impacts for the Group that may arise from it. The direct exposure of the Group in the affected areas is not significant and, up to the date of approval of these Consolidated Financial Statements, no relevant impacts on the future continuity of the Group's operations and business in Turkey have been identified. However, it is not possible at this time to carry out a precise evaluation of the future impacts that may derive from this situation. Such impacts, if applicable, will be recorded in the Group's financial statements for the respective period(s) impacted.

From January 1, 2023 to the date of preparation of these Consolidated Financial Statements, no other subsequent events not mentioned above in these financial statements have taken place that could significantly affect the Group's earnings or its equity position.



## Appendices



## APPENDIX I. Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022

Company	Location	Activity	% share of participation <sup>(1)</sup>			Millions of Euros <sup>(2)</sup>		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
ACTIVOS MACORP SL	SPAIN	REAL ESTATE	50.64	49.36	100.00	3	3	—
ADQUIRA MEXICO SA DE CV	MEXICO	SERVICES	—	100.00	100.00	8	5	3
ALCALA 120 PROMOC. Y GEST.IMMOB. S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	18	17	2
ANIDA GRUPO INMOBILIARIO SL	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	1,194	1,189	12
ANIDA INMOBILIARIA, S.A. DE C.V.	MEXICO	INVESTMENT COMPANY	—	100.00	100.00	37	36	2
ANIDA OPERACIONES SINGULARES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1,142	1,128	14
ANIDA PROYECTOS INMOBILIARIOS, S.A. DE C.V.	MEXICO	REAL ESTATE	—	100.00	100.00	25	25	—
ANIDAPORT INVESTIMENTOS IMOBILIARIOS, UNIPESOAAL, LTDA	PORTUGAL	REAL ESTATE	—	100.00	100.00	24	17	(1)
ANTHEMIS BBVA VENTURE PARTNERSHIP LLP	UNITED KINGDOM	INVESTMENT COMPANY	—	100.00	100.00	11	9	7
APLICA NEXTGEN OPERADORA S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
APLICA NEXTGEN SERVICIOS S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
ARRAHONA IMMO, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	53	114	—
ARRAHONA NEXUS, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	56	62	—
ARRELS CT FINSOL, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	59	75	—
ARRELS CT PATRIMONI I PROJECTES, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	22	22	—
ARRELS CT PROMOU SA	SPAIN	REAL ESTATE	—	100.00	100.00	17	25	(1)
BAHIA SUR RESORT S.C.	SPAIN	INACTIVE	99.95	—	99.95	—	—	—
BANCO BBVA ARGENTINA S.A.	ARGENTINA	BANKING	39.97	26.59	66.55	158	671	925
BANCO BBVA PERÚ SA (3)	PERU	BANKING	—	46.12	46.12	1,278	2,300	474
BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY SA	URUGUAY	BANKING	100.00	—	100.00	110	221	29
BANCO OCCIDENTAL SA	SPAIN	BANKING	49.43	50.57	100.00	17	18	—
BANCO PROVINCIAL OVERSEAS NV	CURACAO	BANKING	—	100.00	100.00	44	42	2
BANCO PROVINCIAL SA - BANCO UNIVERSAL	VENEZUELA	BANKING	1.46	53.75	55.21	46	208	7
BBV AMERICA SL	SPAIN	INVESTMENT COMPANY	99.80	0.20	100.00	—	581	31
BBVA (SUIZA) SA	SWITZERLAND	BANKING	100.00	—	100.00	114	139	7
BBVA AGENCIA DE SEGUROS COLOMBIA LTDA	COLOMBIA	INSURANCES SERVICES	—	100.00	100.00	—	—	—
BBVA AI FACTORY SL	SPAIN	SERVICES	—	100.00	100.00	6	4	—
BBVA ASSET MANAGEMENT ARGENTINA SAU SOCIEDAD GERENTE DE FONDOS COMUNES DE INVERSION	ARGENTINA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	20	—	20
BBVA ASSET MANAGEMENT MEXICO SA DE CV, SOC.OPERADORA DE FONDOS DE INVERSION, GRUPO FRO. BBVA MEXICO	MEXICO	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	36	23	13
BBVA ASSET MANAGEMENT SA SAF	PERU	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	7	5	2
BBVA ASSET MANAGEMENT SA SGIIC	SPAIN	INVESTMENT FUND MANAGEMENT	100.00	—	100.00	36	(80)	116
BBVA ASSET MANAGEMENT SA SOCIEDAD FIDUCIARIA (BBVA FIDUCIARIA)	COLOMBIA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	20	15	5
BBVA AXIAL TECH SA DE CV	MEXICO	SERVICES	100.00	—	100.00	192	249	15
BBVA BOLSA SOCIEDAD AGENTE DE BOLSA S.A.	PERU	SECURITIES DEALER	—	100.00	100.00	5	4	1
BBVA BRASIL BANCO DE INVESTIMENTO SA	BRAZIL	BANKING	100.00	—	100.00	16	20	—
BBVA BROKER ARGENTINA SA	ARGENTINA	INSURANCES SERVICES	—	99.96	99.96	—	2	9
BBVA BROKER CORREDURIA DE SEGUROS Y REASEGUROS SA	SPAIN	FINANCIAL SERVICES	99.94	0.06	100.00	—	2	7

(1) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(2) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2022. In the carrying amount (net of provision and hedge in foreign operations), the Group's ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2022. The data of the companies in Turkey and Argentina are prior to the application of hyperinflation accounting.

(3) Full consolidation method is used according to accounting rules (see Glossary).

**Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022**  
(continued)

Company	Location	Activity	% share of participation <sup>(1)</sup>			Millions of Euros <sup>(2)</sup>		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
BBVA COLOMBIA, S.A.	COLOMBIA	BANKING	77.41	18.06	95.47	341	1,062	193
BBVA CONSUMER FINANCE ENTIDAD DE DESARROLLO A LA PEQUEÑA Y MICRO EMPRESA EDPYME, S.A. (BBVA CONSUMER FINANCE - EDPYME)	PERU	IN LIQUIDATION	—	100.00	100.00	4	1	3
BBVA DISCOVERY INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	9	17	(8)
BBVA DISTRIBUIDORA DE SEGUROS S.R.L.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	6	3	3
BBVA FUNDOS S.GESTORA FUNDOS PENSOES, S.A.	PORTUGAL	PENSION FUND MANAGEMENT	100.00	—	100.00	8	6	1
BBVA GLOBAL FINANCE LTD	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	5	—
BBVA GLOBAL MARKETS BV	NETHERLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	—	—
BBVA GLOBAL SECURITIES, B.V.	NETHERLANDS	OTHER ISSUANCE COMPANIES	100.00	—	100.00	—	—	—
BBVA HOLDING CHILE, S.A.	CHILE	INVESTMENT COMPANY	61.22	38.78	100.00	158	299	43
BBVA INFORMATION TECHNOLOGY ESPAÑA, S.L.	SPAIN	SERVICES	76.00	—	76.00	1	5	2
BBVA INSTITUIÇÃO FINANCEIRA DE CREDITO, S.A.	PORTUGAL	FINANCIAL SERVICES	49.90	50.10	100.00	39	61	4
BBVA LEASING MEXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	51	214	22
BBVA MEDIACION OPERADOR DE BANCA-SEGUROS VINCULADO, S.A.	SPAIN	FINANCIAL SERVICES	99.99	0.01	100.00	11	(14)	27
BBVA MEXICO, S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA MEXICO	MEXICO	BANKING	—	100.00	100.00	14,382	10,770	3,611
BBVA NEXT TECHNOLOGIES OPERADORA, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
BBVA NEXT TECHNOLOGIES SLU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	33	25	5
BBVA NEXT TECHNOLOGIES, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
BBVA OP3N S.L.	SPAIN	SERVICES	—	100.00	100.00	—	2	—
BBVA OPERADORA MEXICO, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	65	60	5
BBVA PENSIONES MEXICO, S.A. DE C.V., GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	336	242	95
BBVA PENSIONES, S.A. ENTIDAD GESTORA DE FONDOS DE PENSIONES	SPAIN	PENSION FUND MANAGEMENT	100.00	—	100.00	13	15	9
BBVA PERU HOLDING SAC	PERU	INVESTMENT COMPANY	100.00	—	100.00	109	1,066	219
BBVA PREVISION AFP, S.A. ADM.DE FONDOS DE PENSIONES	BOLIVIA	PENSION FUND MANAGEMENT	75.00	5.00	80.00	2	5	11
BBVA PROCESSING SERVICES INC.	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	1	1	—
BBVA RE INHOUSE COMPAÑIA DE REASEGUROS, S.E.	SPAIN	INSURANCES SERVICES	—	100.00	100.00	39	57	9
BBVA SECURITIES INC	UNITED STATES	FINANCIAL SERVICES	100.00	—	100.00	233	266	(13)
BBVA SEGUROS ARGENTINA, S.A.	ARGENTINA	INSURANCES SERVICES	87.78	12.22	100.00	11	19	32
BBVA SEGUROS COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	10	17	10
BBVA SEGUROS DE VIDA COLOMBIA, S.A.	COLOMBIA	INSURANCES SERVICES	94.00	6.00	100.00	14	81	22
BBVA SEGUROS MÉXICO, S.A. DE CV GRUPO FINANCIERO BBVA MEXICO	MEXICO	INSURANCES SERVICES	—	100.00	100.00	518	228	290
BBVA SEGUROS, S.A. DE SEGUROS Y REASEGUROS	SPAIN	INSURANCES SERVICES	99.96	—	99.96	713	675	223
BBVA SEGUROS SALUD MEXICO, S.A. DE CV GRUPO FRO. BBVA MEXICO.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	12	9	4
BBVA SERVICIOS ADMINISTRATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	36	52	(16)
BBVA SERVICIOS CORPORATIVOS MEXICO, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	4	4	—
BBVA SERVICIOS, S.A.	SPAIN	COMMERCIAL	—	100.00	100.00	—	—	—
BBVA SOCIEDAD TITULIZADORA, S.A.	PERU	OTHER ISSUANCE COMPANIES	—	100.00	100.00	1	1	—
BBVA TRADE, S.A.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	9	9	—

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## Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022 (continued)

Company	Location	Activity	% share of participation <sup>(1)</sup>			Millions of Euros <sup>(2)</sup>		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
BBVA VALORES COLOMBIA, S.A. COMISIONISTA DE BOLSA	COLOMBIA	SECURITIES DEALER	—	100.00	100.00	8	8	—
BILBAO VIZCAYA HOLDING SAU	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	160	321	(32)
CAIXA MANRESA INMOBILIARIA ON CASA, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
CARTERA E INVERSIONES, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	92	131	4
CASA DE BOLSA BBVA MEXICO, S.A. DE CV	MEXICO	SECURITIES DEALER	—	100.00	100.00	69	46	24
CATALONIA PROMODIS 4, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
CATALUNYACAIXA INMOBILIARIA, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	194	181	14
CATALUNYACAIXA SERVEIS, S.A.	SPAIN	SERVICES	100.00	—	100.00	2	2	—
CDD GESTIONI S.R.L. IN LIQUIDAZIONE	ITALY	IN LIQUIDATION	100.00	—	100.00	—	—	—
CIDESSA DOS, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	16	15	2
CIERVANA, S.L.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	53	52	2
COMERCIALIZADORA CORPORATIVA SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	—	—	—
COMERCIALIZADORA DE SERVICIOS FINANCIEROS, S.A.	COLOMBIA	SERVICES	—	100.00	100.00	3	4	—
COMPAÑIA CHILENA DE INVERSIONES, S.L.	SPAIN	INVESTMENT COMPANY	99.97	0.03	100.00	221	272	10
CONSOLIDAR A.F.J.P, S.A.	ARGENTINA	IN LIQUIDATION	46.11	53.89	100.00	1	—	—
CONTENTS AREA, S.L.	SPAIN	SERVICES	—	100.00	100.00	5	5	—
CONTINENTAL DPR FINANCE COMPANY	CAYMAN ISLANDS	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
CONTRATACION DE PERSONAL, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
CORPORACION GENERAL FINANCIERA, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	510	885	19
CREA MADRID NUEVO NORTE, S.A.	SPAIN	REAL ESTATE	—	75.54	75.54	130	176	(4)
DATA ARCHITECTURE AND TECHNOLOGY MEXICO, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	1	1	—
DATA ARCHITECTURE AND TECHNOLOGY, S.L.	SPAIN	SERVICES	—	51.00	51.00	—	4	—
DATA ARQUITECTURE AND TECHNOLOGY OPERADORA, S.A. DE CV	MEXICO	SERVICES	—	100.00	100.00	—	—	—
DEUTSCHE BANK MEXICO, S.A. FIDEICOMISO F/1859	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
DEUTSCHE BANK MEXICO, S.A. FIDEICOMISO F/1860	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
ECASA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	39	30	10
EMPRENDIMIENTOS DE VALOR, S.A.	URUGUAY	FINANCIAL SERVICES	—	100.00	100.00	3	3	—
EUROPEA DE TITULIZACION, S.A. SGFT.	SPAIN	FINANCIAL SERVICES	88.24	—	88.24	2	18	2
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION (3)	MEXICO	REAL ESTATE	—	42.40	42.40	1	1	—
F/253863 EL DESEO RESIDENCIAL	MEXICO	REAL ESTATE	—	65.00	65.00	—	1	—
FIDEICOMISO 28991-8 TRADING EN LOS MCADOS FINANCIEROS	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	4	3	—
FIDEICOMISO F/29764-8 SOCIO LIQUIDADOR DE OPERACIONES FINANCIERAS DERIVADAS	MEXICO	FINANCIAL SERVICES	—	100.00	100.00	57	46	11
FIDEICOMISO F/403112-6 DE ADMINISTRACION DOS LAGOS	MEXICO	REAL ESTATE	—	100.00	100.00	—	—	—
FIDEICOMISO HARES BBVA BANCOMER F/ 47997-2	MEXICO	REAL ESTATE	—	100.00	100.00	4	3	1
FIDEICOMISO INMUEBLES CONJUNTO RESIDENCIAL HORIZONTES DE VILLA CAMPESTRE	COLOMBIA	REAL ESTATE	—	100.00	100.00	—	1	—
FIDEICOMISO LOTE 6.1 ZARAGOZA	COLOMBIA	REAL ESTATE	—	59.99	59.99	—	1	—
FIDEICOMISO SCOTIABANK INVERLAT S A F100322908	MEXICO	REAL ESTATE	—	100.00	100.00	2	2	—

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(3) Full consolidation method is used according to accounting rules (see Glossary).

## Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022 (continued)

Company	Location	Activity	% share of participation <sup>(1)</sup>			Millions of Euros <sup>(2)</sup>		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
FINANCIERA AYUDAMOS, S.A. DE C.V., SOFOMER	MEXICO	IN LIQUIDATION	—	100.00	100.00	6	5	—
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES, S.L. EN LIQUIDACION	SPAIN	IN LIQUIDATION	—	60.00	60.00	—	—	—
FORUM COMERCIALIZADORA DEL PERU, S.A.	PERU	SERVICES	—	100.00	100.00	1	1	—
FORUM DISTRIBUIDORA DEL PERU, S.A.	PERU	FINANCIAL SERVICES	—	100.00	100.00	8	7	1
FORUM DISTRIBUIDORA, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	45	41	2
FORUM SERVICIOS FINANCIEROS, S.A.	CHILE	FINANCIAL SERVICES	—	100.00	100.00	271	219	42
FUTURO FAMILIAR, S.A. DE C.V.	MEXICO	IN LIQUIDATION	—	100.00	100.00	1	1	—
G NETHERLANDS BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	393	325	—
GARANTI BANK, S.A.	ROMANIA	BANKING	—	100.00	100.00	254	317	39
GARANTI BBVA AS	TURKEY	BANKING	85.97	—	85.97	5,247	4,914	2,941
GARANTI BBVA EMEKLILIK AS	TURKEY	INSURANCES SERVICES	—	84.91	84.91	87	50	51
GARANTI BBVA FACTORING AS	TURKEY	FINANCIAL SERVICES	—	81.84	81.84	28	17	18
GARANTI BBVA FILO AS	TURKEY	SERVICES	—	100.00	100.00	100	50	50
GARANTI BBVA LEASING AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	189	118	71
GARANTI BBVA PORTFOY AS	TURKEY	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	16	8	8
GARANTI BBVA YATIRIM AS	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	112	51	61
GARANTI DIVERSIFIED PAYMENT RIGHTS FINANCE COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(8)	6
GARANTI FILO SIGORTA ARACILIK HIZMETLERI A.S.	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	—	—	—
GARANTI HOLDING BV	NETHERLANDS	INVESTMENT COMPANY	—	100.00	100.00	565	394	—
GARANTI KONUT FINANSMANI DANISMANLIK HIZMETLERI AS (GARANTI MORTGAGE)	TURKEY	SERVICES	—	100.00	100.00	—	—	—
GARANTI KULTUR AS	TURKEY	SERVICES	—	100.00	100.00	—	—	—
GARANTI ODEME SISTEMLERI AS (GOSAS)	TURKEY	FINANCIAL SERVICES	—	100.00	100.00	6	4	3
GARANTI ODEME VE ELEKTRONIK PARA HIZMETLERI ANONIM SIRKETI	TURKEY	PAYMENT ENTITIES	—	100.00	100.00	5	6	(2)
GARANTI YATIRIM ORTAKLIGI AS (3) (4)	TURKEY	INVESTMENT COMPANY	—	3.61	3.61	—	2	1
GARANTI BANK BBVA INTERNATIONAL N.V.	NETHERLANDS	BANKING	—	100.00	100.00	724	603	41
GESCAT GESTIO DE SOL, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	8	6	2
GESCAT LLEVANT, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
GESCAT LLOGUERS, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	3	3	—
GESCAT VIVENDES EN COMERCIALIZAZCIO, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	36	38	(2)
GESTION DE PREVISION Y PENSIONES, S.A.	SPAIN	PENSION FUND MANAGEMENT	60.00	—	60.00	9	15	6
GESTION Y ADMINISTRACION DE RECIBOS, S.A. - GARSA	SPAIN	SERVICES	—	100.00	100.00	1	1	—
GRAN JORGE JUAN, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	424	432	15
GRUPO FINANCIERO BBVA MEXICO, S.A. DE CV	MEXICO	FINANCIAL SERVICES	99.98	—	99.98	8,480	12,275	4,004
INMUEBLES Y RECUPERACIONES CONTINENTAL, S.A.	PERU	REAL ESTATE	—	100.00	100.00	15	13	2
INVERAHORRO, S.L.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	118	122	(4)
INVERSIONES ALDAMA, C.A.	VENEZUELA	IN LIQUIDATION	—	100.00	100.00	—	—	—
INVERSIONES BANPRO INTERNATIONAL INC NV (3)	CURAZAO	INVESTMENT COMPANY	48.00	—	48.00	16	44	2

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(3) Full consolidation method is used according to accounting rules (see Glossary).

(4) The percentage of voting rights owned by the Group entities in this company is 99.97%.

## Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022 (continued)

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						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
INVERSIONES BAPROBA CA	VENEZUELA	FINANCIAL SERVICES	100.00	—	100.00	—	—	—
INVERSIONES P.H.R.4, C.A.	VENEZUELA	INACTIVE	—	60.46	60.46	—	—	—
MADIVA SOLUCIONES, S.L.	SPAIN	SERVICES	—	100.00	100.00	4	3	—
MISAPRE, S.A. DE C.V.	MEXICO	IN LIQUIDATION	—	100.00	100.00	—	—	—
MOMENTUM SOCIAL INVESTMENT HOLDING, S.L.	SPAIN	INVESTMENT COMPANY	—	100.00	100.00	7	8	—
MOTORACTIVE IFN, S.A.	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	35	32	3
MOTORACTIVE MULTISERVICES SRL	ROMANIA	SERVICES	—	100.00	100.00	—	3	1
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	COLOMBIA	FINANCIAL SERVICES	—	50.00	50.00	7	11	(7)
MULTIASISTENCIA OPERADORA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	—	—	—
MULTIASISTENCIA SERVICIOS, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	—	—	—
MULTIASISTENCIA, S.A. DE C.V.	MEXICO	INSURANCES SERVICES	—	100.00	100.00	73	52	21
OPCION VOLCAN, S.A.	MEXICO	REAL ESTATE	—	100.00	100.00	3	3	—
OPENPAY ARGENTINA, S.A.	ARGENTINA	PAYMENT ENTITIES	—	100.00	100.00	5	6	2
OPENPAY COLOMBIA SAS	COLOMBIA	PAYMENT ENTITIES	—	100.00	100.00	4	3	(2)
OPENPAY PERÚ, S.A.	PERU	PAYMENT ENTITIES	—	100.00	100.00	6	5	(3)
OPENPAY, S.A. DE C.V.	MEXICO	PAYMENT ENTITIES	—	100.00	100.00	30	18	(9)
OPENPAY SERVICIOS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
OPERADORA DOS LAGOS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	—	—	—
OPPLUS OPERACIONES Y SERVICIOS, S.A.	SPAIN	SERVICES	100.00	—	100.00	1	23	10
PECRI INVERSION, S.L.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	112	109	2
PORTICO PROCAM, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	26	26	—
PROMOTORA DEL VALLES, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	15	19	1
PROMOU CT OPENSEGRE, S.L.	SPAIN	REAL ESTATE	—	100.00	100.00	5	5	—
PRONORTE UNO PROCAM, S.A.	SPAIN	REAL ESTATE	—	100.00	100.00	1	1	—
PROPEL EXPLORER FUND I LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	20	22	—
PROPEL EXPLORER FUND II LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	—	—	—
PROPEL VENTURE PARTNERS BRAZIL US LP	UNITED STATES	INVESTMENT COMPANY	—	99.80	99.80	20	22	—
PROPEL VENTURE PARTNERS GLOBAL US, LP	UNITED STATES	INVESTMENT COMPANY	—	99.50	99.50	121	230	(54)
PROPEL VENTURE PARTNERS US FUND I, L.P.	UNITED STATES	VENTURE CAPITAL	99.50	—	99.50	207	276	(2)
PROPEL XYZ I LP	UNITED STATES	INVESTMENT COMPANY	—	99.40	99.40	7	8	(2)
PRO-SALUD, C.A.	VENEZUELA	INACTIVE	—	58.86	58.86	—	—	—
PROVINCIAL DE VALORES CASA DE BOLSA CA	VENEZUELA	SECURITIES DEALER	—	90.00	90.00	1	1	—
PROVINCIAL SDAD.ADMIN.DE ENTIDADES DE INV.COLECTIVA CA	VENEZUELA	INVESTMENT FUND MANAGEMENT	—	100.00	100.00	1	1	—
PROVIVIENDA ENTIDAD RECAUDADORA Y ADMIN.DE APORTES, S.A.	BOLIVIA	PENSION FUND MANAGEMENT	—	100.00	100.00	2	2	—
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	50.00	50.00	11	13	9
RALFI IFN, S.A.	ROMANIA	FINANCIAL SERVICES	—	100.00	100.00	37	21	(3)
RPV COMPANY	CAYMAN ISLANDS	OTHER ISSUANCE COMPANIES	—	100.00	100.00	—	(1)	—

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## Additional information on subsidiaries and structured entities composing the BBVA Group as of December 31, 2022 (continued)

Company	Location	Activity	% share of participation <sup>(1)</sup>			Millions of Euros <sup>(2)</sup>		
			Direct	Indirect	Total	Affiliate entity data		
						Net carrying amount	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
SATICEM GESTIO, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SATICEM HOLDING, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	5	5	—
SATICEM INMOBLES EN ARRENDAMENT, S.L.	SPAIN	REAL ESTATE	100.00	—	100.00	2	2	—
SEGUROS PROVINCIAL CA	VENEZUELA	INSURANCES SERVICES	—	100.00	100.00	10	14	(4)
SERVICIOS CORPORATIVOS DE SEGUROS, S.A. DE C.V.	MEXICO	SERVICES	—	100.00	100.00	1	1	—
SERVICIOS EXTERNOS DE APOYO EMPRESARIAL, S.A DE C.V.	MEXICO	SERVICES	—	100.00	100.00	8	8	—
SOCIEDAD DE ESTUDIOS Y ANALISIS FINANCIERO, S.A.	SPAIN	SERVICES	100.00	—	100.00	67	65	2
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	PERU	FINANCIAL SERVICES	—	50.00	50.00	1	3	—
SPORT CLUB 18, S.A.	SPAIN	INVESTMENT COMPANY	100.00	—	100.00	11	11	—
TREE INVERSIONES INMOBILIARIAS, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	1,988	754	23
TRIFOI REAL ESTATE SRL	ROMANIA	REAL ESTATE	—	100.00	100.00	1	1	—
UNNIM SOCIEDAD PARA LA GESTION DE ACTIVOS INMOBILIARIOS, S.A.	SPAIN	REAL ESTATE	100.00	—	100.00	531	417	20
URBANIZADORA SANT LLORENC, S.A.	SPAIN	INACTIVE	60.60	—	60.60	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS MEXICO SACV	MEXICO	SERVICES	—	100.00	100.00	—	—	—
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS, S.L.	SPAIN	SERVICES	—	51.00	51.00	1	4	(1)
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS USA LLC	UNITED STATES	SERVICES	—	100.00	100.00	—	—	—
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	51.00	51.00	18	22	14

(1) In accordance with Article 3 of Royal Decree 1159/2010, of September 17, in order to determine the state, the voting power relating to subsidiaries was added to the voting power directly held by the parent. Therefore, the number of votes corresponding to the parent company (including indirect control subsidiaries), corresponds to each subsidiary holding a direct ownership interest.

(2) Amount without considering the interim dividends of the year, according to the provisional financial statements of each company, generally as of December 31, 2022. In the carrying amount (net of provision and hedge in foreign operations), the Group's ownership percentage has been applied, without considering the impairment of goodwill. Information on foreign companies at exchange rate as of December 31, 2022. The data of the companies in Turkey and Argentina are prior to the application of hyperinflation accounting.

This Appendix is part of Note 3 of the consolidated financial statements for the year ended December 31, 2022.

## APPENDIX II. Additional information on investments joint ventures and associates in the BBVA Group as of December 31, 2022

Most significant companies are included, which together represent 99.5% of the total investment in this group.

Company	Location	Activity	% Legal share of participation			Millions of Euros <sup>(1)</sup>				
			Direct	Indirect	Total	Affiliate entity data				
						Net carrying amount	Assets 31.12.2022	Liabilities 31.12.2022	Equity excluding profit (loss) 31.12.2022	Profit (loss) 31.12.2022
<b>ASSOCIATES</b>										
ADQUIRA ESPAÑA, S.A.	SPAIN	SERVICES	—	44.44	44.44	4	20	11	9	1
ATOM HOLDCO LIMITED	UNITED KINGDOM	INVESTMENT COMPANY	42.77	—	42.77	132	7,063	6,755	314	(7)
AUREA, S.A. (CUBA)	CUBA	REAL ESTATE	—	49.00	49.00	5	10	1	10	—
BBVA ALLIANZ SEGUROS Y REASEGUROS, S.A.	SPAIN	INSURANCES SERVICES	—	50.00	50.00	248	836	298	535	4
COMPAÑIA ESPAÑOLA DE FINANCIACION DEL DESARROLLO, S.A.	SPAIN	PUBLIC COMPANIES AND INSTITUTIONS	16.67	—	16.67	31	191	7	168	16
COMPAÑIA PERUANA DE MEDIOS DE PAGO SAC (VISANET PERU)	PERU	ELECTRONIC MONEY ENTITIES	—	21.50	21.50	2	126	118	4	5
METROVACESA, S.A.	SPAIN	REAL ESTATE	9.44	11.41	20.85	259	2,541	695	1,830	16
PLAY DIGITAL, S.A.	ARGENTINA	PAYMENT ENTITIES	—	10.80	10.80	2	19	3	27	(10)
REDSYS SERVICIOS DE PROCESAMIENTO, S.L.	SPAIN	FINANCIAL SERVICES	24.90	—	24.90	20	121	42	75	4
ROMBO COMPAÑIA FINANCIERA, S.A.	ARGENTINA	BANKING	—	40.00	40.00	4	122	112	10	—
SBD CREIXENT, S.A.	SPAIN	REAL ESTATE	—	23.05	23.05	1	5	1	5	—
SEGURIDAD Y PROTECCION BANCARIAS, S.A. DE CV	MEXICO	SERVICES	—	26.14	26.14	1	4	—	3	1
SERVICIOS ELECTRONICOS GLOBALES, S.A. DE CV	MEXICO	SERVICES	—	46.14	46.14	23	50	—	38	13
SERVIREDA SOCIEDAD ESPAÑOLA DE MEDIOS DE PAGO, S.A.	SPAIN	FINANCIAL SERVICES	28.72	—	28.72	8	82	54	26	2
SISTEMAS DE TARJETAS Y MEDIOS DE PAGO, S.A.	SPAIN	PAYMENT ENTITIES	20.61	—	20.61	2	377	369	5	3
SOLARIS SE <sup>(2)</sup>	GERMANY	BANKING	—	15.51	15.51	66	3,317	3,086	268	(36)
TELEFONICA FACTORING ESPAÑA, S.A. <sup>(3)</sup>	SPAIN	FINANCIAL SERVICES	30.00	—	30.00	4	73	57	7	9
TF PERU SAC	PERU	FINANCIAL SERVICES	—	24.30	24.30	1	6	1	4	1
<b>JOINT VENTURES</b>										
ALTURA MARKETS SOCIEDAD DE VALORES, S.A.	SPAIN	SECURITIES DEALER	50.00	—	50.00	42	3,391	3,307	73	12
COMPAÑIA MEXICANA DE PROCESAMIENTO, S.A. DE CV	MEXICO	SERVICES	—	50.00	50.00	10	20	—	19	1
CORPORACION IBV PARTICIPACIONES EMPRESARIALES, S.A. <sup>(4)</sup>	SPAIN	INVESTMENT COMPANY	—	50.00	50.00	29	62	4	58	—
FIDEICOMISO 1729 INVEX ENAJENACION DE CARTERA <sup>(4)</sup>	MEXICO	REAL ESTATE	—	44.09	44.09	9	185	—	185	—
FIDEICOMISO F/402770-2 ALAMAR	MEXICO	REAL ESTATE	—	42.40	42.40	7	17	—	17	—
INVERSIONES PLATCO CA	VENEZUELA	FINANCIAL SERVICES	—	50.00	50.00	3	7	1	7	(1)
PROMOCIONS TERRES CAVADES, S.A.	SPAIN	REAL ESTATE	—	39.11	39.11	1	3	—	3	—
RCI COLOMBIA, S.A. COMPAÑIA DE FINANCIAMIENTO	COLOMBIA	FINANCIAL SERVICES	—	49.00	49.00	36	755	682	57	16

(1) In foreign companies the exchange rate of December 31, 2022 is applied.

(2) The percentage of voting rights owned by the Group entities in this company is 22.22%.

(3) Financial Statements as of December 31, 2021.

(4) Classified as Non-current asset held for sale.

This Appendix is part of Notes 3 and 16.1 of the consolidated financial statements for the year ended December 31, 2022.

## APPENDIX III. Changes and notifications of participations in the BBVA Group in 2022

### Acquisitions or increases of interest ownership in consolidated subsidiaries

Company <sup>(1)</sup>	Type of transaction	Total voting rights controlled after the disposal	Effective Date for the Transaction (or Notification Date)
PROPEL VENTURE PARTNERS GLOBAL US, LP	FOUNDING	99.50	31-Mar-22
PROPEL VENTURE PARTNERS BRAZIL US LP	FOUNDING	99.80	31-Mar-22
PROPEL XYZ I LP	FOUNDING	99.40	09-Jun-22
TREE INVERSIONES INMOBILIARIAS, S.A.	ACQUISITION	100.00	15-Jun-22
PROPEL EXPLORER FUND I LP	FOUNDING	—	15-Jun-22
PROPEL EXPLORER FUND II LP	FOUNDING	—	15-Jun-22
BBVA DISCOVERY INC	FOUNDING	100.00	20-Sep-22
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	FOUNDING	50.00	13-Oct-22
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS MEXICO SACV	FOUNDING	100.00	14-Feb-22
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS USA LLC	FOUNDING	100.00	30-Jul-22
GARANTI ODEME VE ELEKTRONIK PARA HIZMETLERI ANONIM SIRKETI	FOUNDING	100.00	30-Apr-22
GARANTI BBVA AS	PURCHASE - VTB	85.97	18-May-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

### Disposals or reduction of interest ownership in consolidated subsidiaries

Company <sup>(1)</sup>	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
BANCO INDUSTRIAL DE BILBAO, S.A.	MERGER	—	15-Dec-22
BBVA FINANZIA SPA	LIQUIDATION	—	08-Jun-22
UNIVERSALIDAD TIPS PESOS E-9	MERGER	—	01-Jun-22
BBVA PLANIFICACION PATRIMONIAL, S.L.	LIQUIDATION	—	07-Jan-22
INMESP DESARROLLADORA, S.A. DE C.V.	MERGER	—	30-Mar-22
PROPEL VENTURE PARTNERS GLOBAL, S.L.	MERGER	—	27-Dec-22
PROPEL VENTURE PARTNERS BRAZIL S.L.	MERGER	—	27-Dec-22
PROPEL EXPLORER FUND I, S.L.	MERGER	—	27-Dec-22
PROMOU CT GEBIRA, S.L.	LIQUIDATION	—	15-Jun-22
GARANTI BILISIM TEKNOLOJISI VE TIC TAS	LIQUIDATION	—	23-Aug-22
JALE PROCAM, S.L. (EN LIQUIDACIÓN)	LIQUIDATION	—	23-Dec-22
SATICEM INMOBILIARIA, S.L.	LIQUIDATION	—	06-Sep-22
SOCIEDAD GESTORA DEL FONDO PUBLICO DE REGULACION DEL MERCADO HIPOTECARIO, S.A.	LIQUIDATION	—	02-May-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

## Changes and notifications of participations in the BBVA Group in 2022 (continued)

### Business combinations and other acquisitions or increases of interest ownership in associates and joint-ventures accounted for under the equity method

Company <sup>(1)</sup>	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
NUEVO MARKETPLACE, S.L.	CAPITAL INCREASE	28.16	30-Sep-22
ATOM HOLDCO LIMITED	FOUNDING	42.77	30-Nov-22
SOLARIS SE <sup>(2)</sup>	CAPITAL INCREASE	15.51	04-Nov-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

(2) The percentage of voting rights held by group entities in this company is 22.22%.





## Disposal or reduction of interest ownership in associates and joint-ventures companies accounted for under the equity method

Company <sup>(1)</sup>	Type of transaction	Total voting rights controlled after the disposal	Effective date for the transaction (or notification date)
IRB RIESGO OPERACIONAL SL	CAPITAL DECREASE	—	11-Jan-22
DESARROLLOS METROPOLITANOS DEL SUR, S.L.	DISPOSAL	—	16-Jun-22
ATOM BANK PLC	TRANSFER PARTICIPATIONS	—	01-Nov-22
PRIVACYCLOUD S.L.	DISPOSAL	—	15-Dec-22

(1) Variations of less than 0.1% have not been considered due to immateriality.

This Appendix is part of Notes 3 and 16.1 of the consolidated financial statements for the year ended December 31, 2022.

**APPENDIX IV. Fully consolidated subsidiaries with more than 10% owned by non-Group shareholders as of December 31, 2022**

Company	Activity	% of voting rights controlled by the Bank		
		Direct	Indirect	Total
BANCO BBVA PERÚ SA	BANKING	—	46.12	46.12
BANCO PROVINCIAL SA - BANCO UNIVERSAL	BANKING	1.46	53.75	55.21
INVERSIONES BANPRO INTERNATIONAL INC NV	INVESTMENT COMPANY	48.00	—	48.01
PRO-SALUD, C.A.	NO ACTIVITY	—	58.86	58.86
INVERSIONES P.H.R.4, C.A.	NO ACTIVITY	—	60.46	60.46
BBVA PREVISION AFP SA ADM.DE FONDOS DE PENSIONES	PENSION FUND MANAGEMENT	75.00	5.00	80.00
COMERCIALIZADORA CORPORATIVA SAC	FINANCIAL SERVICES	—	50.00	50.00
CREA MADRID NUEVO NORTE SA	REAL ESTATE	—	75.54	75.54
GESTION DE PREVISION Y PENSIONES SA	PENSION FUND MANAGEMENT	60.00	—	60.00
SOCIEDAD PERUANA DE FINANCIAMIENTO SAC	FINANCIAL SERVICES	—	50.00	50.00
F/253863 EL DESEO RESIDENCIAL	REAL ESTATE	—	65.00	65.00
DATA ARCHITECTURE AND TECHNOLOGY S.L.	SERVICES	—	51.00	51.00
VOLKSWAGEN FINANCIAL SERVICES COMPAÑIA FINANCIERA SA	BANKING	—	51.00	51.00
FIDEICOMISO LOTE 6.1 ZARAGOZA	REAL ESTATE	—	59.99	59.99
F/11395 FIDEICOMISO IRREVOCABLE DE ADMINISTRACION CON DERECHO DE REVERSION	REAL ESTATE	—	42.40	42.40
VERIDAS DIGITAL AUTHENTICATION SOLUTIONS S.L.	SERVICES	—	51.00	51.00
MOVISTAR CONSUMER FINANCE COLOMBIA SAS	FINANCIAL SERVICES	—	50.00	50.00
GARANTI BBVA EMEKLILIK AS	INSURANCES	—	84.91	84.91
FOMENTO Y DESARROLLO DE CONJUNTOS RESIDENCIALES S.L. EN LIQUIDACION	IN LIQUIDATION	—	60.00	60.00
BBVA INFORMATION TECHNOLOGY ESPAÑA SL	SERVICES	76.00	—	76.00
PSA FINANCE ARGENTINA COMPAÑIA FINANCIERA SA	BANKING	—	50.00	50.00

This Appendix is part of Note 3 of the consolidated financial statements for the year ended December 31, 2022.

## APPENDIX V. Securitization funds. BBVA Group's structured entities as of December 31, 2022.

Securitization fund (consolidated)	Company	Origination date	Millions of Euros	
			Total securitized exposures at the origination date	Total securitized exposures as of December 31, 2022
TDA 22 Mixto, FTA (Unnim)	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Dec-04	592	13
AYT HIP MIXTO V	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Jul-06	120	16
TDA 27 Mixto, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Dec-06	275	58
TDA 28 Mixto, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	23-Jul-07	250	59
HIPOCAT 8 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	06-May-05	1,500	143
HIPOCAT 9 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-05	1,016	112
HIPOCAT 10 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	05-Jul-06	1,526	166
HIPOCAT 11 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	09-Mar-07	1,628	181
TDA 19 MIXTO, FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Feb-04	600	12
TDA TARRAGONA 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	30-Nov-07	397	59
GAT VPO (UNNIM)	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Jun-09	780	25
BBVA CONSUMO 10 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	08-Jul-19	2,000	908
BBVA CONSUMO 11 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	12-Mar-21	2,500	1,285
BBVA CONSUMO 9 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Mar-17	1,375	204
BBVA CONSUMER AUTO 2018-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Jun-18	800	206
BBVA CONSUMER AUTO 2020-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	15-Jun-20	1,100	780
BBVA RMBS 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	19-Feb-07	2,500	616
BBVA RMBS 2 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	26-Mar-07	5,000	1,152
BBVA RMBS 3 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	22-Jul-07	3,000	1,037
BBVA RMBS 5 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-May-08	5,000	1,727
BBVA RMBS 9 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	18-Apr-10	1,295	603
BBVA RMBS 14 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Nov-14	700	316
BBVA CONSUMER AUTO 2022-1	BANCO BILBAO VIZCAYA ARGENTARIA SA	13-Jun-22	1,200	1,036
BBVA RMBS 22	BANCO BILBAO VIZCAYA ARGENTARIA SA	28-Nov-22	1,400	1,380
BBVA RMBS 17 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	21-Nov-16	1,800	1,044
BBVA RMBS 21	BANCO BILBAO VIZCAYA ARGENTARIA SA	17-Mar-22	12,400	11,296
BBVA RMBS 19 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	25-Nov-19	2,000	1,475
BBVA RMBS 20 FT	BANCO BILBAO VIZCAYA ARGENTARIA SA	14-Jun-21	2,500	2,143
BBVA LEASING 1 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	24-Jun-07	2,500	89
BBVA LEASING 2 FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	27-Jul-20	2,100	711
BBVA-6 FTPYME FTA	BANCO BILBAO VIZCAYA ARGENTARIA SA	10-Jun-07	1,500	25

**APPENDIX VI. Details of the outstanding subordinated debt and preferred securities issued by the Bank or entities in the Group consolidated as of December 31, 2022, 2021 and 2020**

**Outstanding as of December 31, 2022, 2021 and 2020 of subordinated issues**

Issuer entity and issued date	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2022	Maturity Date
		December 2022	December 2021	December 2020		
<b>Issues in Euros</b>						
<b>BANCO BILBAO VIZCAYA ARGENTARIA S.A.</b>						
March-08	EUR	125	125	125	6.03 %	3-Mar-33
July-08	EUR	100	100	100	6.20 %	4-Jul-23
April-16	EUR	—	—	1,000	0.00 %	Perpetual
February-17	EUR	1,000	1,000	1,000	3.50 %	10-Feb-27
February-17	EUR	99	99	99	4.00 %	24-Feb-32
March-17	EUR	65	65	65	4.00 %	24-Feb-32
May-17	EUR	150	150	150	2.54 %	24-May-27
May-17	EUR	—	500	500	0.00 %	Perpetual
September-18	EUR	1,000	1,000	1,000	5.88 %	Perpetual
February-19	EUR	750	750	750	2.58 %	22-Feb-29
March-19	EUR	1,000	1,000	1,000	6.00 %	Perpetual
January-20	EUR	994	994	994	1.00 %	16-Jan-30
July-20	EUR	1,000	1,000	1,000	6.00 %	Perpetual
<b>Total issued in Euros</b>	<b>EUR</b>	<b>6,460</b>	<b>7,028</b>	<b>8,113</b>		

## Outstanding as of December 31, 2022, 2021 and 2020 of subordinated issues

Issuer entity and issued date	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2022	Maturity Date
		December 2022	December 2021	December 2020		
<b>Issues in foreign currency</b>						
<b>BANCO BILBAO VIZCAYA ARGENTARIA S.A.</b>						
March-17	USD	113	106	98	5.70 %	31-Mar-32
November-17	USD	938	883	815	6.13 %	Perpetual
May-18	USD	279	263	243	5.25 %	29-May-33
September-19	USD	938	883	815	6.50 %	Perpetual
<b>Subtotal</b>	<b>USD</b>	<b>2,267</b>	<b>2,135</b>	<b>1,970</b>		
May-17	CHF	20	19	19	1.60 %	24-May-27
<b>Subtotal</b>	<b>CHF</b>	<b>20</b>	<b>19</b>	<b>19</b>		
July-20	GBP	338	357	334	3.10 %	15-Jul-31
<b>Subtotal</b>	<b>GBP</b>	<b>338</b>	<b>357</b>	<b>334</b>		
<b>BBVA GLOBAL FINANCE LTD <sup>(1)</sup></b>						
December-95	USD	187	176	162	7.00 %	1-Dec-25
<b>Subtotal</b>	<b>USD</b>	<b>187</b>	<b>176</b>	<b>162</b>		
<b>BBVA BANCOMER S.A. INSTITUCION DE BANCA MULTIPLE GRUPO FINANCIERO BBVA BANCOMER</b>						
April-10	USD	—	—	—	7.25 %	22-Apr-20
March-11	USD	—	—	612	6.50 %	10-Mar-21
July-12	USD	—	1,329	1,223	6.75 %	30-Sep-22
November-14	USD	187	177	163	5.35 %	12-Nov-29
January-18	USD	935	886	815	5.13 %	18-Jan-33
September-19	USD	702	665	612	5.88 %	13-Sep-34
<b>Subtotal</b>	<b>USD</b>	<b>1,824</b>	<b>3,057</b>	<b>3,425</b>		
<b>BANCO BILBAO VIZCAYA ARGENTARIA URUGUAY S.A.</b>						
November-17	USD	1	—	—	9.54 %	6-Feb-64
<b>Subtotal</b>	<b>—</b>	<b>1</b>	<b>—</b>	<b>—</b>		
<b>BBVA PARAGUAY S.A. <sup>(2)</sup></b>						
November-14	USD	—	—	16	6.75 %	5-Nov-21
November-15	USD	—	—	20	6.70 %	18-Nov-22
<b>Subtotal</b>	<b>USD</b>	<b>—</b>	<b>—</b>	<b>37</b>		
<b>BBVA USA <sup>(2)</sup></b>						
March-06	USD	—	—	58	5.90 %	1-Apr-26
April-15	USD	—	—	570	3.88 %	10-Apr-25
<b>Subtotal</b>	<b>USD</b>	<b>—</b>	<b>—</b>	<b>628</b>		

(1) The issuances of BBVA Global Finance, Ltd, are guaranteed (secondary liability) by the Bank.

(2) Companies sold in 2022 (see Note 3).

## Outstanding as of December 31, 2022, 2021 and 2020 of subordinated issues

Issuer entity and issued date	Currency	Millions of Euros			Prevailing Interest Rate as of December 31, 2022	Maturity Date
		December 2022	December 2021	December 2020		
<b>BBVA COLOMBIA S.A.</b>						
September-11	COP	—	—	25	4.45 %	19-Sep-21
September-11	COP	30	35	37	17.82 %	19-Sep-26
February-13	COP	39	44	47	16.58 %	19-Feb-23
February-13	COP	32	37	39	16.91 %	19-Feb-28
November-14	COP	18	20	21	17.46 %	26-Nov-29
November-14	COP	20	32	30	17.59 %	26-Nov-34
<b>Subtotal</b>	<b>COP</b>	<b>139</b>	<b>168</b>	<b>200</b>		
April-15	USD	375	349	324	4.93 %	21-Apr-25
<b>Subtotal</b>	<b>USD</b>	<b>375</b>	<b>349</b>	<b>324</b>		
<b>BBVA BANCO CONTINENTAL S.A.</b>						
June-07	PEN	23	19	18	3.47 %	18-Jun-32
November-07	PEN	21	17	16	3.56 %	19-Nov-32
July-08	PEN	18	15	15	3.06 %	8-Jul-23
September-08	PEN	20	16	16	3.09 %	9-Sep-23
December-08	PEN	12	10	9	4.19 %	15-Dec-33
<b>Subtotal</b>	<b>PEN</b>	<b>93</b>	<b>77</b>	<b>74</b>		
May-07	USD	—	18	16	6.00 %	14-May-27
February-08	USD	19	18	17	6.47 %	28-Feb-28
October-13	USD	43	40	37	6.53 %	2-Oct-28
September-14	USD	270	272	257	5.25 %	22-Sep-29
<b>Subtotal</b>	<b>USD</b>	<b>332</b>	<b>349</b>	<b>327</b>		
<b>GARANTI BBVA AS</b>						
May-17	USD	698	645	607	7.18 %	24-May-27
<b>Subtotal</b>	<b>USD</b>	<b>698</b>	<b>645</b>	<b>607</b>		
October-19	TRY	13	17	28	10.66 %	7-Oct-29
February-20	TRY	38	49	82	12.33 %	14-Feb-30
<b>Subtotal</b>	<b>TRY</b>	<b>50</b>	<b>66</b>	<b>110</b>		
<b>Total Issues in other currencies</b>		<b>6,326</b>	<b>7,398</b>	<b>8,217</b>		

## Outstanding as of December 31, 2022, 2021 and 2020 of subordinated issues (Millions of Euros)

Issuer entity and issued date	December 2022		December 2021		December 2020	
	Currency	Amount Issued	Currency	Amount Issued	Currency	Amount Issued
<b>BBVA COLOMBIA S.A.</b>						
December-93	COP	—	COP	—	COP	—
<b>BBVA International Preferred, S.A.U.</b>						
July-07	GBP	—	GBP	—	GBP	35
<b>PHOENIX LOAN HOLDINGS INC</b>						
November-00	USD	—	USD	—	USD	17
<b>CAIXA TERRASSA SOCIETAT DE PARTICIPACIONS PREFERENTS SAU</b>						
August-05	EUR	—	EUR	—	EUR	74
<b>CAIXASABADELL PREFERENTS S.A.</b>						
July-06	EUR	—	EUR	—	EUR	85

## APPENDIX VII Consolidated balance sheets held in foreign currency as of December 31, 2022, 2021 and 2020

	U.S. Dollar	Mexican pesos	Turkish lira	Other foreign currencies	Total foreign currencies
<b>December 2022</b>					
<b>Assets</b>					
Cash, cash balances at central banks and other demand deposits	19,888	4,831	476	3,469	28,665
Financial assets held for trading	10,780	22,407	431	3,930	37,549
Non- trading financial assets mandatorily at fair value through profit or loss	987	5,205	5	82	6,280
Financial assets at fair value through comprehensive income	8,300	9,809	3,188	8,666	29,964
Financial assets at amortized cost	52,248	78,017	29,938	42,479	202,682
Joint-ventures and associates	5	17	—	333	354
Tangible assets	14	2,143	1,166	1,137	4,459
Other assets	(365)	4,403	1,796	3,055	8,889
<b>Total</b>	<b>91,858</b>	<b>126,832</b>	<b>37,001</b>	<b>63,151</b>	<b>318,842</b>
<b>Liabilities</b>					
Financial liabilities held for trading	9,722	18,110	234	1,499	29,564
Financial liabilities at amortized cost	77,697	75,020	24,567	48,994	226,278
Other liabilities	2,748	17,210	1,220	2,160	23,338
<b>Total</b>	<b>90,167</b>	<b>110,340</b>	<b>26,021</b>	<b>52,652</b>	<b>279,180</b>
<b>December 2021</b>					
<b>Assets</b>					
Cash, cash balances at central banks and other demand deposits	19,164	5,816	893	4,245	30,118
Financial assets held for trading	10,699	18,973	1,104	8,840	39,615
Non- trading financial assets mandatorily at fair value through profit or loss	1,039	4,114	2	83	5,239
Financial assets at fair value through comprehensive income	6,455	9,323	2,325	8,697	26,800
Financial assets at amortized cost	46,223	57,580	21,655	38,657	164,115
Joint-ventures and associates	5	15	—	263	283
Tangible assets	12	1,902	558	935	3,408
Other assets	(204)	3,607	1,046	1,248	5,697
<b>Total</b>	<b>83,393</b>	<b>101,331</b>	<b>27,583</b>	<b>62,969</b>	<b>275,276</b>
<b>Liabilities</b>					
Financial liabilities held for trading	10,448	13,784	450	1,312	25,994
Financial liabilities at amortized cost	67,306	60,570	14,946	43,859	186,681
Other liabilities	3,261	13,234	779	2,029	19,302
<b>Total</b>	<b>81,015</b>	<b>87,588</b>	<b>16,175</b>	<b>47,200</b>	<b>231,977</b>
<b>December 2020</b>					
<b>Assets</b>					
Cash, cash balances at central banks and other demand deposits	16,615	4,847	772	4,130	26,365
Financial assets held for trading	5,114	22,154	359	6,112	33,740
Non- trading financial assets mandatorily at fair value through profit or loss	883	3,369	7	291	4,549
Financial assets at fair value through comprehensive income	7,073	7,723	2,489	8,087	25,373
Financial assets at amortized cost	39,841	53,184	26,810	38,036	157,871
Joint-ventures and associates	5	14	—	246	265
Tangible assets	15	1,819	858	852	3,544
Other assets	83,406	2,053	1,191	2,009	88,658
<b>Total</b>	<b>152,953</b>	<b>95,163</b>	<b>32,486</b>	<b>59,764</b>	<b>340,366</b>
<b>Liabilities</b>					
Financial liabilities held for trading	4,562	18,489	471	772	24,295
Financial liabilities at amortized cost	67,165	54,429	18,930	43,468	183,993
Other liabilities	78,724	6,662	687	7,393	93,466
<b>Total</b>	<b>150,452</b>	<b>79,580</b>	<b>20,088</b>	<b>51,633</b>	<b>301,753</b>

This Appendix is part of Notes 2.2.15 of the consolidated financial statements for the year ended December 31, 2022.



## APPENDIX VIII. Quantitative information on refinancing and restructuring operations and other requirement under Bank of Spain Circular 6/2012

### a. Quantitative information on refinancing and restructuring operations

The breakdown of refinancing and restructuring operations as of December 31, 2022, 2021 and 2020 is as follows:

	December 2022 BALANCE OF FORBEARANCE (Millions of Euros)								
	TOTAL								
	Unsecured loans		Secured loans						Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered				
Real estate mortgage secured					Rest of secured loans				
Credit institutions	—	—	—	—	—	—	—	—	
General Governments	57	38	24	9	6	—	—	(9)	
Other financial corporations and individual entrepreneurs (financial business)	303	10	22	6	1	3	—	(7)	
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	75,713	5,882	8,687	2,792	1,238	223	—	(3,303)	
<i>Of which: financing the construction and property (including land)</i>	<i>460</i>	<i>479</i>	<i>819</i>	<i>383</i>	<i>164</i>	<i>33</i>	—	<i>(497)</i>	
Other households <sup>(1)</sup>	231,910	1,412	79,666	4,969	3,702	20	—	(1,601)	
<b>Total</b>	<b>307,983</b>	<b>7,343</b>	<b>88,399</b>	<b>7,778</b>	<b>4,946</b>	<b>246</b>	—	<b>(4,920)</b>	
	<b>Of which: IMPAIRED</b>								
	Unsecured loans		Secured loans						Accumulated impairment or accumulated losses in fair value due to credit risk
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered				
					Real estate mortgage secured	Rest of secured loans			
Credit institutions	—	—	—	—	—	—	—	—	
General Governments	26	20	23	9	5	—	—	(8)	
Other financial corporations and individual entrepreneurs (financial business)	232	9	17	4	—	1	—	(7)	
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	59,944	3,104	6,005	1,604	500	66	—	(2,815)	
<i>Of which: financing the construction and property (including land)</i>	<i>414</i>	<i>475</i>	<i>620</i>	<i>269</i>	<i>82</i>	<i>22</i>	—	<i>(480)</i>	
Other households <sup>(1)</sup>	124,228	871	37,043	2,514	1,607	4	—	(1,412)	
<b>Total</b>	<b>184,430</b>	<b>4,004</b>	<b>43,088</b>	<b>4,130</b>	<b>2,113</b>	<b>70</b>	—	<b>(4,242)</b>	

(1) Number of operations does not include Garanti BBVA. Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

December 2021 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL							Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans					
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
Real estate mortgage secured					Rest of secured loans			
Credit institutions	—	—	—	—	—	—	—	
General Governments	59	63	32	22	15	—	(11)	
Other financial corporations and individual entrepreneurs (financial business)	377	30	25	2	2	—	(6)	
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	99,852	6,590	11,417	3,552	2,108	45	(3,196)	
<i>Of which: financing the construction and property (including land)</i>	<i>739</i>	<i>155</i>	<i>1,785</i>	<i>486</i>	<i>322</i>	—	<i>(513)</i>	
Other households <sup>(1)</sup>	275,927	1,813	96,312	5,877	4,473	25	(1,622)	
<b>Total</b>	<b>376,215</b>	<b>8,496</b>	<b>107,786</b>	<b>9,453</b>	<b>6,599</b>	<b>70</b>	<b>(4,834)</b>	

Of which: IMPAIRED

	TOTAL							Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans					
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
Real estate mortgage secured					Rest of secured loans			
Credit institutions	—	—	—	—	—	—	—	
General Governments	29	29	23	10	6	—	(10)	
Other financial corporations and individual entrepreneurs (financial business)	255	11	17	1	1	—	(5)	
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	74,054	3,701	7,423	1,799	855	10	(2,639)	
<i>Of which: financing the construction and property (including land)</i>	<i>592</i>	<i>148</i>	<i>1,229</i>	<i>320</i>	<i>179</i>	—	<i>(464)</i>	
Other households <sup>(1)</sup>	143,791	948	39,962	2,701	1,799	3	(1,377)	
<b>Total</b>	<b>218,129</b>	<b>4,689</b>	<b>47,425</b>	<b>4,512</b>	<b>2,661</b>	<b>13</b>	<b>(4,031)</b>	

(1) Number of operations does not include Garanti BBVA. Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

December 2020 BALANCE OF FORBEARANCE (Millions of Euros)

	TOTAL							Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans					
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
Real estate mortgage secured					Rest of secured loans			
Credit institutions	—	—	—	—	—	—	—	
General Governments	67	77	69	62	45	—	(15)	
Other financial corporations and individual entrepreneurs (financial business)	519	10	22	2	2	—	(4)	
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	111,648	5,592	11,343	3,182	1,911	33	(3,128)	
<i>Of which: financing the construction and property (including land)</i>	<i>624</i>	<i>500</i>	<i>1,081</i>	<i>622</i>	<i>370</i>	<i>8</i>	<i>(420)</i>	
Other households <sup>(1)</sup>	261,097	1,782	86,643	5,992	4,379	27	(1,712)	
<b>Total</b>	<b>373,331</b>	<b>7,460</b>	<b>98,077</b>	<b>9,239</b>	<b>6,337</b>	<b>60</b>	<b>(4,859)</b>	

	Of which: IMPAIRED							Accumulated impairment or accumulated losses in fair value due to credit risk
	Unsecured loans		Secured loans					
	Number of operations	Gross carrying amount	Number of operations	Gross carrying amount	Maximum amount of secured loans that can be considered			
Real estate mortgage secured					Rest of secured loans			
Credit institutions	—	—	—	—	—	—	—	
General Governments	39	36	29	20	14	—	(12)	
Other financial corporations and individual entrepreneurs (financial business)	283	5	11	1	1	—	(3)	
Non-financial corporations and individual entrepreneurs (corporate non-financial activities)	67,588	3,470	6,880	1,939	916	21	(2,727)	
<i>Of which: financing the construction and property (including land)</i>	<i>469</i>	<i>216</i>	<i>674</i>	<i>408</i>	<i>197</i>	<i>8</i>	<i>(311)</i>	
Other households <sup>(1)</sup>	113,013	765	37,063	2,805	1,820	8	(1,358)	
<b>Total</b>	<b>180,923</b>	<b>4,274</b>	<b>43,983</b>	<b>4,765</b>	<b>2,750</b>	<b>30</b>	<b>(4,100)</b>	

(1) Number of operations does not include Garanti BBVA. Includes mortgage-backed real estate operations with loan to value ratio of greater than 1, and secured operations, other than transactions secured by real estate mortgage regardless of their loan to value ratio.

In addition to the restructuring and refinancing transactions mentioned in this section, loans that were not considered impaired or renegotiated have been modified based on the criteria set out in the accounting regulation that applies. These loans have not been classified as renegotiated or impaired, since they were modified for commercial or competitive reasons (for instance, to improve relationships with clients) rather than for economic or legal reasons relating to the borrower's financial situation.

The table below provides a breakdown by segments of the forbearance operations (net of provisions) as of December 31, 2022, 2021 and 2020:

Forbearance operations. Breakdown by segments (Millions of Euros)			
	2022	2021	2020
Credit institutions	—	—	—
Central governments	39	74	124
Other financial corporations and individual entrepreneurs (financial activity)	9	26	8
Non-financial corporations and individual entrepreneurs (non-financial activity)	5,371	6,946	5,645
<i>Of which: Financing the construction and property development (including land)</i>	<i>365</i>	<i>128</i>	<i>701</i>
Households	4,780	6,068	6,062
<b>Total carrying amount</b>	<b>10,200</b>	<b>13,114</b>	<b>11,840</b>
Financing classified as non-current assets and disposal groups held for sale	—	—	858

### NPL ratio by type of renegotiated loan

The non-performing ratio of the renegotiated portfolio is defined as the impaired balance of renegotiated loans that shows signs of difficulties as of the closing of the reporting period, divided by the total payment outstanding in that portfolio

As of December 31, 2022 and December 31, 2021, the non-performing ratio for each of the portfolios of renegotiated loans is as follows:

NPL ratio renegotiated loan portfolio	Ratio of impaired loans - past due	
	2022	2021
General governments	61 %	45 %
Commercial	54 %	54 %
<i>Of which: Construction and developer</i>	86 %	73 %
Other consumer	53 %	47 %

## b. Qualitative information on the concentration of risk by activity and guarantees

### Loans and advances to customers by activity (carrying amount)

	December 2022 (Millions of Euros)							
	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
Less than or equal to 40%				Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%		
General governments	20,661	297	5,382	1,121	1,555	338	1,919	746
Other financial institutions and individual entrepreneurs	23,484	336	15,430	296	128	139	3,644	11,560
Non-financial institutions and individual entrepreneurs	172,854	25,454	6,829	9,902	6,972	4,495	2,958	7,956
Construction and property development	5,166	3,701	201	1,468	1,083	660	247	445
Construction of civil works	5,582	610	317	276	185	104	45	318
Other purposes	162,106	21,143	6,311	8,159	5,704	3,732	2,666	7,194
Large companies	105,852	7,509	3,771	3,308	1,839	1,218	1,358	3,557
SMEs <sup>(2)</sup> and individual entrepreneurs	56,254	13,634	2,540	4,851	3,866	2,514	1,307	3,637
Rest of households and NPISHs <sup>(3)</sup>	150,095	93,556	1,990	21,473	25,693	29,940	13,114	5,327
Housing	95,237	92,264	123	20,886	25,325	29,696	11,564	4,915
Consumption	50,295	461	1,660	266	166	111	1,403	176
Other purposes	4,564	831	208	321	202	133	147	235
<b>TOTAL</b>	<b>367,095</b>	<b>119,644</b>	<b>29,632</b>	<b>32,792</b>	<b>34,348</b>	<b>34,911</b>	<b>21,636</b>	<b>25,589</b>
MEMORANDUM ITEM:								
<i>Forbearance operations <sup>(4)</sup></i>	10,200	5,685	174	1,351	1,130	1,167	884	1,327

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

**December 2021 (Millions of Euros)**

	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	19,928	324	1,907	472	834	129	783	14
Other financial institutions and individual entrepreneurs	20,711	219	14,495	153	575	2,933	10,151	901
Non-financial institutions and individual entrepreneurs	146,988	22,945	3,842	8,074	6,361	4,679	2,407	5,266
Construction and property development	5,091	3,594	79	1,203	1,055	675	278	462
Construction of civil works	6,614	625	259	252	194	96	51	291
Other purposes	135,284	18,726	3,504	6,620	5,112	3,908	2,077	4,513
Large companies	84,147	6,208	2,197	2,327	1,420	1,680	632	2,346
SMEs <sup>(2)</sup> and individual entrepreneurs	51,137	12,518	1,307	4,292	3,692	2,228	1,445	2,167
Rest of households and NPISHs <sup>(3)</sup>	141,007	93,384	1,757	19,716	23,528	29,555	15,339	7,003
Housing	95,199	92,030	132	19,120	23,175	29,258	13,982	6,628
Consumption	41,798	416	1,421	245	172	119	1,176	126
Other purposes	4,010	938	203	352	181	178	181	250
<b>TOTAL</b>	<b>328,635</b>	<b>116,872</b>	<b>22,001</b>	<b>28,415</b>	<b>31,298</b>	<b>37,295</b>	<b>28,679</b>	<b>13,185</b>
MEMORANDUM ITEM:								
Forbearance operations <sup>(4)</sup>	13,114	7,513	98	1,611	1,460	1,600	1,176	1,765

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

**December 2020 (Millions of Euros)**

	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	19,718	372	1,451	390	546	135	714	39
Other financial institutions and individual entrepreneurs	17,464	200	9,398	166	1,585	2,610	4,948	289
Non-financial institutions and individual entrepreneurs	143,693	23,686	4,082	8,294	7,162	4,467	3,200	4,646
Construction and property development	4,379	3,244	82	1,048	1,015	678	263	321
Construction of civil works	6,810	641	279	274	194	97	48	306
Other purposes	132,504	19,801	3,721	6,972	5,953	3,691	2,888	4,019
Large companies	79,595	6,648	1,920	2,561	1,811	1,242	1,012	1,943
SMEs <sup>(2)</sup> and individual entrepreneurs	52,909	13,154	1,801	4,411	4,142	2,449	1,877	2,076
Rest of households and NPISHs <sup>(3)</sup>	137,870	92,555	1,836	19,606	24,126	27,130	15,463	8,066
Housing	94,098	90,756	131	18,743	23,719	26,817	13,960	7,648
Consumption	39,442	418	1,521	246	190	139	1,245	118
Other purposes	4,331	1,381	184	617	216	174	257	301
<b>TOTAL</b>	<b>318,745</b>	<b>116,813</b>	<b>16,768</b>	<b>28,456</b>	<b>33,419</b>	<b>34,343</b>	<b>24,324</b>	<b>13,039</b>
MEMORANDUM ITEM:								
Forbearance operations <sup>(4)</sup>	11,840	7,271	74	1,350	1,408	1,587	1,165	1,834

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

The information on the main geographic area is as follows:

**December 2022 (Millions of Euros) BBVA, S.A.**

	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	12,485	255	—	92	118	44	1	—
Other financial institutions and individual entrepreneurs	20,523	298	15,052	142	107	127	3,608	11,366
Non-financial institutions and individual entrepreneurs	96,907	9,715	1,703	4,521	3,270	1,481	865	1,282
Construction and property development	1,497	1,388	3	821	388	126	26	29
Construction of civil works	4,769	514	257	244	165	85	32	245
Other purposes	90,641	7,814	1,443	3,457	2,717	1,269	806	1,008
Large companies	64,831	2,701	941	1,268	808	397	641	527
SMEs <sup>(2)</sup> and individual entrepreneurs	25,810	5,113	503	2,188	1,909	872	165	481
Rest of households and NPISHs <sup>(3)</sup>	89,790	71,156	321	17,961	20,691	22,516	6,652	3,657
Housing	72,283	70,303	104	17,702	20,446	22,339	6,496	3,424
Consumption	14,637	80	134	57	55	51	22	30
Other purposes	2,870	773	83	203	190	126	134	203
<b>TOTAL</b>	<b>219,704</b>	<b>81,424</b>	<b>17,076</b>	<b>22,717</b>	<b>24,186</b>	<b>24,167</b>	<b>11,125</b>	<b>16,305</b>
MEMORANDUM ITEM:								
Forbearance operations <sup>(4)</sup>	6,532	4,200	78	920	839	756	631	1,131

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

**December 2022 (Millions of Euros) BBVA Mexico**

	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	6,141	39	5,382	1,029	1,437	294	1,918	742
Other financial institutions and individual entrepreneurs	1,305	19	34	7	16	11	11	8
Non-financial institutions and individual entrepreneurs	31,705	7,785	1,596	4,084	1,986	1,478	869	964
Construction and property development	1,290	1,115	24	152	398	373	149	67
Construction of civil works	102	14	42	8	3	5	5	35
Other purposes	30,312	6,657	1,530	3,924	1,585	1,100	715	862
Large companies	18,218	2,488	561	1,598	647	306	250	248
SMEs <sup>(2)</sup> and individual entrepreneurs	12,094	4,169	968	2,326	938	794	465	614
Rest of households and NPISHs <sup>(3)</sup>	31,349	14,653	—	1,502	3,133	6,092	3,695	231
Housing	14,653	14,653	—	1,502	3,133	6,092	3,695	231
Consumption	16,693	—	—	—	—	—	—	—
Other purposes	3	—	—	—	—	—	—	—
<b>TOTAL</b>	<b>70,500</b>	<b>22,496</b>	<b>7,013</b>	<b>6,622</b>	<b>6,572</b>	<b>7,875</b>	<b>6,494</b>	<b>1,946</b>
MEMORANDUM ITEM:								
Forbearance operations <sup>(4)</sup>	1,102	773	72	171	117	282	185	89

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

**December 2022 (Millions of Euros) Garanti BBVA**

	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	561	—	—	—	—	—	—	—
Other financial institutions and individual entrepreneurs	428	12	17	8	3	—	2	16
Non-financial institutions and individual entrepreneurs	19,758	3,235	1,313	179	1,151	986	346	1,888
Construction and property development	1,331	375	138	42	160	100	38	173
Construction of civil works	376	28	8	—	13	5	2	15
Other purposes	18,051	2,832	1,167	136	978	881	306	1,700
Large companies	9,122	878	323	90	234	365	46	467
SMEs <sup>(2)</sup> and individual entrepreneurs	8,930	1,954	844	46	744	516	260	1,233
Rest of households and NPISHs <sup>(3)</sup>	10,217	911	8	355	537	16	10	1
Housing	1,153	895	—	350	530	10	4	—
Consumption	8,760	11	8	4	7	5	3	—
Other purposes	304	6	—	1	1	1	3	1
<b>TOTAL</b>	<b>30,964</b>	<b>4,159</b>	<b>1,338</b>	<b>541</b>	<b>1,692</b>	<b>1,001</b>	<b>358</b>	<b>1,905</b>
MEMORANDUM ITEM:								
Forbearance operations <sup>(4)</sup>	1,646	180	3	31	20	64	15	53

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

**December 2022 (Millions of Euros) Other Entities**

	Total <sup>(1)</sup>	Mortgage loans	Secured loans	Loans to customers. Loan to value				
				Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%
General governments	1,473	3	—	—	—	—	—	3
Other financial institutions and individual entrepreneurs	1,229	8	326	139	1	1	24	170
Non-financial institutions and individual entrepreneurs	24,485	4,718	2,217	1,118	566	551	878	3,822
Construction and property development	1,048	823	37	452	137	61	34	175
Construction of civil works	335	54	9	23	4	8	5	23
Other purposes	23,101	3,841	2,171	643	424	483	838	3,624
Large companies	13,682	1,442	1,946	352	150	150	421	2,316
SMEs <sup>(2)</sup> and individual entrepreneurs	9,420	2,399	225	291	275	333	417	1,308
Rest of households and NPISHs <sup>(3)</sup>	18,739	6,836	1,661	1,655	1,332	1,316	2,757	1,438
Housing	7,148	6,414	18	1,331	1,216	1,256	1,368	1,260
Consumption	10,205	370	1,518	205	105	54	1,378	146
Other purposes	1,386	53	125	118	11	5	11	32
<b>TOTAL</b>	<b>45,926</b>	<b>11,565</b>	<b>4,204</b>	<b>2,912</b>	<b>1,899</b>	<b>1,868</b>	<b>3,658</b>	<b>5,432</b>
MEMORANDUM ITEM:								
Forbearance operations <sup>(4)</sup>	920	532	22	229	154	65	53	54

(1) The amounts included in this table are net of loss allowances.

(2) Small and medium enterprises.

(3) Non-profit institutions serving households.

(4) Net of provisions.

### c. Information on the concentration of risk by activity and geographical areas

#### December 2022 (Millions of Euros)

	TOTAL <sup>(1)</sup>	Spain	Rest of European Union	America	Other
Credit institutions	166,602	58,290	36,043	42,941	29,328
General governments	128,028	52,873	13,677	47,726	13,752
Central Administration	107,292	39,349	13,153	41,666	13,124
Other	20,736	13,524	524	6,060	628
Other financial institutions	49,629	9,884	16,254	15,110	8,380
Non-financial institutions and individual entrepreneurs	235,376	81,464	25,039	80,112	48,761
Construction and property development	8,590	2,636	659	2,149	3,146
Construction of civil works	9,361	5,942	1,078	1,037	1,304
Other purposes	217,425	72,886	23,302	76,925	44,311
Large companies	154,894	45,864	22,686	55,071	31,274
SMEs and individual entrepreneurs	62,531	27,023	616	21,855	13,038
Other households and NPISHs	151,091	88,608	2,591	49,290	10,602
Housing	95,238	70,901	1,483	21,455	1,398
Consumer	50,296	14,595	236	26,697	8,768
Other purposes	5,557	3,111	871	1,139	436
<b>TOTAL</b>	<b>730,724</b>	<b>291,119</b>	<b>93,603</b>	<b>235,179</b>	<b>110,823</b>

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

#### December 2021 (Millions of Euros)

	TOTAL <sup>(1)</sup>	Spain	Rest of European Union	America	Other
Credit institutions	153,178	46,282	35,157	37,840	33,898
General governments	122,518	53,621	15,822	41,510	11,564
Central Administration	101,719	38,601	15,451	36,397	11,269
Other	20,799	15,020	371	5,113	295
Other financial institutions	44,470	9,988	16,039	11,474	6,969
Non-financial institutions and individual entrepreneurs	211,437	77,227	25,485	64,123	44,602
Construction and property development	8,594	3,029	662	2,050	2,853
Construction of civil works	10,345	5,641	1,210	1,030	2,465
Other purposes	192,498	68,557	23,614	61,044	39,284
Large companies	136,229	42,462	23,133	40,931	29,703
SMEs and individual entrepreneurs	56,269	26,095	481	20,113	9,581
Other households and NPISHs	141,747	89,769	2,715	40,819	8,444
Housing	95,200	73,145	1,645	18,455	1,955
Consumer	41,799	13,431	745	21,399	6,224
Other purposes	4,749	3,193	325	966	265
<b>TOTAL</b>	<b>673,350</b>	<b>276,887</b>	<b>95,218</b>	<b>195,768</b>	<b>105,477</b>

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.



December 2020 (Millions of Euros)

	TOTAL <sup>(1)</sup>	Spain	Rest of European Union	America	Other
Credit institutions	140,294	44,287	29,055	39,897	27,055
General governments	125,311	61,944	12,660	37,756	12,951
Central Administration	103,104	46,614	12,324	31,477	12,689
Other	22,207	15,330	336	6,279	262
Other financial institutions	48,236	14,727	11,575	15,640	6,294
Non-financial institutions and individual entrepreneurs	202,708	74,560	23,783	60,245	44,120
Construction and property development	8,182	3,384	202	1,899	2,697
Construction of civil works	10,385	5,275	1,349	1,183	2,578
Other purposes	184,141	65,901	22,232	57,163	38,845
Large companies	125,847	39,272	21,610	37,904	27,061
SMEs and individual entrepreneurs	58,294	26,629	622	19,259	11,784
Other households and NPISHs	138,544	88,633	2,882	36,690	10,339
Housing	94,098	73,383	1,747	16,262	2,706
Consumer	39,442	12,117	719	19,264	7,342
Other purposes	5,004	3,133	416	1,164	291
<b>TOTAL</b>	<b>655,093</b>	<b>284,151</b>	<b>79,955</b>	<b>190,228</b>	<b>100,759</b>

(1) The definition of risk for the purpose of this statement includes the following items on the public balance sheet: "Loans and advances to credit institutions", "Loans and advances", "Debt securities", "Equity instruments", "Other equity securities", "Derivatives and hedging derivatives", "Investments in subsidiaries, joint ventures and associates" and "Guarantees given". The amounts included in this table are net of loss allowances.

This Appendix is part of Note 7.2.7 of the consolidated financial statements for the year ended December 31, 2022.

## APPENDIX IX. Additional information on risk concentration

### a. Sovereign risk exposure

The table below provides a breakdown of exposure to financial assets (excluding derivatives and equity instruments), as of December 31, 2022, 2021 and 2020: by type of counterparty and the country of residence of such counterparty. The below figures do not take into account accumulated other comprehensive income, loss allowances or loan-loss provisions:

Risk exposure by countries (Millions of Euros)	Sovereign risk		
	2022	2021	2020
Spain	53,437	52,927	60,916
Italy	12,287	13,720	10,270
Turkey	9,934	5,868	7,578
Portugal	670	697	1,067
Germany	254	212	342
France	148	124	108
Netherlands	14	3	—
Romania	539	461	459
Rest of Europe	1,188	522	244
<b>Subtotal Europe</b>	<b>78,470</b>	<b>74,534</b>	<b>80,984</b>
Mexico	37,274	34,872	31,237
The United States	4,989	1,841	14,217
Colombia	2,688	2,676	1,466
Peru	1,108	805	1,539
Argentina	1,246	850	706
Venezuela	—	—	21
Rest of countries	3,726	5,871	5,559
<b>Subtotal rest of countries</b>	<b>51,031</b>	<b>46,915</b>	<b>54,746</b>
<b>Total exposure to financial instruments</b>	<b>129,501</b>	<b>121,449</b>	<b>135,729</b>

The exposure to sovereign risk set out in the above table includes positions held in government debt securities in countries where the Group operates. They are used for ALCO's management of the interest-rate risk on the balance sheets of the Group's entities in these countries, as well as for hedging of pension and insurance commitments by insurance entities within the BBVA Group.

The table below provides a breakdown of the exposure of the Group's credit institutions to sovereign risk as of December 31, 2022 by type of financial instrument and the country of residence of the counterparty, under EBA requirements:

Sovereign Risk by European Union Countries. December 2022 (Millions of Euros)											
	Debt securities	Loans and advances	Derivatives						Total	%	
			Direct exposure			Indirect exposure					
			Notional value	Fair value +	Fair value -	Notional value	Fair value +	Fair value -			
Spain	29,097	11,500	217	42	(22)	(685)	4,331	(4,996)	39,485	38 %	
Italy	7,819	5	—	—	—	(1,818)	1,218	(2,496)	4,728	5 %	
Portugal	81	125	—	—	(102)	20	19	—	143	— %	
Germany	4	—	—	—	—	(10)	6	(8)	(8)	— %	
France	(976)	53	16	—	(2)	364	243	(1)	(303)	— %	
Netherlands	10	—	—	—	—	—	—	—	10	— %	
Romania	539	—	—	—	—	—	—	—	539	1 %	
Rest of European Union	386	87	71	3	—	292	278	—	1,118	1 %	
<b>Total Exposure to Sovereign Counterparties (European Union)</b>	<b>36,960</b>	<b>11,769</b>	<b>305</b>	<b>46</b>	<b>(126)</b>	<b>(1,835)</b>	<b>6,095</b>	<b>(7,502)</b>	<b>45,712</b>	<b>44 %</b>	
Mexico	21,843	6,301	5,689	25	(132)	—	—	—	33,726	33 %	
The United States	4,872	—	(1)	—	(1)	—	—	—	4,870	5 %	
Turkey	9,286	585	—	—	—	—	5	(5)	9,871	10 %	
Rest of other countries	6,364	2,266	—	—	—	405	15	(2)	9,049	9 %	
<b>Total other countries</b>	<b>42,365</b>	<b>9,153</b>	<b>5,688</b>	<b>25</b>	<b>(133)</b>	<b>405</b>	<b>21</b>	<b>(7)</b>	<b>57,516</b>	<b>56 %</b>	
<b>Total</b>	<b>79,325</b>	<b>20,922</b>	<b>5,992</b>	<b>71</b>	<b>(258)</b>	<b>(1,430)</b>	<b>6,115</b>	<b>(7,509)</b>	<b>103,228</b>	<b>100 %</b>	

This table shows sovereign risk balances with EBA criteria. Therefore, sovereign risk of European Union countries of the Group's insurance companies (€9,117 million as of December 31, 2022) is not included. Includes credit derivatives CDS (Credit Default Swaps) shown at fair value.

This Appendix forms part of Note 7.2.8 of the Consolidated Financial Statements for the year 2022.

## b. Concentration of risk on activities in the real-estate market in Spain

### Quantitative information on activities in the real-estate market in Spain

Lending for real estate development of the loans as of December 31, 2022, 2021 and 2020 is shown below:

Financing Allocated by credit institutions to Construction and Real Estate Development and lending for house purchase (Millions of Euros)									
	Gross amount			Drawn over the guarantee value			Accumulated impairment		
	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Financing to construction and real estate development (including land) (Business in Spain)</b>	<b>1,861</b>	<b>2,123</b>	<b>2,565</b>	<b>350</b>	<b>455</b>	<b>650</b>	<b>(157)</b>	<b>(197)</b>	<b>(281)</b>
<i>Of which: Impaired assets</i>	239	336	473	82	132	213	(122)	(142)	(230)
<i>Memorandum item:</i>									
Write-offs	2,086	2,155	2,288						
<i>Memorandum item:</i>									
Total loans and advances to customers, excluding the General Governments (Business in Spain) (book Value)	172,880	168,734	162,600						
Total consolidated assets (total business) (book value)	713,140	662,885	733,797						
Impairment and provisions for normal exposures	(4,622)	(4,610)	(4,909)						

The following is a description of the real estate credit risk based on the types of associated guarantees:

Financing allocated by credit institutions to construction and real estate development and lending for house purchase (Millions of Euros)			
	2022	2021	2020
<b>Without secured loan</b>	<b>232</b>	<b>248</b>	<b>372</b>
<b>With secured loan</b>	<b>1,629</b>	<b>1,875</b>	<b>2,193</b>
Terminated buildings	898	1,172	1,307
Homes	710	936	991
Other	188	235	316
Buildings under construction	556	517	614
Homes	536	509	430
Other	21	8	184
Land	175	186	272
Urbanized land	119	124	143
Rest of land	56	62	129
<b>Total</b>	<b>1,861</b>	<b>2,123</b>	<b>2,565</b>

As of December 31, 2022, 2021 and 2020, 48.3%, 55.2% and 51.0%, of loans to developers were guaranteed with buildings (79.1%, 79.9% and 75.8% are homes), and only 9.4%, 8.8%, and 10.6% by land, of which 68.0%, 66.6%, and 52.6% are in urban locations, respectively.

The table below provides the breakdown of the financial guarantees given as of December 31, 2022, 2021 and 2020:

Financial guarantees given (Millions of Euros)			
	2022	2021	2020
Houses purchase loans	54	56	58
Without mortgage	3	3	5

The information on the retail mortgage portfolio risk (housing mortgage) as of December 31, 2022, 2021 and 2020 is as follows:

Financing allocated by credit institutions to construction and Real Estate development and lending for house purchase. (Millions of Euros)						
	Gross amount			Of which: impaired loans		
	2022	2021	2020	2022	2021	2020
Houses purchase loans	71,799	74,094	74,689	2,486	2,748	2,841
<i>Without mortgage</i>	1,539	1,631	1,693	8	13	20
<i>With mortgage</i>	70,260	72,463	72,996	2,477	2,735	2,821

The loan to value (LTV) ratio of the above portfolio is as follows:

**LTV breakdown of mortgage to households for the purchase of a home (business in Spain) (Millions of Euros)**

	Total risk over the amount of the last valuation available (Loan to value-LTV)						Total
	Less than or equal to 40%	Over 40% but less than or equal to 60%	Over 60% but less than or equal to 80%	Over 80% but less than or equal to 100%	Over 100%		
Gross amount December 31, 2022	16,981	20,060	22,255	6,794	4,171	70,260	
<i>Of which: Impaired loans</i>	248	341	438	450	999	2,477	
Gross amount December 31, 2021	15,189	18,107	22,782	9,935	6,449	72,463	
<i>Of which: Impaired loans</i>	216	327	462	483	1,246	2,735	
Gross amount December 31, 2020	15,197	18,891	20,716	10,624	7,568	72,996	
<i>Of which: Impaired loans</i>	170	294	426	470	1,461	2,821	

Outstanding home mortgage loans as of December 31, 2022, 2021 and 2020 had an average LTV of 43%, 46% and 46% respectively.

The breakdown of foreclosed, acquired, purchased or exchanged assets from debt from loans relating to business in Spain, as well as the holdings and financing to non-consolidated entities holding such assets is as follows:

**Information about Assets Received in Payment of Debts (Business in Spain) (Millions of euros)**

	Gross Value			Provisions			Of which: Valuation adjustments on impaired assets, from the time of foreclosure			Carrying amount		
	2022	2021	2020	2022	2021	2020	2022	2021	2020	2022	2021	2020
<b>Real estate assets from loans to the construction and real estate development sectors in Spain</b>	<b>539</b>	<b>654</b>	<b>913</b>	<b>(389)</b>	<b>(407)</b>	<b>(486)</b>	<b>(229)</b>	<b>(214)</b>	<b>(234)</b>	<b>150</b>	<b>247</b>	<b>427</b>
Terminated buildings	125	196	363	(72)	(94)	(144)	(38)	(44)	(60)	54	102	219
<i>Homes</i>	49	87	212	(25)	(39)	(75)	(11)	(17)	(33)	24	48	137
<i>Other</i>	76	109	151	(47)	(55)	(69)	(27)	(27)	(27)	30	54	82
Buildings under construction	21	23	30	(16)	(17)	(21)	(8)	(6)	(10)	5	6	9
<i>Homes</i>	20	22	29	(15)	(16)	(20)	(7)	(6)	(10)	5	6	9
<i>Other</i>	1	1	1	(1)	(1)	(1)	—	—	—	—	—	—
Land	393	435	520	(302)	(296)	(321)	(183)	(164)	(164)	91	139	199
<i>Urbanized land</i>	366	406	485	(285)	(281)	(303)	(170)	(153)	(150)	81	125	182
<i>Rest of land</i>	27	29	35	(17)	(15)	(18)	(12)	(11)	(14)	10	14	17
<b>Real estate assets from mortgage financing for households for the purchase of a home</b>	<b>736</b>	<b>970</b>	<b>1,128</b>	<b>(410)</b>	<b>(520)</b>	<b>(593)</b>	<b>(134)</b>	<b>(154)</b>	<b>(163)</b>	<b>327</b>	<b>450</b>	<b>535</b>
<b>Rest of foreclosed real estate assets</b>	<b>449</b>	<b>494</b>	<b>481</b>	<b>(270)</b>	<b>(264)</b>	<b>(259)</b>	<b>(80)</b>	<b>(62)</b>	<b>(48)</b>	<b>179</b>	<b>230</b>	<b>222</b>
<b>Equity instruments, investments and financing to non-consolidated companies holding said assets</b>	<b>656</b>	<b>708</b>	<b>1,310</b>	<b>(397)</b>	<b>(449)</b>	<b>(450)</b>	<b>(358)</b>	<b>(410)</b>	<b>(412)</b>	<b>259</b>	<b>259</b>	<b>860</b>
<b>Total</b>	<b>2,381</b>	<b>2,826</b>	<b>3,832</b>	<b>(1,466)</b>	<b>(1,640)</b>	<b>(1,788)</b>	<b>(801)</b>	<b>(840)</b>	<b>(857)</b>	<b>915</b>	<b>1,186</b>	<b>2,044</b>

As of December 31, 2022, 2021 and 2020, the gross book value of the Group's real-estate assets from corporate financing of real-estate construction and development was €539, €654 and €913 million, respectively, with an average coverage ratio of 72.2%, 62.2% and 53.2%, respectively.

The gross book value of real-estate assets from mortgage lending to households for home purchase as of December 31, 2022, 2021 and 2020, amounted to €736, €970 and €1,128 million, respectively, with an average coverage ratio of 55.6%, 53.6% and 52.6%.

As of December 31, 2022, 2021 and 2020, the gross book value of the BBVA Group's total real-estate assets (business in Spain), including other real-estate assets received as debt payment, was €1,725, €2118 and €2522 million, respectively. The coverage ratio was 62.0%, 56.2% and 53.1%, respectively.

This Appendix is part of Note 7 of the consolidated financial statements for the year ended December 31, 2022.

### c. Concentration of risk by geography

Below is a breakdown of the balances of financial instruments registered in the consolidated balance sheets by their concentration in geographical areas and according to the residence of the customer or counterparty. As of December 31, 2022, 2021 and 2020 it does not take into account loss allowances or loan-loss provisions:

Risks by geographical areas. December 2022 (Millions of Euros)								
	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Other	Total
<b>Derivatives</b>	<b>5,222</b>	<b>20,494</b>	<b>1,824</b>	<b>7,679</b>	<b>128</b>	<b>3,493</b>	<b>1,068</b>	<b>39,908</b>
<b>Equity instruments <sup>(1)</sup></b>	<b>1,342</b>	<b>3,068</b>	<b>5,012</b>	<b>2,026</b>	<b>145</b>	<b>225</b>	<b>294</b>	<b>12,113</b>
<b>Debt securities</b>	<b>43,049</b>	<b>20,200</b>	<b>33,322</b>	<b>7,863</b>	<b>9,366</b>	<b>8,372</b>	<b>4,814</b>	<b>126,985</b>
Central banks	—	16	—	—	—	3,839	89	3,944
General governments	41,114	13,755	30,973	4,989	9,345	3,448	3,044	106,668
Credit institutions	1,153	2,433	1,341	119	14	266	452	5,778
Other financial corporations	433	1,696	297	1,042	3	561	212	4,245
Non-financial corporations	349	2,299	711	1,712	5	257	1,017	6,350
<b>Loans and advances</b>	<b>176,212</b>	<b>65,763</b>	<b>77,840</b>	<b>12,508</b>	<b>42,080</b>	<b>46,451</b>	<b>11,157</b>	<b>432,011</b>
Central banks	713	1,060	—	—	3,898	370	10	6,051
General governments	11,500	269	6,301	—	585	1,771	495	20,922
Credit institutions	5,184	27,591	2,546	336	2,457	1,974	1,235	41,323
Other financial corporations	3,688	16,662	1,315	1,814	1,206	1,415	1,307	27,407
Non-financial corporations	60,459	17,290	32,365	10,325	21,678	21,565	8,008	171,690
Households	94,669	2,890	35,312	34	12,255	19,356	101	164,618
<b>Total risk in financial assets</b>	<b>225,825</b>	<b>109,525</b>	<b>117,998</b>	<b>30,077</b>	<b>51,718</b>	<b>58,541</b>	<b>17,333</b>	<b>611,018</b>
Loan commitments given	35,649	42,532	20,479	14,849	10,628	10,996	1,788	136,920
Financial guarantees given	3,020	4,372	7	1,397	6,169	1,011	536	16,511
Other commitments given	15,626	8,008	2,723	2,536	4,278	3,207	2,758	39,137
<b>Off-balance sheet exposures</b>	<b>54,294</b>	<b>54,912</b>	<b>23,209</b>	<b>18,783</b>	<b>21,074</b>	<b>15,213</b>	<b>5,082</b>	<b>192,568</b>
<b>Total risks in financial instruments</b>	<b>280,119</b>	<b>164,437</b>	<b>141,207</b>	<b>48,860</b>	<b>72,793</b>	<b>73,754</b>	<b>22,415</b>	<b>803,585</b>

(1) Equity instruments are shown net of valuation adjustment.

**Risks by geographical areas. December 2021 (Millions of Euros)**

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Other	Total
<b>Derivatives</b>	<b>4,145</b>	<b>15,783</b>	<b>1,511</b>	<b>4,706</b>	<b>945</b>	<b>3,248</b>	<b>594</b>	<b>30,933</b>
<b>Equity instruments <sup>(1)</sup></b>	<b>3,682</b>	<b>12,510</b>	<b>3,885</b>	<b>1,273</b>	<b>80</b>	<b>206</b>	<b>951</b>	<b>22,587</b>
<b>Debt securities</b>	<b>43,336</b>	<b>22,288</b>	<b>32,042</b>	<b>4,418</b>	<b>5,677</b>	<b>6,237</b>	<b>6,993</b>	<b>120,990</b>
Central banks	—	15	—	—	—	2,527	106	2,648
General governments	40,653	15,608	29,771	1,839	5,669	2,813	5,156	101,508
Credit institutions	1,401	2,341	1,213	142	8	275	480	5,860
Other financial corporations	619	1,878	270	903	1	402	132	4,203
Non-financial corporations	662	2,447	788	1,535	—	220	1,118	6,770
<b>Loans and advances</b>	<b>177,851</b>	<b>64,238</b>	<b>60,208</b>	<b>9,319</b>	<b>36,743</b>	<b>42,182</b>	<b>9,984</b>	<b>400,525</b>
Central banks	865	2,832	—	—	3,991	1,442	24	9,154
General governments	12,542	256	5,102	—	236	1,733	490	20,359
Credit institutions	7,360	29,901	1,452	361	2,695	1,221	2,247	45,238
Other financial corporations	4,583	14,183	985	1,521	954	1,165	851	24,242
Non-financial corporations	56,643	13,993	24,930	7,403	19,500	19,024	6,250	147,743
Households	95,857	3,072	27,740	35	9,368	17,596	122	153,789
<b>Total risk in financial assets</b>	<b>229,013</b>	<b>114,819</b>	<b>97,647</b>	<b>19,718</b>	<b>43,445</b>	<b>51,873</b>	<b>18,521</b>	<b>575,035</b>
Loan commitments given	35,604	37,313	17,662	13,239	6,359	7,926	1,516	119,618
Financial guarantees given	2,426	3,363	16	451	4,163	993	308	11,720
Other commitments given	14,516	6,995	2,127	2,070	3,529	2,402	2,965	34,604
<b>Off-balance sheet exposures</b>	<b>52,546</b>	<b>47,671</b>	<b>19,805</b>	<b>15,760</b>	<b>14,050</b>	<b>11,321</b>	<b>4,789</b>	<b>165,941</b>
<b>Total risks in financial instruments</b>	<b>281,559</b>	<b>162,489</b>	<b>117,451</b>	<b>35,477</b>	<b>57,496</b>	<b>63,194</b>	<b>23,309</b>	<b>740,976</b>

(1) Equity instruments are shown net of valuation adjustment.

**Risks by geographical areas. December 2020 (Millions of Euros)**

	Spain	Rest of Europe	Mexico	The United States	Turkey	South America	Other	Total
<b>Derivatives</b>	<b>8,419</b>	<b>17,811</b>	<b>2,292</b>	<b>8,350</b>	<b>349</b>	<b>2,162</b>	<b>800</b>	<b>40,183</b>
<b>Equity instruments <sup>(1)</sup></b>	<b>2,196</b>	<b>9,627</b>	<b>3,197</b>	<b>925</b>	<b>65</b>	<b>260</b>	<b>420</b>	<b>16,690</b>
<b>Debt securities</b>	<b>56,552</b>	<b>18,932</b>	<b>29,392</b>	<b>5,097</b>	<b>7,466</b>	<b>5,907</b>	<b>6,287</b>	<b>129,632</b>
Central banks	—	—	—	—	—	2,535	100	2,635
General governments	48,765	12,320	26,567	2,412	7,449	2,547	4,641	104,701
Credit institutions	1,680	2,383	1,542	214	14	205	681	6,718
Other financial corporations	5,466	1,804	404	897	2	439	163	9,175
Non-financial corporations	641	2,426	879	1,574	—	180	702	6,402
<b>Loans and advances</b>	<b>168,849</b>	<b>50,691</b>	<b>57,787</b>	<b>8,335</b>	<b>40,373</b>	<b>39,081</b>	<b>9,964</b>	<b>375,080</b>
Central banks	1,301	37	235	204	3,408	1,060	37	6,282
General governments	12,712	328	4,671	—	181	1,401	732	20,026
Credit institutions	644	23,123	2,888	1,477	217	830	3,762	32,940
Other financial corporations	3,742	10,826	2,489	946	1,165	756	723	20,647
Non-financial corporations	55,314	13,078	22,878	5,670	23,963	18,215	4,573	143,691
Households	95,136	3,298	24,626	38	11,439	16,819	137	151,493
<b>Total risk in financial assets</b>	<b>236,016</b>	<b>97,061</b>	<b>92,667</b>	<b>22,706</b>	<b>48,253</b>	<b>47,410</b>	<b>17,471</b>	<b>561,585</b>
Loan commitments given	35,096	32,327	15,748	33,644	7,691	6,530	1,548	132,584
Financial guarantees given	850	3,302	24	714	4,415	1,013	348	10,665
Other commitments given	15,474	8,224	1,618	1,922	3,403	2,883	2,666	36,190
<b>Off-balance sheet exposures</b>	<b>51,419</b>	<b>43,853</b>	<b>17,391</b>	<b>36,280</b>	<b>15,508</b>	<b>10,425</b>	<b>4,563</b>	<b>179,440</b>
<b>Total risks in financial instruments</b>	<b>287,436</b>	<b>140,914</b>	<b>110,058</b>	<b>58,986</b>	<b>63,761</b>	<b>57,836</b>	<b>22,034</b>	<b>741,025</b>

(1) Equity instruments are shown net of valuation adjustment.

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



The breakdown of loans and advances in the heading of “Loans and advances”, impaired by geographical area as December 31, 2022, 2021 and 2020.

<b>Impaired financial assets by geographic area (Millions of Euros)</b>			
	<b>2022</b>	<b>2021</b>	<b>2020</b>
Spain	7,468	8,143	8,199
Rest of Europe	93	104	118
Mexico	1,939	1,921	1,767
South America	1,721	1,744	1,703
Turkey	2,272	2,746	2,889
Rest of the world	—	—	2
<b>IMPAIRED RISKS</b>	<b>13,493</b>	<b>14,657</b>	<b>14,678</b>

This Appendix is part of Note 7.2.8 of the consolidated financial statements for the year ended December 31, 2022.

## Glossary

Additional Tier 1 Capital	Includes: Preferred stock and convertible perpetual securities and deductions.
Amortized cost	The amortized cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus the principal repayments, plus or minus, the cumulative amortization using the effective interest rate method of any difference between the initial amount and the maturity amount and, for financial assets, adjusted for any loss allowance.
Associates	Companies in which the Group has a significant influence, without having control. Significant influence is deemed to exist when the Group owns 20% or more of the voting rights of an investee directly or indirectly.
Baseline macroeconomic scenarios	IFRS 9 requires that an entity must evaluate a range of possible outcomes when estimating provisions and measuring expected credit losses, through macroeconomic scenarios. The baseline macroeconomic scenario presents the situation of the particular economic cycle.
Basic earnings per share	Calculated by dividing "Profit attributable to Parent Company" corresponding to ordinary shareholders of the entity by the weighted average number of shares outstanding throughout the year (i.e., excluding the average number of treasury shares held over the year).
Basis risk	Risk arising from hedging exposure to one interest rate with exposure to a rate that reprices under slightly different conditions.
Building Block Approach (BBA)	This is one of the three measurement models for the valuation of insurance and reinsurance contracts. This model is used by default and it applies to contracts with coverage periods of more than one year and not classified as contracts with direct participation, being mandatory except when the conditions to apply the other two methods are met: Variable Fee Approach or Premium Allocation Approach.
Business combination	A business combination is a transaction, or any other event, through which a single entity obtains the control of one or more businesses.
Business Model	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). Financial assets are classified on the basis of its business model for managing the financial assets. The Group's business models shall be determined at a level that reflects how groups of financial assets are managed together to achieve a particular business objective and generate cash flows.
Cash flow hedges	Those that hedge the exposure to variability in cash flows attributable to a particular risk associated with a recognized asset or liability or a highly probable forecast transaction and could affect profit or loss.
Commissions	Income and expenses relating to commissions and similar fees are recognized in the income statement using criteria that vary according to their nature. The most significant income and expense items in this connection are: <ul style="list-style-type: none"> <li>· Fees and commissions relating linked to financial assets and liabilities measured at fair value through profit or loss, which are recognized when collected.</li> <li>· Fees and commissions arising from transactions or services that are provided over a period of time, which are recognized over the life of these transactions or services.</li> <li>· Fees and commissions generated by a single act are accrued upon execution of that act.</li> </ul>
Consolidation method	Method used for the consolidation of the accounts of the Group's subsidiaries. The assets and liabilities of the Group entities are incorporated line-by-line on the consolidate balance sheets, after conciliation and the elimination in full of intragroup balances, including amounts payable and receivable. Group entity income statement income and expense headings are similarly combined line by line into the consolidated income statement, having made the following consolidation eliminations: a) income and expenses in respect of intragroup transactions are eliminated in full. b) profits and losses resulting from intragroup transactions are similarly eliminated. The carrying amount of the parent's investment and the parent's share of equity in each subsidiary are eliminated.
Contingencies	Current obligations of the entity arising as a result of past events whose existence depends on the occurrence or non-occurrence of one or more future events independent of the will of the entity.
Contingent commitments	Possible obligations of the entity that arise from past events and whose existence depends on the occurrence or non-occurrence of one or more future events independent of the entity's will and that could lead to the recognition of financial assets.
Control	An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. An investor controls an investee if and only if the investor has all the following: <ol style="list-style-type: none"> <li>a. Power; An investor has power over an investee when the investor has existing rights that give it the current ability to direct the relevant activities, i.e. the activities that significantly affect the investee's returns.</li> <li>b. Returns; An investor is exposed, or has rights, to variable returns from its involvement with the investee when the investor's returns from its involvement have the potential to vary as a result of the investee's performance. The investor's returns can be only positive, only negative or both positive and negative.</li> <li>c. Link between power and returns; An investor controls an investee if the investor not only has power over the investee and exposure or rights to variable returns from its involvement with the investee, but also has the ability to use its power to affect the investor's returns from its involvement with the investee.</li> </ol>
Correlation risk	Correlation risk is related to derivatives whose final value depends on the performance of more than one underlying asset (primarily, stock baskets) and indicates the existing variability in the correlations between each pair of assets.
Credit Valuation Adjustment (CVA)	An adjustment to the valuation of OTC derivative contracts to reflect the creditworthiness of OTC derivative counterparties.
Current service cost	Current service cost is the increase in the present value of a defined benefit obligation resulting from employee service in the current period.
Current tax assets	Taxes recoverable over the next twelve months.
Current tax liabilities	Corporate income tax payable on taxable profit for the year and other taxes payable in the next twelve months.



Debit Valuation Adjustment (DVA)	An adjustment made by an entity to the valuation of OTC derivative liabilities to reflect within fair value the entity's own credit risk.
Debt certificates	Obligations and other interest-bearing securities that create or evidence a debt on the part of their issuer, including debt securities issued for trading among an open group of investors, that accrue interest, implied or explicit, whose rate, fixed or benchmarked to other rates, is established contractually, and take the form of securities or book-entries, irrespective of the issuer.
Default	An asset will be considered as defaulted whenever it is more than 90 days past due.
Deferred tax assets	Taxes recoverable in future years, including loss carry forwards or tax credits for deductions and tax rebates pending application.
Deferred tax liabilities	Income taxes payable in subsequent years.
Defined benefit plans	Post-employment obligation under which the entity, directly or indirectly via the plan, retains the contractual or implicit obligation to pay remuneration directly to employees when required or to pay additional amounts if the insurer, or other entity required to pay, does not cover all the benefits relating to the services rendered by the employees when insurance policies do not cover all of the corresponding post-employees benefits.
Defined contribution plans	Defined contribution plans are retirement benefit plans under which amounts to be paid as retirement benefits are determined by contributions to a fund together with investment earnings thereon. The employer's obligations in respect of its employees current and prior years' employment service are discharged by contributions to the fund.
Deposits from central banks	Deposits of all classes, including loans and money market operations, received from the Bank of Spain and other central banks.
Deposits from credit institutions	Deposits of all classes, including loans and money market operations received, from credit entities.
Deposits from customers	Redeemable cash balances received by the entity, with the exception of debt certificates, money market operations through counterparties and subordinated liabilities, which are not received from either central banks or credit entities. This category also includes cash deposits and consignments received that can be readily withdrawn.
Derivatives	The fair value in favor (assets) or again (liabilities) of the entity of derivatives not designated as accounting hedges.
Derivatives - Hedging derivatives	Derivatives designated as hedging instruments in an accounting hedge. The fair value or future cash flows of those derivatives is expected to offset the differences in the fair value or cash flows of the items hedged.
Diluted earnings per share	Calculated by using a method similar to that used to calculate basic earnings per share; the weighted average number of shares outstanding, and the profit attributable to the parent company corresponding to ordinary shareholders of the entity, if appropriate, is adjusted to take into account the potential dilutive effect of certain financial instruments that could generate the issue of new Bank shares (share option commitments with employees, warrants on parent company shares, convertible debt instruments, etc.).
Dividends and retributions	Dividend income collected announced during the year, corresponding to profits generated by investees after the acquisition of the stake.
Domestic activity	Domestic balances are those of BBVA's Group entities domiciled in Spain, which reflect BBVA's domestic activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Early retirements	Employees that no longer render their services to the entity but which, without being legally retired, remain entitled to make economic claims on the entity until they formally retire.
Economic capital	Methods or practices that allow banks to consistently assess risk and attribute capital to cover the economic effects of risk-taking activities.
Effective interest rate (EIR)	Discount rate that exactly equals the value of a financial instrument with the cash flows estimated over the expected life of the instrument based on its contractual period as well as its anticipated amortization, but without taking the future losses of credit risk into consideration.
Employee expenses	All compensation accrued during the year in respect of personnel on the payroll, under permanent or temporary contracts, irrespective of their jobs or functions, irrespective of the concept, including the current costs of servicing pension plans, own share based compensation schemes and capitalized personnel expenses. Amounts reimbursed by the state Social Security or other welfare entities in respect of employee illness are deducted from personnel expenses.
Equity	The residual interest in an entity's assets after deducting its liabilities. It includes owner or venturer contributions to the entity, at incorporation and subsequently, unless they meet the definition of liabilities, and accumulated net profits or losses, fair value adjustments affecting equity and, if warranted, non-controlling interests.
Equity instruments	An equity instrument that evidences a residual interest in the assets of an entity, that is after deducting all of its liabilities.
Equity instruments issued other than capital	Includes equity instruments that are financial instruments other than "Capital" and "Equity component of compound financial instruments".
Equity Method	Is a method of accounting whereby the investment is initially recognized at cost and adjusted thereafter for the post-acquisition change in the investor's share of the investee's net assets. The investor's profit or loss includes its share of the investee's profit or loss and the investor's other comprehensive income includes its share of the investee's other comprehensive income.
Exchange/translation differences	Exchange differences (P&L): Includes the earnings obtained in currency trading and the differences arising on translating monetary items denominated in foreign currency to the functional currency. Exchange differences (valuation adjustments): those recorded due to the translation of the financial statements in foreign currency to the functional currency of the Group and others recorded against equity.

Expected Credit Loss (ECL)	<p>Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the financial instrument. Hence, credit losses are the present value of expected cash shortfalls. The measurement and estimate of these expected credit losses should reflect:</p> <ol style="list-style-type: none"> <li>1. An unbiased and probability-weighted amount.</li> <li>2. The time value of money by discounting this amount to the reporting date using a rate that approximates the EIR of the asset, and</li> <li>3. Reasonable and supportable information that is available without undue cost or effort.</li> </ol> <p>The expected credit losses must be measured as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate or an approximation thereof (forward looking).</p>
Exposure at default	EAD is the amount of risk exposure at the date of default by the counterparty.
Fair value	The price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.
Fair value hedges	Derivatives that hedge the exposure to changes in the fair value of assets and liabilities or firm commitments that have not been recognized, or of an identified portion of said assets, liabilities or firm commitments, attributable to a specific risk, provided it could affect the income statement.
Financial Assets at Amortized Cost	Financial assets that do not meet the definition of financial assets designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Financial Assets at fair value through other comprehensive income	Financial instruments with determined or determinable cash flows and in which the entire payment made by the entity will be recovered, except for reasons attributable to the solvency of the debtor. This category includes both the investments from the typical lending activity as well as debts contracted by the purchasers of goods, or users of services, that form part of the entity's business. It also includes all finance lease arrangements in which the subsidiaries act as lessors.
Financial guarantees	Contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs when a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument, irrespective of its instrumentation. These guarantees may take the form of deposits, technical or financial guarantees, insurance contracts or credit derivatives.
Financial guarantees given	Transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts.
Financial instrument	A financial instrument is any contract that gives rise to a financial asset of one entity and to a financial liability or equity instrument of another entity.
Financial liabilities at amortized cost	Financial liabilities that do not meet the definition of financial liabilities designated at fair value through profit or loss and arise from the financial entities' ordinary activities to capture funds, regardless of their instrumentation or maturity.
Foreign activity	International balances are those of BBVA's Group entities domiciled outside of Spain, which reflect our foreign activities, being the allocation of assets and liabilities based on the domicile of the Group entity at which the relevant asset or liability is accounted for.
Goodwill	Goodwill acquired in a business combination represents a payment made by the acquirer in anticipation of future economic benefits from assets that are not able to be individually identified and separately recognized.
Hedges of net investments in foreign operations	Foreign currency hedge of a net investment in a foreign operation.
Held for trading (assets and liabilities)	Financial assets and liabilities acquired or incurred primarily for the purpose of profiting from variations in their prices in the short term. This category also includes financial derivatives not qualifying for hedge accounting, and in the case of borrowed securities, financial liabilities originated by the firm sale of financial assets acquired under repurchase agreements or received on loan ("short positions").
Immunized portfolios	This is considered to be the portfolios on which "cash flow matching" is carried out, that is, balance sheet management with the aim of trying to mitigate the risk derived from the different maturities and interest rates between assets and liabilities.
Impaired financial assets	<p>An asset is credit-impaired according to IFRS 9 if one or more events have occurred and they have a detrimental impact on the estimated future cash flows of the asset. Evidence that a financial asset is credit-impaired includes observable data about the following events:</p> <ol style="list-style-type: none"> <li>a. a significant financial difficulty of the issuer or the borrower,</li> <li>b. a breach of contract (e.g. a default or past due event),</li> <li>c. a lender having granted a concession to the borrower – for economic or contractual reasons relating to the borrower's financial difficulty – that the lender would not otherwise consider,</li> <li>d. it becoming probable that the borrower will enter bankruptcy or other financial reorganization,</li> <li>e. the disappearance of an active market for that financial asset because of financial difficulties, or</li> <li>f. the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.</li> </ol>
Income from equity instruments	Dividends and income on equity instruments collected or announced during the year corresponding to profits generated by investees after the ownership interest is acquired. Income is recognized gross, i.e., without deducting any withholdings made, if any.
Inside Information	Type of filing with the CNMV communicating information which by its nature may affect the price of one or more securities, or the market as a whole, and which has not yet been the subject of publicity or dissemination.
Insurance contracts linked to pensions	The fair value of insurance contracts written to cover pension commitments.



Inventories	Assets, other than financial instruments, under production, construction or development, held for sale during the normal course of business, or to be consumed in the production process or during the rendering of services. Inventories include land and other properties held for sale at the real estate development business.
Investment properties	Investment property is property (land or a building—or part of a building—or both) held (by the owner or by the lessee under a finance lease) to earn rentals or for capital appreciation or both, rather than for own use or sale in the ordinary course of business.
Joint arrangement	An arrangement of which two or more parties have joint control.
Joint control	The contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.
Joint operation	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets of the arrangement and obligations for the liabilities. A joint venturer shall recognize the following for its participation in a joint operation: <ul style="list-style-type: none"> <li>a. its assets, including any share of the assets of joint ownership;</li> <li>b. its liabilities, including any share of the liabilities incurred jointly;</li> <li>c. income from the sale of its share of production from the joint venture;</li> <li>d. its share of the proceeds from the sale of production from the joint venture; and</li> <li>e. its expenses, including any share of the joint expenses. A joint venturer shall account for the assets, liabilities, income and expenses related to its participation in a joint operation in accordance with IFRS applicable to the assets, liabilities, income and expenses specific question.</li> </ul>
Joint venture	A joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. A joint venturer shall recognize its interest in a joint venture as an investment and shall account for that investment using the equity method in accordance with IAS 28 Investments in Associates and Joint Ventures.
Leases	A lease is an agreement whereby the lessor conveys to the lessee in return for a payment or series of payments the right to use an asset for an agreed period of time, a stream of cash flows that is essentially equivalent to the combination of principal and interest payments under a loan agreement. a) A lease is classified as a finance lease when it substantially transfers all the risks and rewards incidental to ownership of the asset forming the subject-matter of the contract. b) A lease will be classified as operating lease when it is not a financial lease.
Lease liability	Lease that represents the lessee's obligation to make lease payments during the lease term.
Liabilities included in disposal groups classified as held for sale	The balance of liabilities directly associated with assets classified as non-current assets held for sale, including those recognized under liabilities in the entity's balance sheet at the balance sheet date corresponding to discontinued operations.
Liabilities under insurance contracts	The technical reserves of direct insurance and inward reinsurance recorded by the entities to cover claims arising from insurance contracts in force at period-end.
Loans and advances to customers	Loans and receivables, irrespective of their type, granted to third parties that are not credit entities.
Loss given default (LGD)	It is the estimate of the loss arising in the event of default. It depends mainly on the characteristics of the counterparty, and the valuation of the guarantees or collateral associated with the asset.
Mortgage-covered bonds	Financial asset or security created from mortgage loans and backed by the guarantee of the mortgage loan portfolio of the entity.
Non Performing Loans (NPL)	The balance of non performing risks, whether for reasons of default by customers or for other reasons, for exposures on balance loans to customers. This figure is shown gross: in other words, it is not adjusted for value corrections (loan loss reserves) made.
Non-controlling interests	The net amount of the profit or loss and net assets of a subsidiary attributable to associates outside the group (that is, the amount that is not owned, directly or indirectly, by the parent), including that amount in the corresponding part of the earnings for the period.
Non-current assets and disposal groups held for sale	A non-current asset or disposal group, whose carrying amount is expected to be realized through a sale transaction, rather than through continuing use, and which meets the following requirements: <ul style="list-style-type: none"> <li>a. it is immediately available for sale in its present condition at the balance sheet date, i.e. only normal procedures are required for the sale of the asset.</li> <li>b. the sale is considered highly probable.</li> </ul>
Non-monetary assets	Assets and liabilities that do not provide any right to receive or deliver a determined or determinable amount of monetary units, such as tangible and intangible assets, goodwill and ordinary shares subordinate to all other classes of capital instruments.
Non-trading financial assets mandatorily at fair value through Profit or loss	The financial assets registered under this heading are assigned to a business model whose objective is achieved by obtaining contractual cash flows and / or selling financial assets but which the contractual cash flows have not complied with the SPPI test conditions.
Option risk	Risks arising from options, including embedded options.

Other financial assets/liabilities at fair value through profit or loss	Instruments designated by the entity from the inception at fair value with changes in profit or loss. An entity may only designate a financial instrument at fair value through profit or loss, if doing so more relevant information is obtained, because: <ul style="list-style-type: none"> <li>a. It eliminates or significantly reduces a measurement or recognition inconsistency (sometimes called "accounting mismatch") that would otherwise arise from measuring assets or liabilities or recognizing the gains and losses on them on different bases. It might be acceptable to designate only some of a number of similar financial assets or financial liabilities if doing so a significant reduction (and possibly a greater reduction than other allowable designations) in the inconsistency is achieved.</li> <li>b. The performance of a group of financial assets or financial liabilities is managed and evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the group is provided internally on that basis to the entity's key management personnel. These are financial assets managed jointly with "Liabilities under insurance and reinsurance contracts" measured at fair value, in combination with derivatives written with a view to significantly mitigating exposure to changes in these contracts' fair value, or in combination with financial liabilities and derivatives designed to significantly reduce global exposure to interest rate risk. These headings include customer loans and deposits effected via so-called unit-linked life insurance contracts, in which the policyholder assumes the investment risk.</li> </ul>
Other Relevant Information	Type of filing with the CNMV communicating an event, news item or piece of information that may influence investors' decisions on a given security, with a consequent impact on the share price.
Other Reserves	This heading is broken down as follows: <ul style="list-style-type: none"> <li>i) Reserves or accumulated losses of investments in subsidiaries, joint ventures and associates: include the accumulated amount of income and expenses generated by the aforementioned investments through profit or loss in past years.</li> <li>ii) Other: includes reserves different from those separately disclosed in other items and may include legal reserve and statutory reserve.</li> </ul>
Other retributions to employees long term	Includes the amount of compensation plans to employees long term.
Own/treasury shares	The amount of own equity instruments held by the entity.
Past service cost	It is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits.
Post-employment benefits	Retirement benefit plans are arrangements whereby an enterprise provides benefits for its employees on or after termination of service.
Premium Allocation Approach (PAA)	This is one of the three measurement models for the valuation of insurance and reinsurance contracts. This is a simplification of the general method (BBA) in the valuation of the provision for the remaining coverage, which can be adopted if the coverage period of the group of contracts is less than or equal to one year, according to the limits of the contract, or if the liability for the remaining coverage obtained does not differ materially from that produced under the general method.
Probability of default (PD)	It is the probability of the counterparty failing to meet its principal and/or interest payment obligations. The PD is associated with the rating/scoring of each counterparty/transaction.
Property, plant and equipment/tangible assets	Buildings, land, fixtures, vehicles, computer equipment and other facilities owned by the entity or acquired under finance leases.
Provisions	Provisions include amounts recognized to cover the Group's current obligations arising as a result of past events, certain in terms of nature but uncertain in terms of amount and/or cancellation date.
Provisions for contingent liabilities and commitments	Provisions recorded to cover exposures arising as a result of transactions through which the entity guarantees commitments assumed by third parties in respect of financial guarantees granted or other types of contracts, and provisions for contingent commitments, i.e., irrevocable commitments which may arise upon recognition of financial assets.
Provisions for pensions and similar obligation	Constitutes all provisions recognized to cover retirement benefits, including commitments assumed vis-à-vis beneficiaries of early retirement and analogous schemes.
Provisions or (-) reversal of provisions	Provisions recognized during the year, net of recoveries on amounts provisioned in prior years, with the exception of provisions for pensions and contributions to pension funds which constitute current or interest expense.
Refinanced Operation	An operation which is totally or partially brought up to date with its payments as a result of a refinancing operation made by the entity itself or by another company in its group.
Refinancing Operation	An operation which, irrespective of the holder or guarantees involved, is granted or used for financial or legal reasons related to current or foreseeable financial difficulties that the holder(s) may have in settling one or more operations granted by the entity itself or by other companies in its group to the holder(s) or to another company or companies of its group, or through which such operations are totally or partially brought up to date with their payments, in order to enable the holders of the settled or refinanced operations to pay off their loans (principal and interest) because they are unable, or are expected to be unable, to meet the conditions in a timely and appropriate manner.
Repricing risk	Risks related to the timing mismatch in the maturity and repricing of assets and liabilities and off-balance sheet short and long-term positions.



Restructured Operation	An operation whose financial conditions are modified for economic or legal reasons related to the holder's (or holders') current or foreseeable financial difficulties, in order to enable payment of the loan (principal and interest), because the holder is unable, or is expected to be unable, to meet those conditions in a timely and appropriate manner, even if such modification is provided for in the contract. In any event, the following are considered restructured operations: operations in which a haircut is made or assets are received in order to reduce the loan, or in which their conditions are modified in order to extend their maturity, change the amortization table in order to reduce the amount of the installments in the short term or reduce their frequency, or to establish or extend the grace period for the principal, the interest or both; except when it can be proved that the conditions are modified for reasons other than the financial difficulties of the holders and, are similar to those applied on the market on the modification date for operations granted to customers with a similar risk profile.
Retained earnings	Accumulated net profits or losses recognized in the income statement in prior years and retained in equity upon distribution.
Right of use asset	Asset that represents the lessee's right to use an underlying asset during the lease term.
Securitization fund	A fund that is configured as a separate equity and administered by a management company. An entity that would like funding sells certain assets to the securitization fund, which, in turn, issues securities backed by said assets.
Share premium	The amount paid in by owners for issued equity at a premium to the shares' nominal value.
Shareholders' funds	Contributions by stockholders, accumulated earnings recognized in the income statement and the equity components of compound financial instruments.
Short positions	Financial liabilities arising as a result of the final sale of financial assets acquired under repurchase agreements or received on loan.
Significant increase in credit risk	In order to determine whether there has been a significant increase in credit risk for lifetime expected losses recognition, the Group has develop a two-prong approach: <ul style="list-style-type: none"> <li>– Quantitative criterion: based on comparing the current expected probability of default over the life of the transaction with the original adjusted expected probability of default. The thresholds used for considering a significant increase in risk take into account special cases according to geographic areas and portfolios.</li> <li>– Qualitative criterion: most indicators for detecting significant risk increase are included in the Group's systems through rating/scoring systems or macroeconomic scenarios, so quantitative analysis covers the majority of circumstances. The Group will use additional qualitative criteria when it considers it necessary to include circumstances that are not reflected in the rating/score systems or macroeconomic scenarios used.</li> </ul>
Significant influence	Is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control of those policies. If an entity holds, directly or indirectly (i.e. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the entity has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the entity holds, directly or indirectly (i.e. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the entity does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an entity from having significant influence. The existence of significant influence by an entity is usually evidenced in one or more of the following ways: <ol style="list-style-type: none"> <li>a. representation on the board of directors or equivalent governing body of the investee; b) participation in policy-making processes, including participation in decisions about dividends or other distributions;</li> <li>b. material transactions between the entity and its investee;</li> <li>c. interchange of managerial personnel; or</li> <li>d. provision of essential technical information.</li> </ol>
Solely Payments of Principle and Interest (SPPI)	The assessment as to how an asset shall be classified is made on the basis of both the business model for managing the financial asset and the contractual cash flow characteristic of the financial asset (SPPI Criterion). To determine whether a financial asset shall be classified as measured at amortized cost or FVOCI, a Group assesses (apart from the business model) whether the cash flows from the financial asset represent, on specified dates, solely payments of principal and interest on the principal amount outstanding (SPPI).
Stages	IFRS 9 classifies financial instruments into three categories, which depend on the evolution of their credit risk from the moment of initial recognition. The first category includes the transactions when they are initially recognized - without significant increase in credit risk (stage 1); the second comprises the operations for which a significant increase in credit risk has been identified since its initial recognition - significant increase in credit risk (stage 2) and the third one, the impaired operations Impaired (stage 3). The transfer logic is defined in a symmetrical way, whenever the condition that triggered a transfer to stage 2 is no longer met, the exposure will be transferred to stage 1. In the case of forbearances transferred to stage 2, as long as the loan is flagged as forbearance it will keep its status as stage 2. However, when the loan is not flagged as forbearance it will be transferred back to stage 1.

Statements of cash flows	<p>The indirect method has been used for the preparation of the statement of cash flows. This method starts from the entity's profit and adjusts its amount for the effects of transactions of a non-cash nature, any deferrals or accruals of past or future operating cash receipts or payments, and items of income or expense associated with cash flows classified as investment or finance. As well as cash, short-term, highly liquid investments subject to a low risk of changes in value, such as cash and deposits in central banks, are classified as cash and equivalents. When preparing these financial statements the following definitions have been used:</p> <ul style="list-style-type: none"> <li>· Cash flows: Inflows and outflows of cash and equivalents.</li> <li>· Operating activities: The typical activities of credit institutions and other activities that cannot be classified as investment or financing activities.</li> <li>· Investing activities: The acquisition, sale or other disposal of long-term assets and other investments not included in cash and cash equivalents or in operating activities.</li> <li>· Financing activities: Activities that result in changes in the size and composition of the Group's equity and of liabilities that do not form part of operating activities.</li> </ul>
Statements of changes in equity	<p>The statements of changes in equity reflect all the movements generated in each year in each of the headings of the equity, including those from transactions undertaken with shareholders when they act as such, and those due to changes in accounting criteria or corrections of errors, if any.</p> <p>The applicable regulations establish that certain categories of assets and liabilities are recognized at their fair value with a charge to equity. These charges, known as "Valuation adjustments" (see Note 31), are included in the Group's total equity net of tax effect, which has been recognized as deferred tax assets or liabilities, as appropriate.</p>
Statements of recognized income and expense	<p>The statement of recognized income and expenses reflect the income and expenses generated in each fiscal year, distinguishing between those recognized in the profit and loss accounts and the "Other recognized income and expenses", which are recorded directly in the equity.</p> <p>The "Other recognized income and expenses" includes the variations that have occurred in the period in "accumulated other comprehensive income", detailed by concepts.</p> <p>The sum of the variations recorded in the "accumulated other comprehensive income" caption of the equity and the profit for the year represents the "Total income and expenses".</p>
Structured credit products	Special financial instrument backed by other instruments building a subordination structure.
Structured Entities	<p>A structured entity is an entity that has been designed so that voting or similar rights are not the dominant factor in deciding who controls the entity, such as when any voting rights relate to administrative tasks only and the relevant activities are directed by means of contractual arrangements. A structured entity often has some or all of the following features or attributes:</p> <ol style="list-style-type: none"> <li>a. restricted activities.</li> <li>b. a narrow and well-defined objective, such as to effect a tax-efficient lease, carry out research and development activities, provide a source of capital or funding to an entity or provide investment opportunities for investors and passing on risks and rewards associated with the assets of the structured entity to investors.</li> <li>c. insufficient equity to permit the structured entity to finance its activities without subordinated financial support.</li> <li>d. financing in the form of multiple contractually linked instruments to investors that create concentrations of credit or other risks (tranches).</li> </ol>
Subordinated liabilities	Financing received, regardless of its instrumentation, which ranks after the common creditors in the event of a liquidation.
Subsidiaries	<p>Companies over which the Group exercises control. An entity is presumed to have control over another when it possesses the right to oversee its financial and operational policies, through a legal, statutory or contractual procedure, in order to obtain benefits from its economic activities. Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than one half of an entity's voting power, unless, exceptionally, it can be clearly demonstrated that ownership of more than one half of an entity's voting rights does not constitute control of it. Control also exists when the parent owns half or less of the voting power of an entity when there is:</p> <ol style="list-style-type: none"> <li>a. an agreement that gives the parent the right to control the votes of other shareholders;</li> <li>b. power to govern the financial and operating policies of the entity under a statute or an agreement; power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body;</li> <li>c. power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.</li> </ol>
Tangible book value	Tangible Book Value represents the tangible equity's value for the shareholders as it does not include the intangible assets and the minority interests (non-controlling interests). It is calculated by discounting intangible assets, that is, goodwill and the rest of consolidated intangibles recorded under the public balance sheet (goodwill and intangible assets of companies accounted for by the equity method or companies classified as non-current assets for sale are not subtracted). It is also shown as ex-dividends.
Tax liabilities	All tax related liabilities except for provisions for taxes.
Territorial bonds	Financial assets or fixed asset security issued with the guarantee of portfolio loans of the public sector of the issuing entity.
Tier 1 Capital	Mainly includes: Common stock, parent company reserves, reserves in companies, non-controlling interests, deductions and others and attributed net income.
Tier 2 Capital	Mainly includes: Subordinated, preferred shares and non- controlling interest.
Unit-link	This is life insurance in which the policyholder assumes the risk. In these policies, the funds for the technical insurance provisions are invested in the name of and on behalf of the policyholder in shares of Collective Investment Institutions and other financial assets chosen by the policyholder, who bears the investment risk.



Value at Risk (VaR)	<p>Value at Risk (VaR) is the basic variable for measuring and controlling the Group's market risk. This risk metric estimates the maximum loss that may occur in a portfolio's market positions for a particular time horizon and given confidence level. VaR figures are estimated following two methodologies:</p> <ul style="list-style-type: none"> <li>a. VaR without smoothing, which awards equal weight to the daily information for the immediately preceding last two years. This is currently the official methodology for measuring market risks vis-à-vis limits compliance of the risk.</li> <li>b. VaR with smoothing, which weighs more recent market information more heavily. This is a metric which supplements the previous one.</li> <li>c. VaR with smoothing adapts itself more swiftly to the changes in financial market conditions, whereas VaR without smoothing is, in general, a more stable metric that will tend to exceed VaR with smoothing when the markets show less volatile trends, while it will tend to be lower when they present upturns in uncertainty.</li> </ul>
Variable Fee Approach (VFA)	<p>This is one of the three measurement models for the valuation of insurance and reinsurance contracts. Applies to those insurance contracts in which the requirements established by IFRS 17 par.B101 are met: fully identified underlying assets, significant participation of the policyholder in the profitability of the underlying assets and that the payment of future benefits is significantly related to the value of the underlying assets.</p>
Watch List (WL)	<p>Watch List is defined as such risk that, derived from an individualized credit assessment, involves a significant increase in credit risk from the moment of origination, due to economic or financial difficulties or because it has suffered, or is estimated to suffer, adverse situations in its environment, without meeting the criteria for its classification as non performing.</p>
Write-off	<p>When the recovery of any recognized amount is considered to be remote, this amount is removed from the balance sheet, without prejudice to any actions taken by the entities in order to collect the amount until their rights extinguish in full through expiry, forgiveness or for other reasons.</p>
Yield curve risk	<p>Risks arising from changes in the slope and the shape of the yield curve.</p>